

February 29, 2024

Diversification

Generate returns with a low correlation to stocks and bonds.

Downside Mitigation

Seeks to hedge against extreme losses.

Liquidity

Daily valued and reasonable fees.

Description

Fulcrum Diversified Absolute Return (FARIX) can help diversify a portfolio consisting primarily of stocks and bonds with its low correlation and beta to both, along with good historical downside mitigation during volatile periods for markets. Target return of Cash + 3-5%.

Fund Information

Institutional Class	Management Fee	Gross Expenses	Net Expenses*	Strategy Start Date	40 Act Launch Date	Fund AUM (\$)	Strategy AUM (\$)	Firm AUM (\$)
FARIX	0.90%	1.40%	1.20%	09/2008	7/31/2015	\$206m	\$6.4bn	\$7.9bn

*Contractual through October 31, 2024

Investment Committee

Our disciplined investment process and risk management is driven by an experienced and stable senior team, who have complementary strengths and are supported by a team of over 30 investment professionals.

Gavyn Davies,

Founding Partner & Executive Chairman



- BBC, Executive Chairman
- Goldman Sachs, Chief Economist, Managing Director and Partner
- HM Treasury Forecasting Panel UK
- Policy Unit at 10 Downing Street, Economic Policy, Economist, then advisor to the Prime Minister
- St John's College, Cambridge

Suhail Shaikh, CFA

Partner, Chief Investment Officer



- Goldman Sachs, Investment Strategy Group, Global Equity, then Global Fixed Income & Currency Asset Management
- London School of Economics & Political Sciences, BSc in Management
- CFA Charterholder

Andrew Bevan, PhD

Partner, Economic Advisor



- Goldman Sachs, Managing Director, Head of Global Markets Research
- Bear Stearns, Managing Director, Head of Financial Analytics and Structured Transactions Group
- PhD International Monetary Economics, PhD in Theology

Net Performance

	As of February 29, 2024			As of December 31, 2023				
	February	YTD	Since Inception**	Q4-23	1 Year	3 Year	5 Years	Since Inception**
Fulcrum Diversified Absolute Return	1.54%	2.32%	2.71%	2.99%	0.71%	2.32%	4.67%	2.48%
Wilshire Liquid Alternatives¹	0.99%	3.40%	1.79%	1.89%	4.42%	1.06%	2.58%	1.43%
HFRX Global Hedge Fund Index²	0.92%	1.24%	1.72%	1.70%	3.10%	0.71%	3.46%	1.60%
Bloomberg US Agg Total Return³	-1.41%	-1.68%	1.15%	6.82%	5.53%	-3.31%	1.10%	1.38%

Note: returns for periods greater than one year are annualized. **Inception date: July 31, 2015. ¹Represents the Wilshire Liquid Alternative Index which measures the collective performance of the five Wilshire Liquid Alternative strategies that make up the Wilshire Liquid Alternative Universe. It is designed to provide a broad measure of the liquid alternative market by combining the performance of the Wilshire Liquid Alternative Equity Hedge Index (WLIQAEH), Wilshire Liquid Alternative Global Macro Index (WLIQAGM), Wilshire Liquid Alternative Relative Value Index (WLIQARV), Wilshire Liquid Alternative Multi-Strategy Index (WLIQAMS) and Wilshire Liquid Alternative Event Driven Index (WLIQAED) (Bloomberg ticker: WLIQA). ²The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. (Bloomberg ticker: HFRXGL). ³Represents the Bloomberg US Agg Total Return Value Unhedged USD, a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency) (Bloomberg ticker: LBUSTRUU).

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-855-538-5278.

Portfolio Performance

In February, markets were impacted by several large – and at times conflicting – cross-currents. In the first half of the month, a sequence of upside surprises in US inflation data led to a significant move in short-term interest rates, with market expectations moving to three, from four, Federal Reserve rate cuts by the end of 2024. While this had negative implications in the global fixed income space, equity markets continued to build on their strong start to the year.

This came alongside continued economic optimism in the US, centred around Artificial Intelligence (AI)-related companies and bolstered by very strong earnings results reported by chipmaker Nvidia. Moreover, survey data pointed to a general upturn in global manufacturing activity, which had been in a state of contraction for several months. This strength saw the US dollar move higher.

