FULCRUM DIVERSIFIED ABSOLUTE RETURN FUND (USD)

Quarterly Investment Review

4Q 2023

FULCRUM

Investment innovation
Macro foundations

FULCRUM

Contents

Net Performance

As of December 31, 2023								
	Q4	YTD	1 Year	3 Years	5 Years	Since Inception[1]	Equity Correlation[5,6]	Fixed Income Correlation[5,7]
FARIX	2.99%	0.71%	0.71%	2.32%	4.67%	2.48%	0.4	-0.1
Wilshire Liquid Alternative[2]	1.89%	4.42%	4.42%	1.06%	2.58%	1.43%	0.9	0.4
HFRX Global Hedge Fund Index[3]	1.70%	3.10%	3.10%	0.71%	3.46%	1.60%	0.8	0.2
Bloomberg US Agg Total Return[4]	6.82%	5.53%	5.53%	-3.31%	1.10%	1.38%	0.4	1.0

Fulcrum Diversified Absolute Return Institutional Class has a gross expense ratio of 1.40% and a net expense ratio of 1.20%.

Returns for periods greater than one year are annualized. [1]Inception date: July 31, 2015. [2]Represents the Wilshire Liquid Alternative Index (Bloomberg ticker: WLIQA). [3]Represents the HFRX Global Hedge Fund Index (Bloomberg ticker: HFRXGL). [4]Represents the Bloomberg US Agg Total Return Value Unhedged USD (Bloomberg ticker LBUSTRUU). [5]Data analysis provided since inception of the Fund. [6]Represents MSCI World TR USD Hedged (Bloomberg ticker: WHANWIHD). [7]Represents Bloomberg Global Aggregate Total Return Index Value Hedged USD (Bloomberg ticker: LEGATRUH). Source: Fulcrum Asset Management LLP, Bloomberg.

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. Performance shown reflects contractual fee waivers. Without such waivers, total returns would be reduced.

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 October 31, 2024. This limit excludes 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 in other collective investment vehicles or derivative investments; 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.

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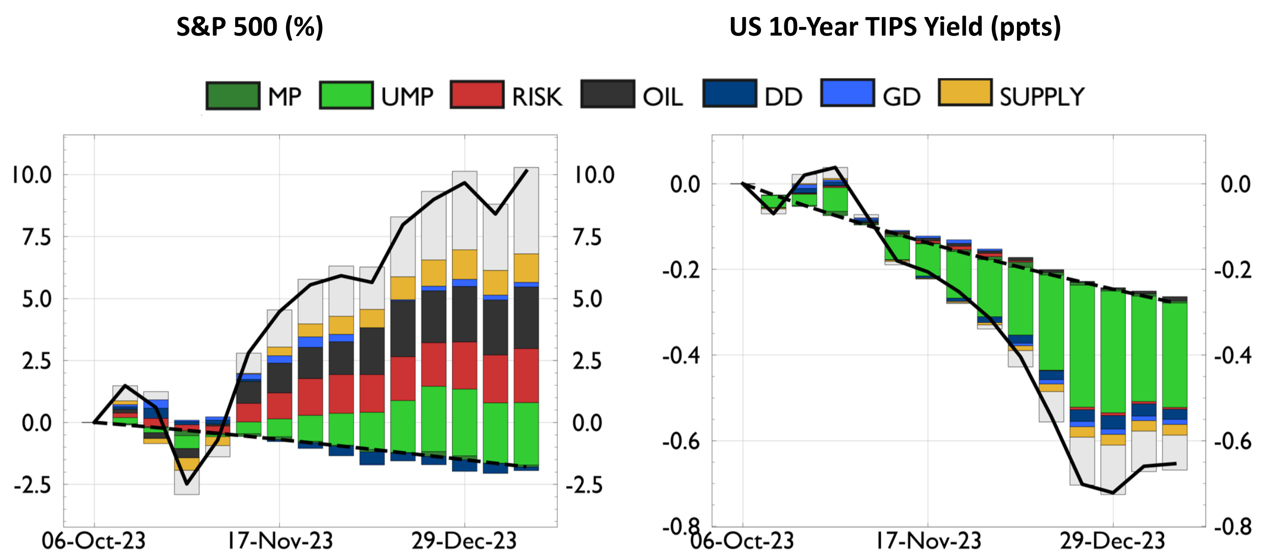
Market Review

The fourth quarter of 2023 saw a broad-based recovery in markets, with global equities returning 11.2%[1] alongside 8.1%[2] from bonds. Valuations were bolstered by a deceleration in the Federal Reserve's preferred inflation measure – the core Personal Consumption Expenditures (PCE) index – which posted its slowest pace of growth in over 2 years. This, combined with dovish guidance from Fed officials, led to a widespread perception of easier monetary policy going forward (see Figure 1), both in the US and abroad. Equities also benefited from a general improvement in risk sentiment, as well as the -16.7%[3] fall in energy prices led by fears of weak oil demand and possible oversupply (see Figure 1). This contrasts with precious metals, which saw double digit gains amid a sharp fall in real interest rates and a -4.6% slump in the US dollar[4].

Figure 1: Structural Market Decompositions (Cumulative Change Since Oct 6th)[5]



Source: Fulcrum Asset Management LLP
Note: Data from 2023-10-06 to 2024-01-12.

The quarter began with a sell-off across global markets in October, led by strong US economic data and elevated core inflation readings. Despite a surge in geopolitical risk following the outbreak of conflict in the Middle East, oil prices had reversed their spike by the end of the month. Sentiment underwent a significant change in November however, as inflation data improved, and the Fed's Waller openly mulled the prospect of rate cuts next year.

