Fulcrum Asset Management LLP

Responsible Investment Policy

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FULCRUM

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1. Commitment to Responsible Investment

Fulcrum Asset Management LLP ("**Fulcrum**" or the **"Firm**") gives careful consideration to its involvement in and responsibility to the financial markets and further afield. Fulcrum is conscious of the many challenges facing society and the natural environment, and the role capital markets play in this. We are also aware of the risks originating from unsustainable economic activity that is motivated by mainstream economics' assumption of unlimited natural resources. We are strong supporters of the initiatives to create a more sustainable world and see that financial services should have an important role to play in this.

Fulcrum engages in responsible investment for two primary reasons. First, it is part of our fiduciary responsibility to consider all factors that affect investment performance. In this regard, it is crucial to consider sustainability risks alongside more traditional risk metrics in our philosophy and processes, to gain a more complete picture. This is especially true at a time of high investor and policymaker focus in this area, which therefore carries implications for asset pricing. It is our firm conclusion that investing in a responsible manner will improve risk-adjusted returns for our clients in the long run. Secondly, we are conscious that we do not operate in isolation and that the way we invest or manage our assets might impact, positively or negatively, environmental and social sustainability objectives. We also believe that it is part of our responsibility to our clients to consider the impact their investments might have on society and planet. If we invest in a responsible manner, our partners, colleagues and clients can all be proud of their association with Fulcrum. This is a strong motivation.

The Firm's leadership, informed by its staff, have a particular concern about the devastating consequences of accelerating climate change, and an awareness of how, left unmitigated, this poses a risk to investments. At the same time, the global response to climate change and the energy transition brings opportunities for the financial sector. Consequently, investing in a climate-aligned manner is important for us and we aim to embed this across the firm.

Overall approach to Responsible Investment

At Fulcrum, we think about responsible investment as the overarching umbrella of a range of activities, which we break into three groups:

- Enabling our investment professionals to consider sustainability considerations in their investment decision-making
- Stewardship, i.e. being active owners by exercising our voting rights and engaging primarily with investee companies, but also with other investors and governments
- Policy-setting, and the communication and interaction with clients on these issues.

Fulcrum acknowledges the complexities inherent in responsible investing, in particular the ongoing evolution of the best practices in the asset management industry, as well as the challenges associated with making ethical judgements on competing arguments inherent in many responsible investment decisions. We also acknowledge that the area of responsible investment is subject to rapid change with extensive innovation and new standards. We aim to integrate our thinking on this across all the asset classes we are invested in but are aware that relevance and application will vary. As far as possible, we aim to apply our thinking on responsible investing, such as the integration of sustainability risks and stewardship, on a firm-wide basis. However, the direct application of sustainability-related considerations will necessarily vary depending on the product. Ultimately, we wish to broaden this as far as possible over time.

Principles for Responsible Investment ("PRI")

Fulcrum is committed to the PRI and became a signatory in 2015. We consider being a responsible investor to be part of our role, and define this as acting in the best long-term interest of our clients, where we consider the impact of our investments might have on the environment and society.

As a PRI signatory Fulcrum commits to incorporate the consideration of sustainability issues into our investment analysis, decision-making process (see section 4). We also commit to be an active owner, seeking appropriate transparency and disclosure from entities in which we invest (see section 3). We actively promote the acceptance of the Principles through our engagement with external managers (see section 5). Annually we report to the PRI on how we do the above and we are open to engaging with them further on implementing the Principles.

2. Responsible Investment Governance Structure

This Policy is produced and overseen by the Fulcrum Responsible Investment Committee ("RIC") and reviewed on a quarterly basis.

Responsible Investment Committee

The Committee reports to the Management Board and is mandated to review and incorporate responsible investing elements into the Fulcrum investment processes and to implement initiatives where we can improve as a business. It also ensures that our policy activities are aligned with our position on sustainable finance and our commitment to the PRI. The committee comprises members of the Risk, Investment Management and the Management Board.

Stewardship Committee

The Stewardship Committee is a sub-committee of the RIC and oversees the Firm's voting and engagement procedures.

3. Sustainability-related Financial Disclosures Requirement (SFDR)

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "SFDR").

Sustainability Risk Policy

Section 4 addresses the requirements of Article 3 of SFDR to disclose how the firm integrate sustainability risks into the investment decision-making process. The likely impacts of such risks on the returns of each fund are further outlined in the relevant prospectus.

Categorisation of the Funds

The Fulcrum UCITS SICAV - Fulcrum Climate Change Fund ("FCC") is considered to fall within the scope of Article 9 as it targets a sustainability objective. Fulcrum UCITS SICAV – Fulcrum Thematic Equity Market Neutral Fund and Fulcrum UCITS SICAV – Fulcrum Diversified Absolute Return Fund both fall within the scope of Article 8. The remaining of Fulcrum's managed funds are deemed to fall within the scope of Article 6. Detailed disclosures for these managed funds shall be maintained in the relevant prospectus.