Elsewhere, Bank of Japan (BoJ) officials hinted at a forthcoming interest rate increase in April on the back of robust inflation. If followed through, this would mark an exit from 8-years of negative short-term interest rates, though officials continue to emphasize that any hiking cycle will be gradual. Meanwhile, Chinese markets rebounded from their recent lows, though general economic sentiment remained weak. Commodities were mixed, with oil prices rising, while natural gas and precious metals were weaker.

The fund posted a positive performance of 1.54% in February. Gains were spread across Dynamic Asset Allocation (DAA), Discretionary Macro (DM) and Diversifying Strategies (DS).

Within DAA, gains were led by a long exposure to equities, which more than offset the drag from exposure to developed market duration in fixed income, whilst commodities were flat.

DM made a positive contribution over the month, although performance was polarised across strategies. Thematic Equity Market Neutral had another stellar month, with all of the underlying themes contributing positively to performance. Consumer and Healthcare positions, linked to the obesity treatment theme, did particularly well, as did the focus on companies poised to benefit from the boom in AI take up.

Our long position in Japanese equities, reflecting our expectations that Japanese corporates will fare well in a reflationary environment, were also additive in February. The various expressions of this view benefitted from the rhetoric from the Bank of Japan about the future path of interest rates. Volatility strategies, including volatility carry, dispersion and relative value volatility, were buoyed by relatively calm markets.

It was a more difficult month for Fixed Income, with negative returns coming from our long US, UK and European rates positioning as the timeline for potential rate cuts was pushed further out. Long yen positions challenged performance in the currency space, while our European emissions position caused Commodities to lag in February, as mild weather reduced demand for emissions allowances. Our Macro Models were held back by weakness in their activity-based and basis-momentum strategies.

Elsewhere, DS saw gains, successfully capitalizing on the equity market rally and capturing the strong trends in particular commodity markets such as cocoa and natural gas.

Portfolio Positioning & Outlook

Fulcrum Diversified Absolute Return consists of three proprietary sub-strategies of Dynamic Asset Allocation, Discretionary Macro and Diversifying Strategies.

Dynamic Asset Allocation

There were minimal changes to the asset class weights this month. While low volatility has seen the equity weight rise slightly, high price-dividend multiples continue to weigh on the future return outlook. The highly inverted yield curve continues to dent the attractiveness of developed market fixed income, which is also reflected in the above average cash allocation.

Discretionary Macro

We remain selectively long duration in Fixed Income, centred on the long end of the European bond market. On a relative value basis, we continue to see a case for the spread of US over Euro Area and UK interest rates to increase. The latest data indicates a higher level of underlying inflationary pressures in the US, which should keep the Fed vigilant in the near term.

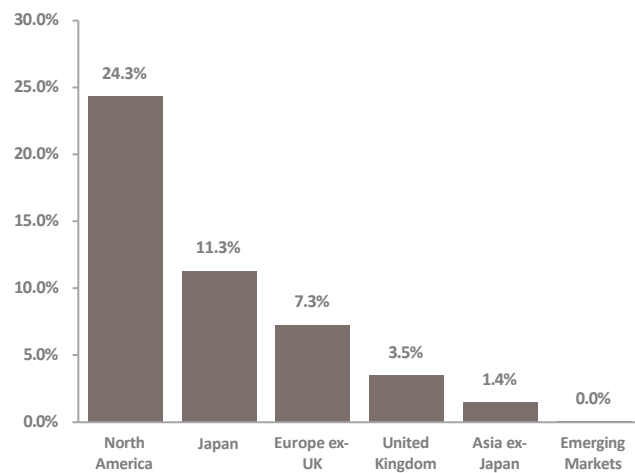
Diversifying Strategies

Despite low trend strength in many asset classes, portfolio diversification remains high and the active risk control component remains towards the upper end of its range. Positioning outside of credit and equities is light, with net exposure in fixed income, the dollar and commodities close to flat.