[1] MSCI AC World Total Return Gross USD (Bloomberg Ticker: GDUEACWF Index)
[2] Bloomberg Global-Aggregate Total Return Index (Bloomberg Ticker: LEGATRUU Index) [3] S&P GSCI Energy Total Return CME (Bloomberg Ticker: SPGSENTR Index)
[4] US Dollar Index Spot Rate (Bloomberg Ticker: DXY Curncy)
[5] Figure 1 shows the results from a model which estimates movements in the S&P 500 and US 10-Year TIPS Yield as a function of fundamental structural shocks hitting the economy. These shocks are: Monetary Policy (MP, dark green), Unconventional Monetary Policy (UMP, light green), Risk Sentiment (RISK, red), Oil Supply (OIL, black), Domestic Demand (DD, dark blue), Global Demand (GD, light blue) and non-oil Supply (S UPPLY, yellow). The remaining variation not explained by these shocks is shown in the grey bar. The shocks are identified using a Bayesian Structural VAR (SVAR) model which combines traditional sign restrictions with narrative restrictions relating to key historical market events. The dashed line represents the SVAR's forecast in the absence of any structural shocks.

The December meeting of the Federal Open Market Committee (FOMC) further stoked market expectations of a significant policy easing, with the Fed itself projecting a median of -75bps worth of rate cuts in 2024. At the subsequent press conference, Chair Powell added to the dovish tone, expressing general confidence that inflation would continue to decline, and that the economy was benefiting from large supply-side gains. In the backdrop, US economic growth remained robust, posting a 5% (QoQ, annualised) growth rate in Q3 with firm activity continuing into Q4. This left both policymakers and markets optimistic that the economy could achieve a so-called 'soft landing' with inflation declining to 2% and growth remaining near trend.

Other developed markets also saw an improvement in the inflation picture, with the YoY change in the Consumer Price Index (CPI) falling to 3.9% and 2.4% in the UK and Euro Area, respectively. That being said, officials at the European Central Bank (ECB) were quick to temper expectations of imminent cuts. Several Bank of England (BoE) policymakers even voted for a rate increase at the November meeting, though the overall decision kept rates unchanged.

Elsewhere, the Bank of Japan (BoJ) defied market expectations of a change in its ultra-easy monetary policy stance, preferring to wait until further evidence of "achieving stable 2% inflation". In China, economic activity remained subdued, with continuing weakness in the property market and limited stimulus measures from the central government. As such, Chinese equities were a notable exception to the global rally, returning -6.8%[6] over the quarter.

[6] CSI 300 Total Return Index (Bloomberg Ticker: CSIR0300 Index)

Portfolio Review

Gains were led by Dynamic Asset Allocation (DAA) and Discretionary Macro (DM) over the period, offsetting declines from Diversifying Strategies (DS).

The majority of DM sub-strategies saw gains over the quarter. These were led by Fixed Income, which benefited from its long positioning in European, UK and New Zealand rates as duration rallied globally. On the Cross Asset side, positioning within Japanese equities benefited from expectations of an eventual shift in the BoJ's Yield Curve Control (YCC) policy.

Currencies had a negative quarter, driven mainly by losses from our short euro stance, which was hit by US dollar weakness. This was partially offset by gains coming from holdings of stable and high-carry Latin American currencies as well as our long Japanese yen positioning.

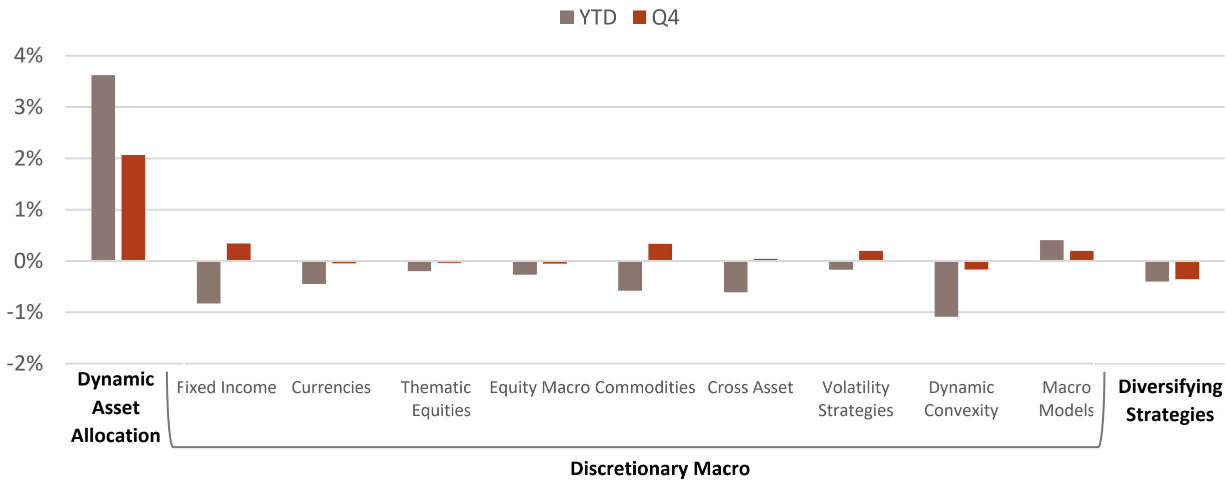
Thematic Equities were slightly lower over the quarter as gains from long US cement and housing positions were offset by losses from our short positions in challenged business models within the industrials and consumer sectors. Furthermore, Macro Equities posted small losses coming from our UK equities positions which proved challenging during the volatile equity markets in October. Meanwhile, Commodities added to performance, with our long precious metals stance benefiting from the global decline in interest rates.

Dynamic Convexity detracted throughout the quarter, with rising equity markets and lower oil prices causing losses in our Equity vs Oil hybrid positions. The generally bearish orientation of the book acted as a good diversifier in October and saw negative returns during the subsequent market rally.

Volatility strategies on the other hand benefited from the drop in volatility via volatility risk premia (VRP) and volatility-carry strategies in particular. Elsewhere, Macro Models had a strong quarter, successfully capitalising on trends in global activity and supply conditions.