Consideration of Principal Adverse Impacts

We are conscious that investments might also have a negative impact and that certain asset classes in which we invest may attract added attention from a responsible investment perspective. We have conducted in-house research to guide and enhance the rigour of our investment process in these specific markets.

Marketing Communications

Fulcrum shall ensure that its marketing communications do not contradict the information disclosed pursuant to the SFDR.

4. Integrating sustainability considerations in our investment approach

We define sustainability risks in a broad sense, encompassing events or considerations relating to how companies are run, their impacts on employees, society and the environment, which could cause an actual or potential material impact on the value of investments. We define *sustainability integration* as the consideration of an investment's sustainability risks and opportunities in the investment decision-making process, by evaluating how likely these are to contribute to or detract from financial returns.

Guidelines on sustainability factors

Fulcrum encourages its portfolio managers and researchers to consider sustainability factors in the identification and assessment of investments. These factors are interpreted as:

Environmental factors: issues relating to the quality and functioning of the natural environment and natural systems. In particular, we regard climate change as one of the largest risks facing investors over the medium- to long-term, and we believe that climate-aligned investing can boost risk-adjusted returns.

Social factors: issues relating to the rights, well-being and interests of people and communities.

Governance factors: issues relating to the governance of companies and other investee entities.

Capability-specific guidelines

A high-level overview of how sustainability risks are considered across capabilities is outlined below:

Sustainability risks and opportunities including climate risk, biodiversity, diversity and inclusion, and human rights can have a meaningful impact on investment outcomes. They are important as they can directly or indirectly impact long-term value creation for shareholders, or the ability of a borrower to repay.

We are guided by our values as we integrate sustainability considerations across our capabilities and we aim to produce thoughtful research on this topic. The research we conduct informs our investment thinking as we gradually evolve our investment process over time.

We do not invest in companies involved in controversial weapons, tobacco and predatory lending. In the derivative markets we have an exclusion on trading in Palm Oil futures contracts given the substantial environmental challenges within this industry. In certain strategies, we also have restrictions around companies materially involved in activities that are deemed incompatible with the net zero transition (such as thermal coal and oil sands).

The nuances of sustainability integration depend on strategy, asset class and time horizon. Hence, we have adopted a thoughtful approach to how we integrate sustainability across our various strategies. For example:

Discretionary Strategies:

- Our strategic equity allocation is entirely invested in companies that are aligned to the Paris Agreement's temperature target of below 2ºC.

- Our thematic equity approach has led to numerous, targeted, investment ideas such as our climate solutions strategy.

Alternative Solutions:

- Sustainability is central to our manager research and selection process. We use our proprietary scoring methodology to assess sustainability risks and opportunities.

- We develop short and mid-term engagement plans for external managers and improvement plans for individual assets.

Quantitative Strategies:

- Sustainability risk data is systematically integrated into some of our quantitative models.

We incorporate environmental, social and governance country scores into our systematic, trend-following strategy to select stock markets, bond markets, currencies and commodities from jurisdictions with lower sustainability risks.

Climate-related risks and opportunities

Fulcrum have been a supporter to the Task Force for Climate-related Financial Disclosures ("TCFD") since 2019. More details and data on how Fulcrum incorporates the TCFD recommendations in our strategies can be found in our Stewardship Report, as well as fund-specific sustainability reports, where appropriate.

5. Stewardship

We are a signatory to the UK Stewardship Code (since 2021) and have published a UK Stewardship Report which is available on our website.

Fulcrum's key stewardship objective is to act as a responsible owner. The firm has chosen to prioritise climate change (linked to Sustainable Development Goal 13: Climate Action) as a sustainability topic, as this is seen as particularly relevant to our investments and has a multiplier effect. This informs how we vote and how we engage (both directly and collectively).

Voting

Where we invest directly in equities, we understand the critical importance of good governance. We have appointed Glass Lewis, a leading independent corporate research house, to provide us with their independent research which is our default election and fulfil our corporate governance obligation with respect to voting through our connection to the Broadridge platform. We have decided to use Glass Lewis' "Climate Policy" to reflect the particular importance of climate change in our process.

Further information about our voting procedures can be found in the Proxy Voting Policy available on our website.

Engagement

We approach engagement in two ways: by directly engaging with companies (that we hold cash equity positions in) or external managers of the funds in which we invest and by participating in collective engagement efforts. We primarily engage with companies rather than with governments, in line with our investment strategies. If we find our engagement strategies do not succeed over time, we will consider escalation options such as votes against individual directors or their pay, support for shareholder proposals or divestment. However, we believe that the best impact can be achieved by acting as responsible and active owners, using our influence to drive meaningful, long-term improvements in the practices of companies and fund managers alike.