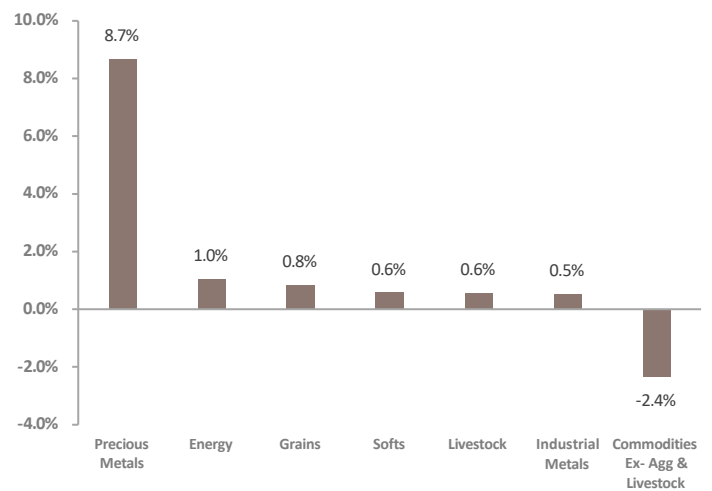
Overall

The portfolio is running at the higher end of our historical equity allocation, but our equity put allocation acts as downside protection, while hybrid option structures will benefit if there is a spike in inflation that sees a rally in the US dollar alongside equity market declines.