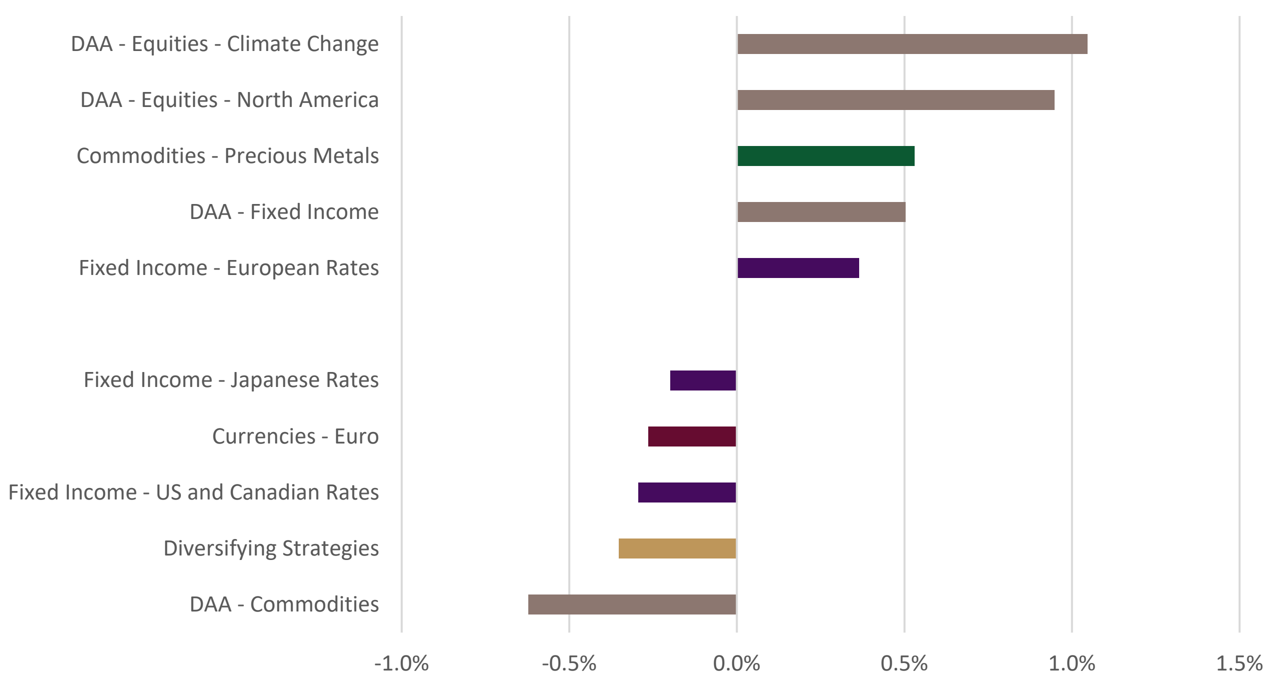
Within DAA, gains were led by positive exposure to equities, and to a lesser extent fixed income, as global markets rallied. This was partly offset by detractions from commodity holdings, which were hit by their exposure to energy. On the DS side, there were losses stemming from the trend reversal in interest rate and currency markets that occurred in November and December.

Figure 2: Fourth Quarter - Portfolio Attribution



For illustrative purposes only. Subject to change. Data as at 12/31/2023. Source: Fulcrum Asset Management LLP

Figure 3: Fourth Quarter – Top and Bottom Contributors to Portfolio Returns[7]



For illustrative purposes only. Subject to change. Data as at 12/31/2023. Source: Fulcrum Asset Management LLP

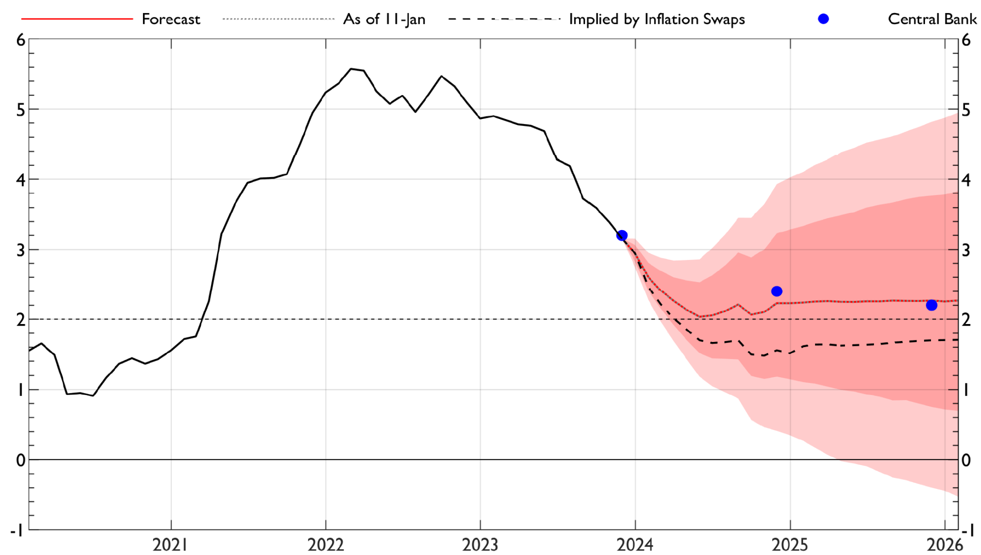
[7] Past performance is not a guide to future performance and future returns are not guaranteed.

Macro and Investment Outlook

Dis-inflation Opens Door to Eventual Policy Easing

The fourth quarter of 2023 saw a progressive improvement in inflation data across developed markets. In the US, while the rate of inflation as measured by the core CPI remained elevated at 3.9% (YoY), using the Fed's preferred measure, the core PCE, it fell to 3.2% (YoY). The recent pace of core PCE growth slowed more markedly, falling to 1.9% on a 6-month annualised basis in November. This decline in inflation momentum caused a downgrade in our US inflation forecast (see Figure 4). We now see the central path for US core PCE growth at settling just above 2%, albeit with significant uncertainty in either direction. Continued divergence between the CPI and PCE may cause market volatility, though Fed officials have explicitly focused on the latter. Inflation in the Euro Area and UK also hit multi-year lows, although the UK continues to have a more persistent inflation problem than other major economies.

