

Fulcrum Diversified Investments Fund

OBJECTIVE

The Fund aims to achieve long-term absolute returns in all market conditions over a rolling five-year period, with lower volatility than equity markets and in excess of the Reserve Bank of Australia ('RBA') cash rate.

APIR	HFL0104AU	MANAGER APPOINTED	2 November 2020
ARSN	093 497 468	FUND SIZE	\$203.8m
INCEPTION DATE	31 March 2001	EXIT PRICE	\$2.0730

Net performance (%) and statistics

	1 month	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a.
Fund¹	1.14	3.11	11.65	5.79	4.88	2.94	2.61	4.48

¹Fund performance prior to 2 November 2020 is not attributable to the current investment manager, but the previous investment manager. Presented below is the longer-term track record of the current investment manager's strategy since its inception.

Fulcrum Composite²	--	--	--	--	--	5.67	3.97	5.26
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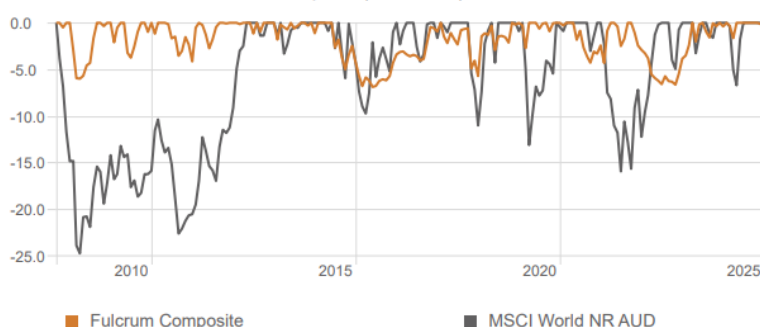
Fulcrum Composite 1 month rolling returns ²													
CY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2025	1.11	-0.32	-1.33	3.08	1.21	1.11	2.30	0.77	2.30	2.07	-0.12	1.14	11.65
2024	0.35	1.14	2.85	-2.01	1.88	1.67	-0.95	-0.63	1.56	-0.32	1.81	-0.39	7.08
2023	-0.38	-0.55	-1.82	-0.40	-0.31	-0.39	0.92	-0.56	-0.07	-0.34	1.25	1.72	-0.98
2022	-1.94	3.63	2.15	1.26	-0.40	-2.10	0.80	2.18	0.10	-1.06	-1.39	-0.47	2.61
2021	-0.29	3.50	0.19	3.55	-1.82	1.00	-1.82	-0.95	-0.73	1.25	-0.22	0.91	4.48
2020	-0.27	-2.45	6.34	0.53	0.87	-0.63	0.56	0.57	-0.91	0.88	0.64	1.30	7.45
2019	4.53	0.32	-0.16	0.99	-2.61	1.50	0.05	-0.15	-0.59	2.69	-0.20	1.40	7.88

Fulcrum Composite risk analysis since inception^{2,3}

Sharpe ratio	0.46
Standard deviation	5.43
Beta to MSCI World	0.15
Max drawdown	-6.89
% of winning months	58.17
Average win	1.46
% of losing months	41.83
Average loss	-0.99