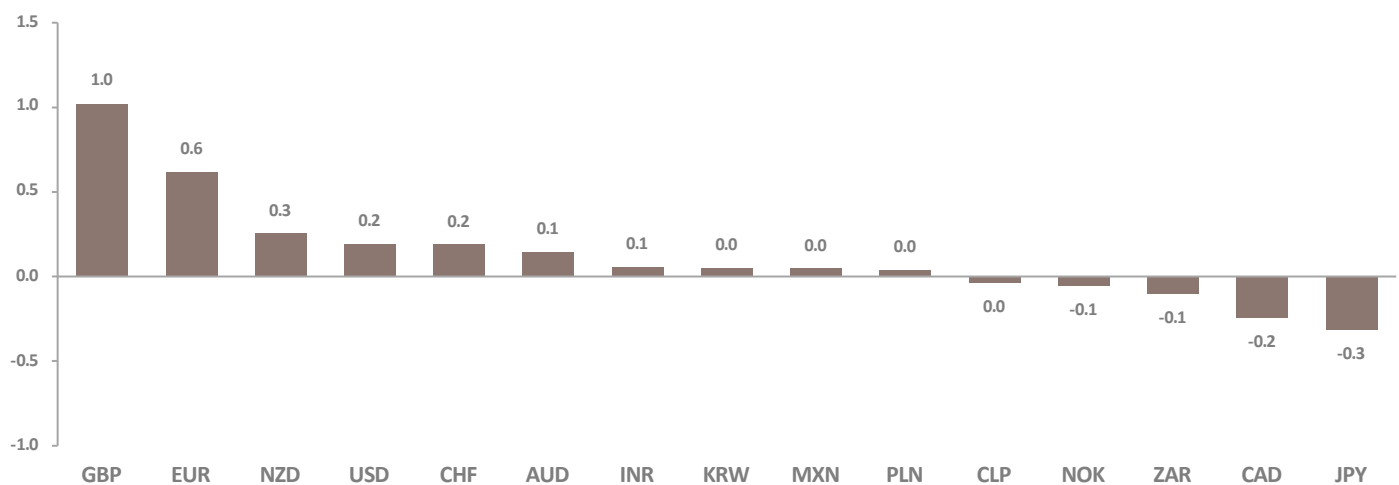
Net Equity Exposure by Region: 47.8%



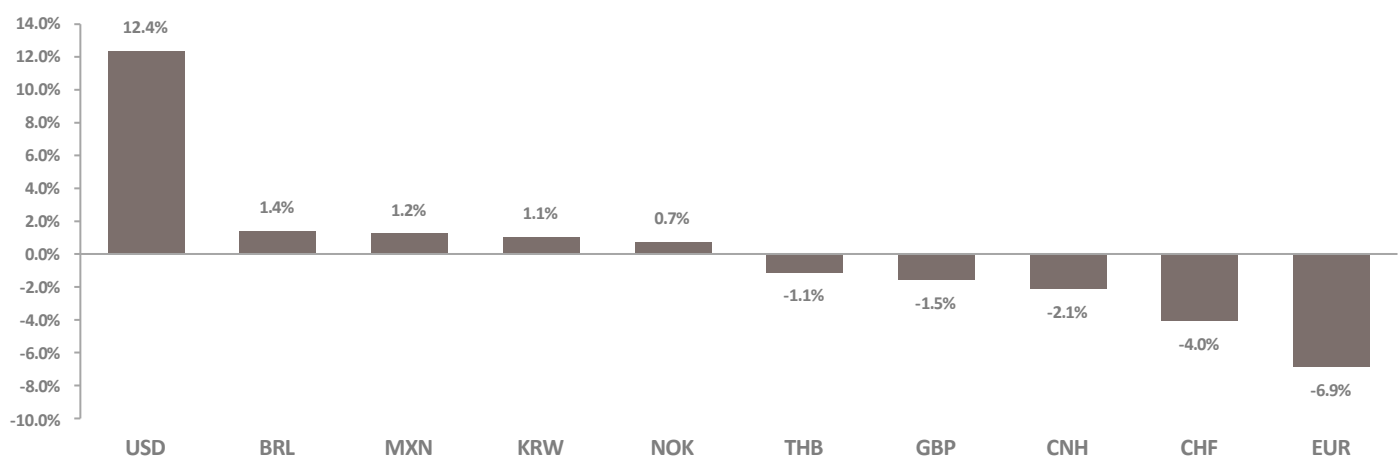
Net Commodity Exposure: 9.9%



Net Duration Exposure (years): 1.8



Net Currency Exposures



Data as at 02/29/2024. Source: Fulcrum Asset Management LLP.

Investment Process

All weather portfolio investing across equities, bonds, currencies and commodities, built from complementary strategies combining discretionary and systematic inputs, with each playing a specific role and contributing to performance. Tailored hedging overlay aims to protect against extreme losses.

	Dynamic Asset Allocation	Discretionary Macro	Diversifying Strategies	Diversified Absolute Return
Description	Medium term directional views across global equities, commodities and bonds	Shorter term trading of economic/market transitions across all asset classes	Medium term trend following, technical signals on >170 markets	Absolute Return
Percentage of Portfolio Risk	30-40%	40-50%	0-10%	5.0% Portfolio Standard Deviation ⁴
Expected Beta to Equities ⁵	+0.3	-0.1	+0.1	+0.2

About Fulcrum

- Founded in 2004, Fulcrum is a highly innovative, employee-owned asset manager with a focus on macro-orientated absolute return investment strategies, integrating both discretionary and systematic inputs.
- The firm manages \$7.9bn on behalf of a global client base of institutions, wealth managers, endowments & foundations, and private investors.
- The same senior investment team has managed the strategy from inception and worked together at Goldman Sachs through several decades and all manner of market environments.
- With a disciplined investment process and effective risk management, our aim is to be our clients' most trusted long-term partner.

⁴Standard Deviation - Measures historical variability of returns around the average for an individual position, asset or group of assets. Higher standard deviation suggests greater risk.

⁵Expected Beta to Equities - A measure of the volatility of a security or portfolio compared to the market as a whole. Specifically, outlines the anticipated beta value associated with a portfolio's equity holdings. By multiplying the beta value of a given strategy or portfolio with the expected movement of the aggregated securities, the expected change in the overall risk of the portfolio can be determined.

Disclosure

As of the prospectus dated October 30, 2023, the Adviser has contractually agreed to waive a portion or all of its management fees and pay Fund expenses in order to limit the total annual fund operating expense to 1.05% through at least October 31, 2024 excluding shareholder servicing fees; any front end or contingent deferred loads; brokerage fees and commissions; acquired fund fees and expenses ("AFFE"); fees and expenses associated with investment vehicles or derivative instruments; borrowing costs; taxes; and extraordinary expenses, such as litigation expenses.

The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus and summary prospectus contain this and other important information about the investment company, and it may be obtained by calling 1.855.538.5278, or visiting www.fulcrumassetfunds.com. Read them carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Absolute return strategies are not designed to outperform stocks and bonds during strong market rallies. Exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities. The value of commodity-linked derivative investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments. The Fund may use leverage which may exaggerate the effect of any increase or decrease in the value of portfolio securities or the Net Asset Value of the Fund, and money borrowed will be subject to interest costs. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater in emerging markets. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Diversification does not assure a profit nor protect against loss in a declining market.

The Fulcrum Diversified Absolute Return Fund is distributed by Northern Lights Distributors, LLC. Fulcrum Asset Management LLP is not affiliated with Northern Lights Distributors, LLC. 17983871-NLD-03152024.

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