Figure 4: US Core PCE Inflation (%, YoY)[8]

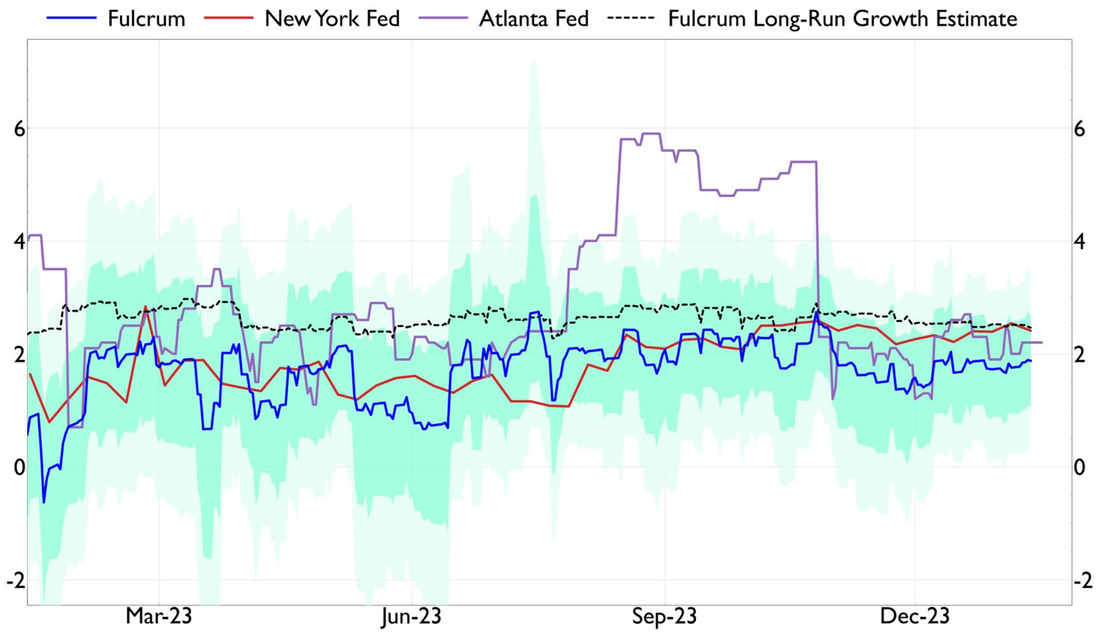


Source: Fulcrum Asset Management LLP
Note: Data from 2020-12-31 to 2023-11-30, forecasts thereafter

The improvement in the US inflation data caused a notable shift among policymakers, with Fed officials projecting 75bps worth of interest rate cuts in 2024 at the December FOMC meeting. That being said, current market pricing is already significantly ahead of this, seeing well over 100bps in cuts by the end of next year. Furthermore, our measure of US economic activity remained robust in Q4 (see Figure 5), following a 5% (QoQ, annualised) GDP expansion in Q3. With activity remaining strong and the labour market still tight by historical standards, the Fed may be unwilling to match the scale of monetary easing priced by markets.

[8] Figure 4 shows the results from Fulcrum's inflation model, estimated using Bayesian state-space modelling. The dark and light red shaded areas represent the 68% and 90% confidence intervals of the model, respectively.

Figure 5: US GDP Nowcasts (%, Ann.)[9]



Source: Fulcrum Asset Management LLP, New York Fed, Atlanta Fed
Note: Data from 2023-01-16 to 2024-01-16

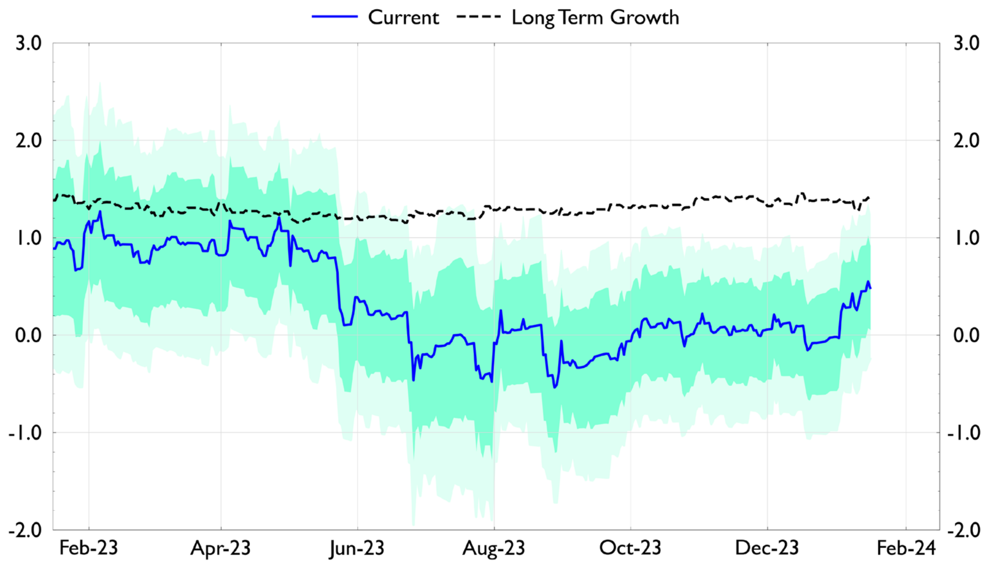
Europe Sees Nascent Recovery

In stark contrast to the US, economic activity was subdued in the Euro Area throughout the second half of 2023 (see Figure 6). The was brought lower by particularly weak activity in Germany, which has suffered from persistent industrial weakness and the impact of the 2022 energy price shock. Other countries performed better, although household consumption and business sentiment remained depressed across the bloc. Since the beginning of 2024 however, there has been a notable pickup in activity, with our model seeing the fastest rate of expansion since May of 2023 (see Figure 6). The proximate cause of these moves was the strong labour market data from Germany, as well as a general pickup in business and consumer surveys. This has caused our estimated recession probability to fall from 50% to 30% over the past several weeks (see Figure 7).