Drawdown since inception^{2,3}

Time Period: Since Common Inception (1/09/2008) to 31/12/2025



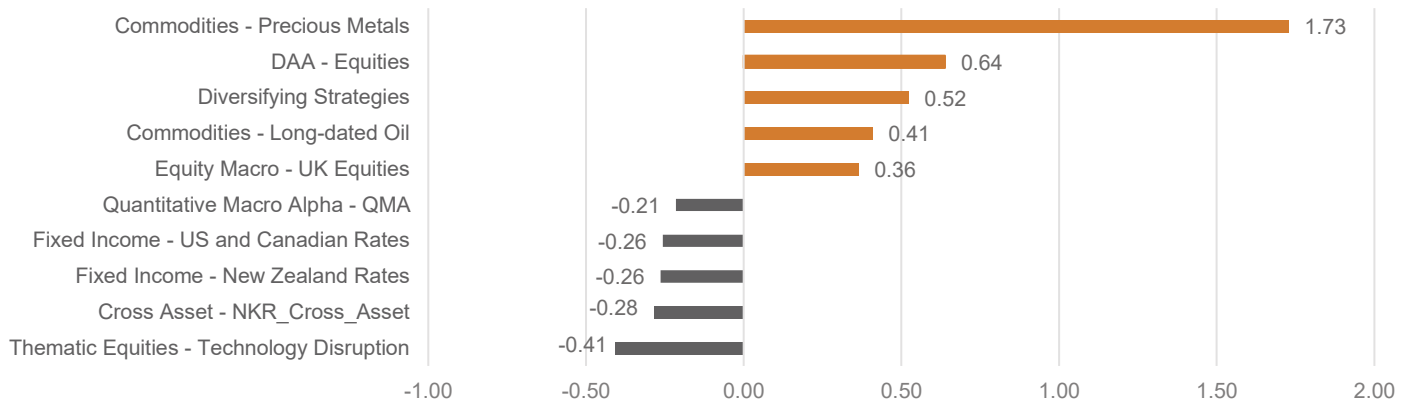
Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur. Significant investor activity can impact performance returns in a fund or of a class of a fund.

²The inception date of the Fulcrum Composite is 16 September 2008. For the Fulcrum Composite, performance periods from 16 September 2008 to 31 March 2012 represent the Fulcrum Diversified Absolute Return strategy net of fees as implemented in the longest running separate account, adjusted for the interest rate differential between AUD cash and GBP cash. Performance periods from 1 April 2012 to 13 December 2012 represent the TM Fulcrum Diversified Absolute Return Fund Class C GBP adjusted for the interest rate differential between AUD cash and GBP cash. Performance periods from 14 December 2012 to 31 March 2015 represent the TM Fulcrum Diversified Absolute Return Fund Class C AUD. Performance periods from 1 April 2015 to 30 October 2020 represent the Fulcrum Diversified Absolute Return Fund (Australian unit trust). Performance periods from 2 November 2020 to month-to-date represents the actual net returns of the Fulcrum Diversified Investments Fund. Source: Fulcrum Asset Management, JP Morgan, State Street Australia Limited and Morningstar Direct.

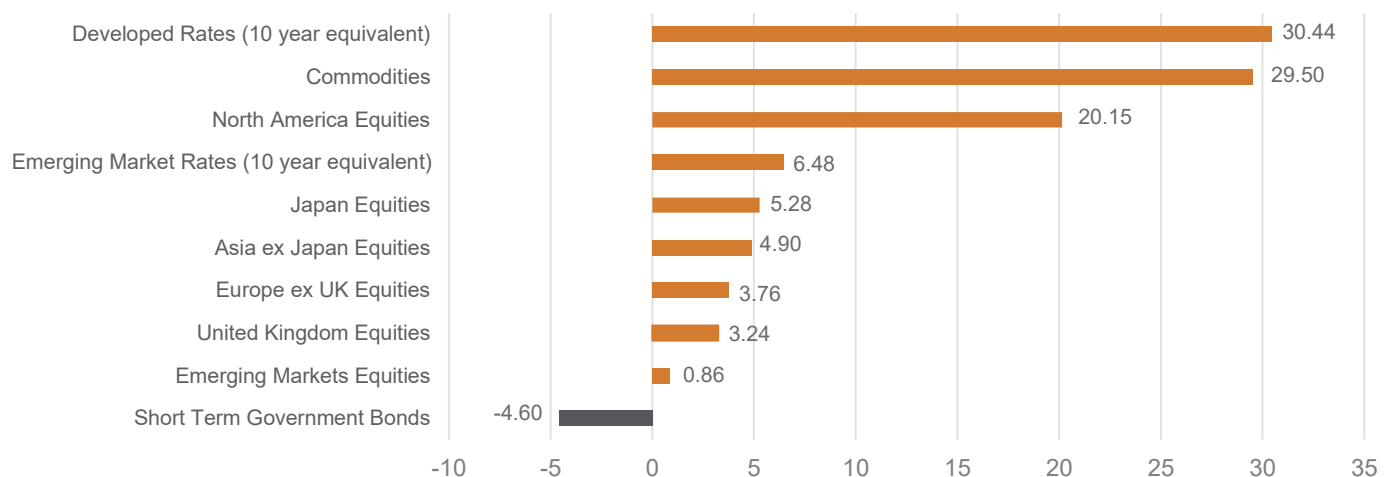
³Source: Morningstar Direct.