Direct engagement

Sustainability is and has been a key focus for the Firm. Our engagements are focused on four key areas: Climate Change, Biodiversity, Diversity, Equity & Inclusion and Anti-Microbial Resistance. We view all our engagements through a Just Transition lens.

Our investment approach to physical equities is thematic by its nature and consequently we own large numbers of stocks in very diversified portfolios. Notwithstanding this, we regularly meet with company management and have opportunities to engage, even though we are relatively small shareholders. We have created an engagement portfolio with 10 companies that we intend to hold for the long-run and prioritise engagement.

In our Alternative Solutions, where we work with external managers, we not only integrate sustainability in the due diligence and manager onboarding process, but we have created short and mid-term engagement plans to facilitate targeted engagement on an annual basis. The area of engagement that we focus on with external managers depends on the extent to which sustainability-related integration is effective in their business and investment processes.

Collective engagement

Fulcrum may liaise and align with industry groups, to leverage increased influence via aggregation and alignment of voting. We aim to collaborate with external sustainability initiatives and have joined several initiatives as signatories or supporters including: the Institutional Investors Group on Climate Change ("IIGCC"), the Taskforce on Climate-Related Financial Disclosures ("TCFD"), Climate Action 100+, CDP (formerly the Carbon Disclosure Project), and the Net Zero Asset Managers Initiative.

Further information about our engagement procedures can be found in the Engagement Policy available on our website.

6. Exclusions

Fulcrum portfolio managers are excluded from investing in a specific list of sectors across all pooled vehicles: controversial weapons, tobacco, and predatory lending. As a result, where we invest in equities, we do not invest in companies that contravene our screening protocol. The criteria does not apply to investments where we do not have discretion over security selection (e.g. index derivatives). The screens are implemented in accordance with set filters that have been agreed by the RIC. Marginal cases will be discussed and, if necessary, voted on at the RIC.
In the selection of external managers, we adhere to the screening protocol by avoiding any investments in any funds where the particular manager discloses that, in aggregate, more than 5% of that fund is invested in securities that a) generate a major part of their revenue from tobacco related activities, b) are not compatible with the controversial weapon and predatory lending list.

We provide further detail on our exclusion criteria below:

Controversial Weapons

- Depleted Uranium Manufacturer – SCREENED
- Ownership of the above – SCREENED
- White Phosphorous – SCREENED
- Land Mines any tie – SCREENED
- Ownership of the above – SCREENED
- Cluster munitions any tie – SCREENED
- Ownership of the above – SCREENED
- Bioweapons systems and components – SCREENED
- Ownership of the above – SCREENED
- Blinding laser – SCREENED
- Ownership of the above – SCREENED
- Non-detectable Fragments – SCREENED
- Ownership of the above – SCREENED

Tobacco

- Involvement in tobacco production – SCREENED >0% (revenue)
- Involvement in tobacco suppliers – SCREENED >5%
- Involvement in tobacco licensor – SCREEENED >5%
- Involvement in tobacco distributor– SCREEENED >5%
- Involvement in tobacco retailer – SCREEENED >5%

Payday Lending

- Involvement in predatory lending through its operations – SCREENED

In the derivative markets we have an exclusion on trading in Palm Oil futures contracts given the substantial environmental challenges within this industry.

Specific Client or Fund Restrictions

Should clients have values of their own in the context of their investment decision-making, we will do our best to accommodate these in segregated/bespoke mandates. For example, recreational cannabis may form the basis of a client-specific or bespoke fund exclusion as opposed to a firmwide exclusion. In these cases, we will work to establish an appropriate materiality threshold. An example is provided below:

- Involvement in the production or retail of recreational cannabis – SCREEENED >5% (revenue)
- Significant ownership in the production or retail of recreational cannabis – SCREEENED >5%

In select funds we have implemented restrictions around companies materially involved in activities that are deemed incompatible with the net zero transition (such as the development of new thermal coal mining and oil sands projects).

Sanctioned Counties and Entities

Fulcrum excludes portfolio managers from making any new investments in sovereign assets under sanction by the US, UK, EU, Australia and Luxembourg. Additionally, Fulcrum will not make any new investments in Russian sovereign or corporate entities.

7. Reporting

Internal reporting and verification

We periodically calculate and review, where possible, certain sustainability metrics for our portfolios that include direct equity investments.

External reporting

Fulcrum reports on responsible investment issues to clients on request, as well as publicly, in firm-wide stewardship reports, and strategy-specific sustainability updates.

8. Conflicts of Interests

For information about how Fulcrum handles conflicts of interests related to responsible investments, please see our dedicated Conflicts of Interest Policy.

9. Conclusion

Fulcrum is committed to this Responsible Investment Policy and to the continued collaboration with industry networks focused on responsible investment. We recognise and aim to address, wherever possible, the challenges of implementation for a macro manager, in line with our ambition to be innovative, as expectations of best practice – as well as the investment universe – evolve.