Going forward, there are reasons to believe that the European recovery could continue. Given the improvements in inflation, combined with still-solid nominal wage gains, real incomes are beginning to grow again. Additionally, European households continue to have a large amount of liquid savings acquired during the pandemic, which they have not depleted to the same extent as in the US. The key risk to the economy continues to be geopolitically induced energy market disruptions, as well as the lagged effect of monetary policy tightening.

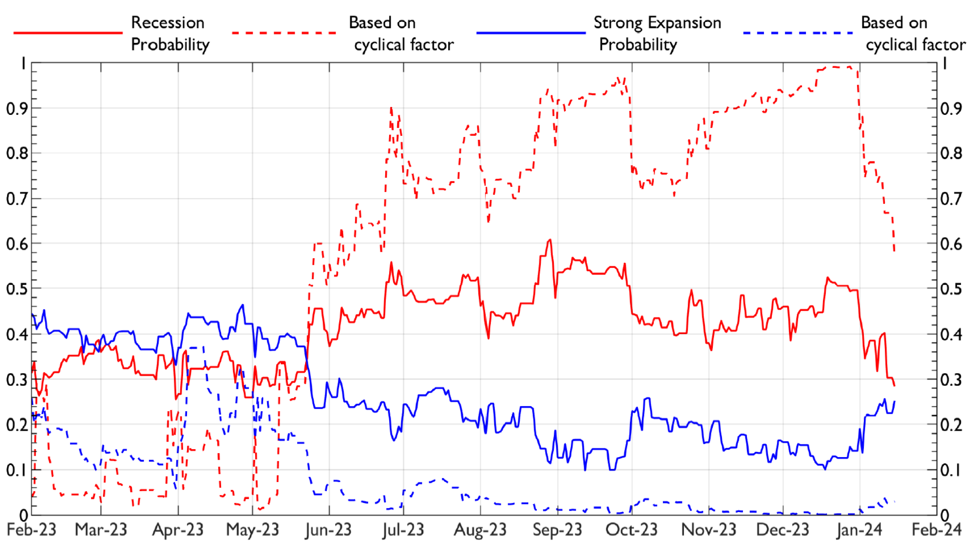
[9] The blue line in Figure 5 shows Fulcrum's proprietary nowcast, which is a Bayesian Dynamic Factor Model that takes a range of hard economic data and survey information to provide an accurate and timely indication of economic activity. The dark and light green shaded areas represent the 68% and 90% confidence intervals of the model, respectively. The red and purple lines show estimates from the New York and Atlanta Fed, respectively.

Figure 6: Euro Area GDP Nowcast (%, Ann.)[10]



Source: Fulcrum Asset Management LLP
Note: Data from 2023-01-16 to 2024-01-16

Figure 7: Euro Area Recession Probabilities[11]



Source: Fulcrum Asset Management LLP
Note: Data from 2023-01-30 to 2024-01-16

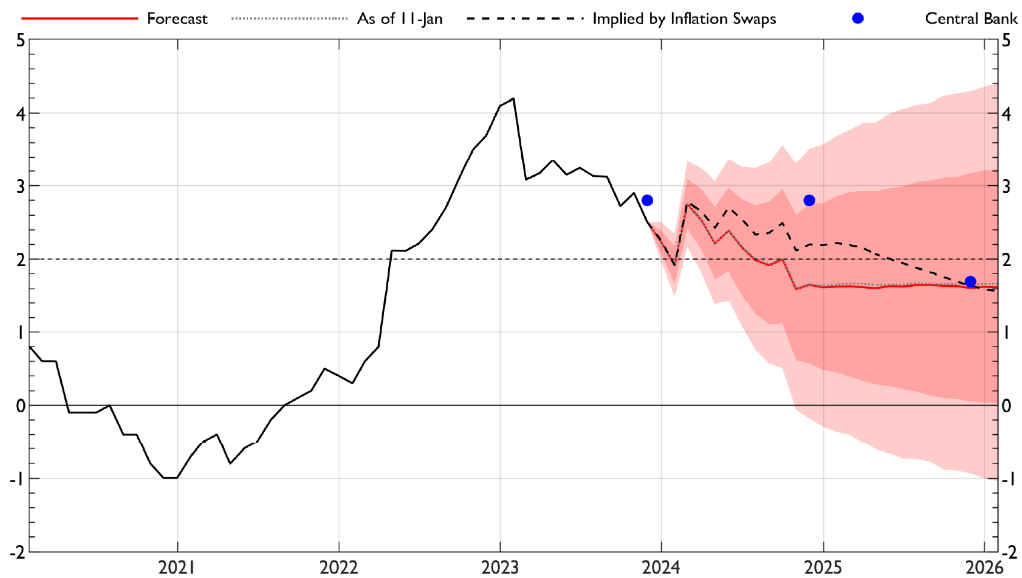
[10] The blue line in Figure 6 shows Fulcrum's proprietary nowcast, which is a Bayesian Dynamic Factor Model that takes a range of hard economic data and survey information to provide an accurate and timely indication of economic activity. The dark and light green shaded areas represent the 68% and 90% confidence intervals of the model, respectively.

[11] Figure 7 uses Fulcrum's nowcast to calculate recession over the next year, with the solid lines based on the definition of a recession as 2 consecutive quarters of GDP declines, and the dashed-lines based on a scenario of substantially below-trend growth.

Stage Set for BoJ Policy Shift

As in other countries, Japan saw inflation decline in 2023, from around 4% (YoY) at the start of the year to below 3% (YoY) by December. In contrast with major central banks, however, the BoJ did not tighten monetary policy over the year, opting to keep short-term interest rates negative and long-term rates capped under its YCC policy. Given the problems that the BoJ has had warding off deflation over the past several decades, it wants to ensure that inflation is stably anchored back at 2% before embarking on any significant tightening. Taking the latest data, our inflation model for Japan now points to a high probability of the inflation target being met over the medium term (see Figure 8).