CONTACT DETAILS

3 month top and bottom contributors and detractors (%)¹



Asset allocation (%)¹



¹Data reflects the Fulcrum Diversified Absolute Return Fund, the Fund's underlying fund in USD terms. Totals may not equal due to rounding.

Market review

The fourth quarter of 2025 saw a 3.4% rise in global equities as economic activity and risk appetite remained strong. Global bonds were stable over the quarter, returning 0.1%, though this conceals a 0.9% gain in US Treasuries alongside a 2.3% fall in Japanese bonds following expansionary fiscal developments. The US dollar rose 0.6% over the quarter, though a combination of benign inflation data, a cooling labour market and continued cuts from the Federal Open Market Committee saw it fall -1.1% in December. Global commodities rose by 1%, concentrated in gains of 15.6% and 15% for precious and industrial metals, respectively. In contrast, energy commodities fell -5% over the quarter as the oil market faced continued oversupply.

The quarter began with the US government entering a shutdown after Congress failed to agree on a funding package. This caused the suspension of many key economic releases, including non-farm payrolls, though remaining indicators affirmed a picture of strong economic growth alongside a cooling labour market. Whilst the Federal Open Market Committee voted to cut interest rates at their October meeting, Chair Powell struck a hawkish tone, emphasising that a December cut was not a "foregone conclusion". This was motivated by significant policy disagreement on the Federal Open Market Committee given the elevated inflation backdrop.

On trade policy, tensions between the US and China escalated after Beijing announced an expansive export controls regime for rare earths, which prompted a decline in global risk assets. The sell-off ultimately proved short-lived as markets priced a de-escalation, which was vindicated by the Trump- Xi meeting on 30 October.

In November the government shutdown came to an end as both parties agreed on a short-term funding package. Moreover, monetary policy news was initially hawkish, with Federal Open Market Committee member Schmid expressing concerns around inflation and the October Federal Open Market Committee minutes casting doubt on a December rate cut. This was soon superseded however, as influential Fed officials such as John Williams and Mary Daly joined Governor Waller in supporting a December cut.

Market review (continued)

Meanwhile, the UK's Autumn Budget saw large increases in taxation and spending, though more favourable economic projections gave the government greater fiscal headroom. Elsewhere, under the new Prime Minister Takaichi, Japan's cabinet approved a \$135 billion budget, coinciding with a sharp increase in long-end bond yields.

December saw the release of delayed jobs reports in the US, which showed a decline in payrolls and rise in unemployment, though this was likely distorted by the shutdown. Similarly, the delayed Consumer Price Index data came in markedly below expectations, but this also appeared to be distorted. Officials cut US rates at the December Federal Open Market Committee to guard against continued labour market "cooling". Importantly however, with inflation remaining "somewhat elevated" and rates seen to be "within a broad range of estimates of neutral", Powell expressed a preference to keep policy on hold in January. In contrast, the Bank of Japan voted unanimously to raise rates to a 30-year high of 0.75% and signal further tightening ahead amid an elevated domestic inflation backdrop.