Figure 8: Japan Headline Inflation Forecast (%, YoY)[12]



Source: Fulcrum Asset Management LLP
Note: Data from 2020-12-31 to 2023-11-30, forecasts thereafter

Combined with an improved inflation picture, Japan is also seeing relatively robust levels of economic growth, a tight labour market, and exuberant sentiment in domestic markets. This, in our view, sets the stage for an eventual exit from ultra-loose monetary policy by the BoJ, though it will likely continue to be gradual in its approach.

[12] Figure 10 shows the results from Fulcrum's inflation model, estimated using Bayesian state-space modelling. The dark and light red shaded areas represent the 68% and 90% confidence intervals of the model, respectively.

Final word

For DAA, the allocation to equities increased over the quarter as declining volatility boosted the attractiveness of the asset class. The allocation to commodities also rose, as the improvement in global growth sentiment boosted expected returns. Meanwhile, the Fixed Income allocation remained stable at an underweight level, with the highly inverted yield curve continuing to dampen the relative attractiveness vis-à-vis cash.

Moving to the DM part of the portfolio and Fixed Income, we maintain our long duration stance amid a continuation of global dis-inflationary pressures, alongside supportive guidance from policymakers. That being said, with the US economy remaining strong, the Fed may have room to pause further before considering large interest rate cuts. This, combined with the high bar set by the recent rally in front-end rates, leads us to express our long duration stance via the intermediate section of the yield curve.

Within Currencies, we continue to hold the Japanese yen. The more favourable policy and inflation backdrop in the US and Europe seems to have lowered the downside tail risk to holding the currency. Moreover, despite recent dovishness from the BoJ, our models continue to indicate a high likelihood of the 2% inflation target being met over the medium term. This, combined with a relatively strong domestic economy, should allow the BoJ to continue to normalise its highly accommodative policy stance.

In Commodities, we maintain short exposure to long-dated oil due to ample global supply conditions and the prospect of further tensions within OPEC+ (Organization of the Petroleum Exporting Countries). We prefer to hedge against elevated geopolitical risk via our precious metals holdings, though these too have been trimmed back given the substantial decline in real interest rates that has already occurred.

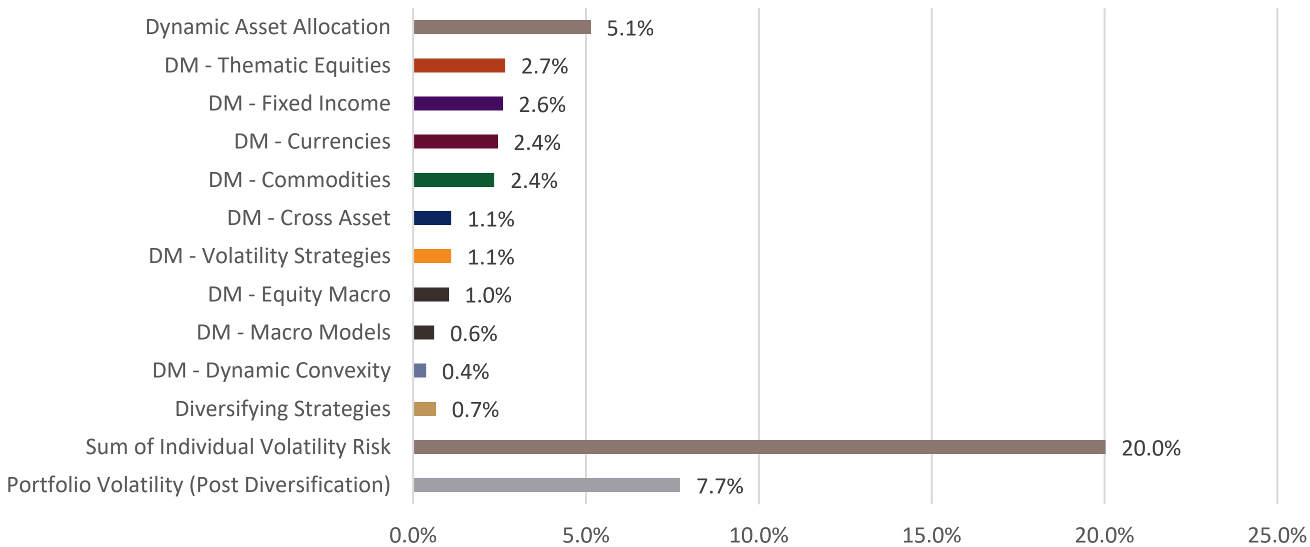
Meanwhile, in Dynamic Convexity, we are holding hybrid option structures that would benefit in case of equity market declines, helping to offset our equity exposure elsewhere. Moreover, the sub-strategy also has positive exposure to the US dollar, protecting against a scenario of intensified geopolitical risk or a resurgence in US inflation.

Overall, the portfolio has above average exposure in equities and duration for now, whilst the main focus continues to be on investment ideas that are less directional in nature.

Portfolio Positioning

The chart below decomposes the percentage of total portfolio risk that each individual investment contributes. While the sum of individual risks is 20%, total portfolio volatility is much lower, at 7.7%, reflecting embedded diversification benefits.

Risk Contribution by Strategy



For illustrative purposes only. Subject to change. Data as at 12/31/2023. Source: Fulcrum Asset Management LLP

Top Positions by strategy	Risk Contribution
DAA - Equities -North America	1.7%
DM - Commodities - Precious Metals	1.6%
DAA - Equities -Climate Change	1.5%
DM - Cross Asset - Japan Macro	1.1%
DM - Fixed Income - US and Canadian Rates	1.0%
DAA - Commodities	0.8%
DM - Commodities - Long-dated Oil	0.8%
DM - Currencies - Japanese Yen	0.8%
Diversifying Strategies	0.7%
DM - Thematic Equities - Technology Disruption	0.6%

For illustrative purposes only. Subject to change. Data as at 12/31/2023. Source: Fulcrum Asset Management LLP

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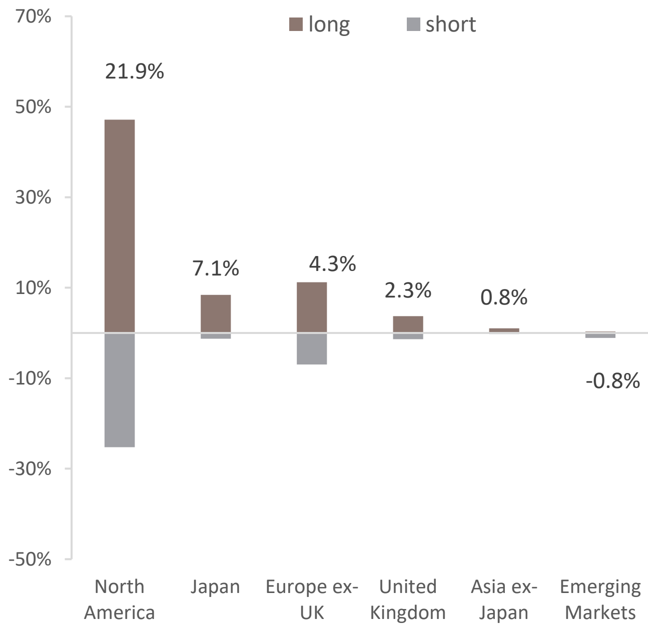
Investment Review – Fourth Quarter 2023

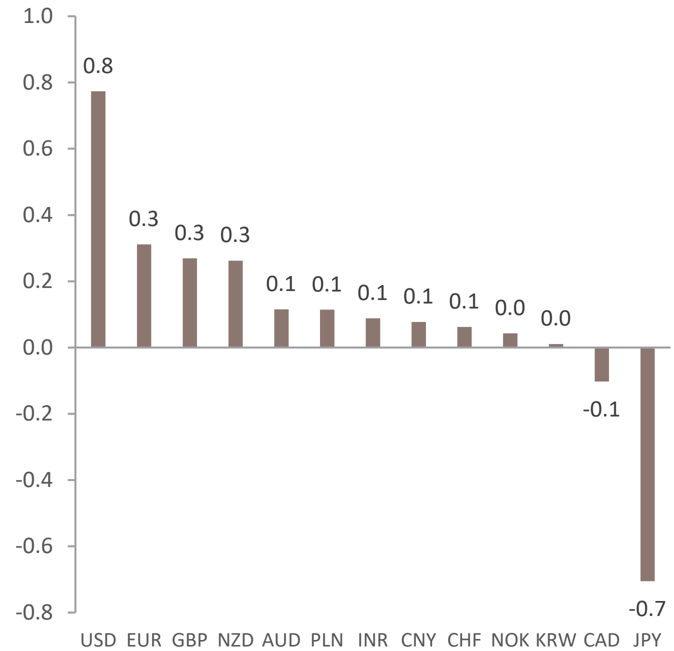
FULCRUM

Portfolio Exposures

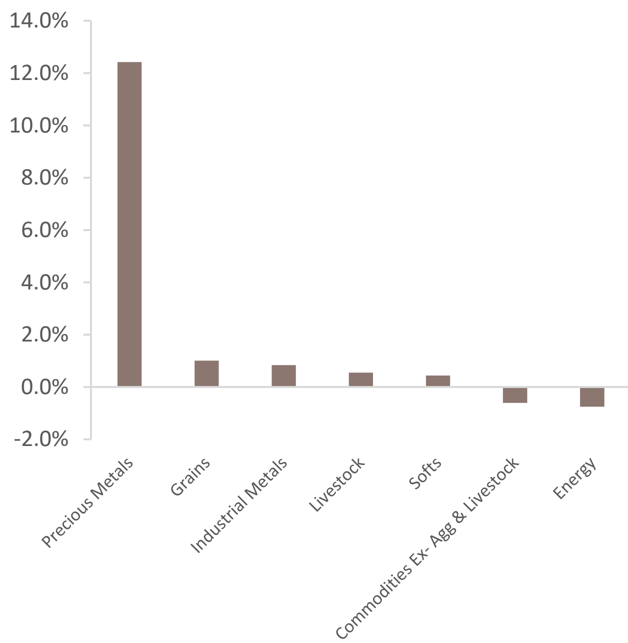
Equity - Net exposures (35.6%)



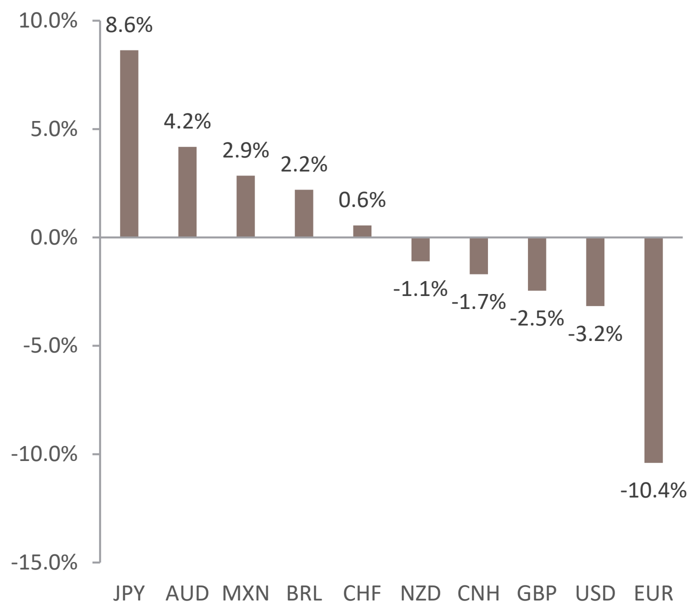
Fixed Income - Duration exposure (1.3 years)



Commodities - Net exposure (13.9%)