Performance review

The Fulcrum Diversified Investments Fund (the 'Fund') returned 3.11% (net) for the quarter with the Dynamic Asset Allocation, Discretionary Macro and Diversifying Strategies sleeves all ending the quarter higher. The ongoing rise in global equities underpinned the positive return of Dynamic Asset Allocation, while Diversifying Strategies benefitted from trends in currencies, equities and commodities.

Discretionary Macro saw mixed returns across the sub-strategies this quarter. There were strong gains from the Commodities sleeve, led by precious metal holdings, and positive returns from the long UK equities position in Equity Macro.

The Thematic Equities sleeve was impacted by a temporary reversal in tech and AI sentiment in December, while the portfolio's emerging market carry currency views, particularly in Latin America, were impacted by some contagion from news that a proposed Brazilian Presidential candidate, Bolsanaro's son, might be less market friendly. In Fixed Income, although the investment manager scaled back the long position in NZ 10-year rates that they had added at the end of October with a medium-term view on slowing activity in New Zealand, the outstanding position was a drag on performance as NZ yields continued to rise.

Market outlook

Within Dynamic Asset Allocation, the equity exposure was roughly stable over the quarter as benign volatility conditions continued to offset weak expected returns. Meanwhile, the bond allocation rose toward historic highs amid declining interest rate volatility and positive expected excess returns. The commodity allocation declined as an increase in asset class volatility offset strong expected returns.

In Discretionary Macro Fixed Income, the investment manager maintains a long duration stance though have scaled this back somewhat amid strong US growth and a hesitant Federal Open Market Committee. Most of the investment manager's bond exposure sits elsewhere, with a positive stance on Brazilian duration in the context of elevated domestic real interest rates and continued disinflation.

In Currencies, the Fund holds a diversified basket of Latin American currencies. This is informed by elevated real interest rates across the region, combined with broad-based disinflationary trends, which underpins a strong environment for global carry.

Within the Commodities space, the investment manager maintains their long metals orientation across a diversified basket, judging that both the fundamental case and recent price action remain supportive. This is particularly the case given the recent bout of geopolitical tensions relating to Venezuela, Iran and Greenland. In the context of elevated volatility across metals, they have scaled back the extent of their exposures.

The investment manager maintains positive exposure to global equities in Equity Macro via FTSE 100. The investment manager also has positions in Japanese equities as a whole, as well as in banks specifically, which should benefit from the reflationary domestic environment and recent steepening in the yield curve. These positions are alongside emerging market equities exposure, which should continue to benefit from the procyclical global growth backdrop.

In Dynamic Convexity, the investment manager has positive exposure to a joint sell-off in global bonds, equities and the US dollar. Although this is not their base case, it provides important upside potential in the event of renewed fears around Fed independence, fiscal sustainability or a fracturing of US military alliances.

Over the quarter, Diversifying Strategy maintained its long equities orientation amid continued momentum across regions. The trend system also increased its short positioning in the US dollar, expressed through currencies such as the Swedish Krona and Polish Zloty. Diversifying Strategy extended its long positioning in interest-rate swaps, and turned more negative on bonds, following a series of front-end selloffs that followed hawkish central bank developments in smaller localities.

Overall, the investment manager continues their active participation across markets and asset classes where opportunities have arisen. Amid significant uncertainty in global economic and policy developments, however, the investment manager remains nimble in their positioning, with significant diversification across strategies as well as hedging against emergent risks.

Material matters

There have been no material changes to the Fund in terms of key service providers, the risk profile, investment strategy or changes to individuals in the investment team who play a key role in the investment decisions of the Fund.

The Fund is classified as a hedge fund in accordance with the Australian Securities and Investments Commission, Regulatory Guide 240 'Hedge funds: Improving disclosure'. This classification is based on the fact that the Fund currently exhibits two or more characteristics of a hedge fund, being:

- complexity of investment strategy or structure;
- use of leverage;
- use of derivatives;
- use of short selling;
- charges a performance fee.

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