Currencies - Net exposures, top 5 long/short



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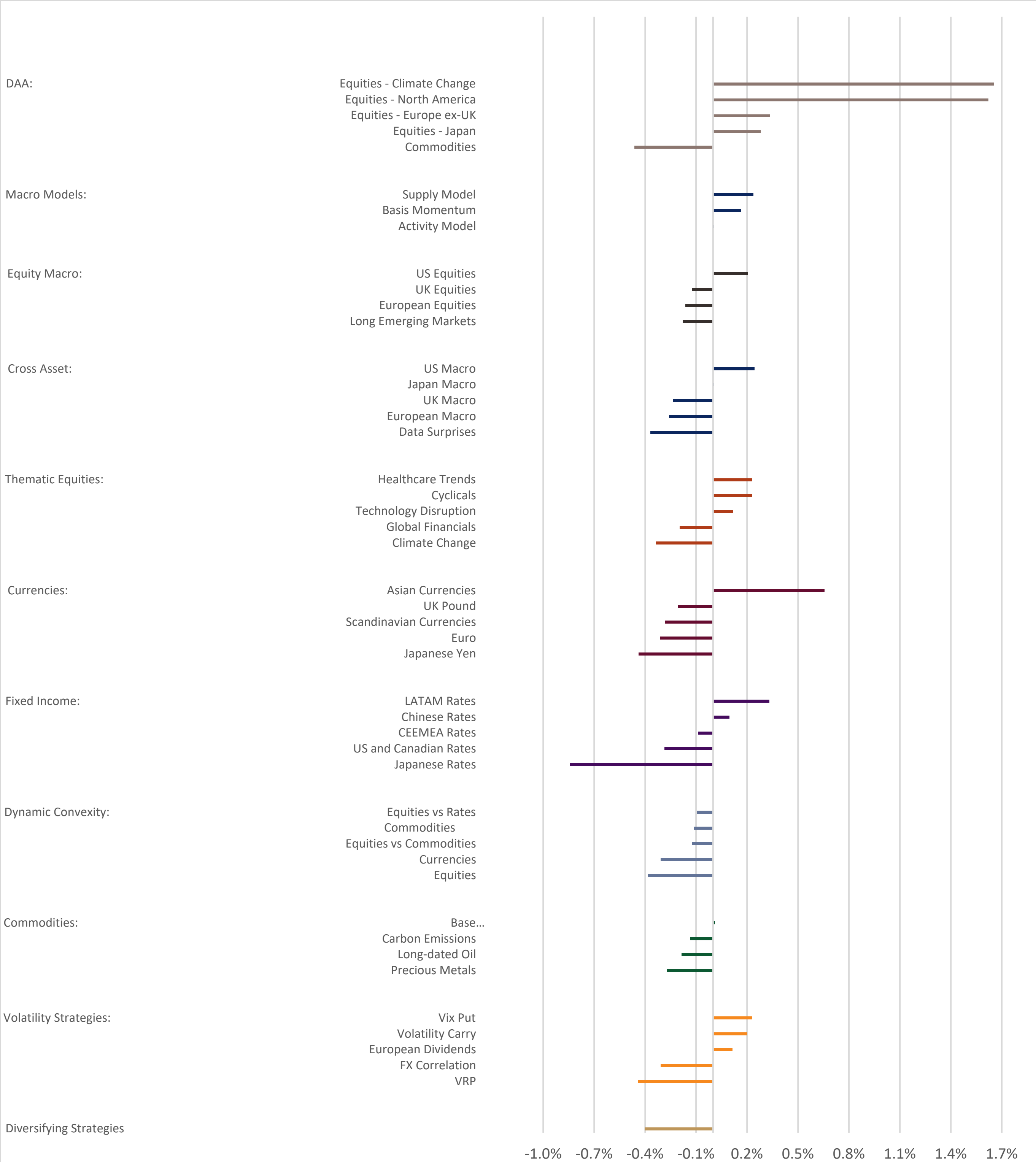
Summary of P&L Drivers - 2023



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Glossary

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

Beta – a measure of the volatility of a security or portfolio compared to the market as a whole.

Correlation - statistical measure of the degree to which two variables move in relation to each other.

MSCI DM – is built using MSCI's Global Investable Market Index (GIMI) methodology, which is designed to take into account variations reflecting conditions across regions, market cap segments, sectors and styles.

Euro Stoxx – stock index of eurozone stocks designed by STOXX, an index provider owned by Deutsche Borse Group.

Nikkei 225 – stock market index for the Tokyo Stock Exchange.

Wilshire Liquid Alternative Index - 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).

HFRX 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 US Aggregate Total Return Index 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-throughts), ABS (asset-backed securities) and CMBS (agency and non-agency).

MSCI World Local Index – a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries.

FTSE 100 – a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.

S&P 500 – a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

Chicago Board Options Exchange Volatility Index (VIX) – measure of the stock market's expectation of volatility based on S&P 500 index options.

Relative Value (RV) – strategy predicated on the realization of a valuation discrepancy in the relationship between multiple securities.

Basis points (bps) – one hundredth of one percentage point.

MSCI All-Country World Net Total Return Index – captures large and mid-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries.

MSCI World Net Total Return Index – captures large and mid-cap representation across 23 Developed Market (DM) countries.

MSCI Emerging Markets Ex. Russia Net Total Return Index – captures large and mid-cap representation across 24 Emerging Markets (EM) Countries.

S&P Goldman Sachs Commodity Total Return Index – serves as a benchmark for investment in the commodity markets and is a measure of commodity performance over time.

Volatility Risk Premium (VRP) – consists of an active strategy of selling liquid and illiquid derivatives, thus seeking to avoid the pitfalls of passive strategies.

Bloomberg Global-Aggregate Total Return Index Unhedged USD – measures the performance of the global investment grade, fixed-rate bond markets. The benchmark includes government, government-related and corporate bonds, as well as asset-backed, mortgage-backed and commercial mortgage-backed securities from both developed and emerging markets issuers.

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