Fulcrum Thematic Equity Market Neutral Fund

FULCRUM

31 January 2025 | F USD Share Class (LU2164659463) | For professional investors only

Investment Objective

The strategy aims to deliver capital growth over the long term by investing in listed global equities on a market neutral basis. The strategy aims to have a low correlation of returns to the broader global equity market as it seeks to profit from relative value opportunities by making long and short investments in themes that are projected to either outperform or underperform.

Performance



Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2025	1.3												**1.3**
2024	4.8	6.4	-0.1	-1.7	3.6	1.0	-4.9	-1.0	-1.1	4.1	1.4	-0.5	**12.2**
2023	-1.3	-1.0	0.6	-0.7	0.3	-1.7	-1.6	3.0	1.3	1.2	-0.4	-1.2	**-1.6**
2022	-3.1	3.8	2.7	0.0	-1.9	0.4	-1.7	1.8	-0.4	0.3	-5.2	-0.8	**-4.3**
2021	-1.3	2.2	-4.5	1.2	-3.1	0.8	0.9	0.4	-1.5	3.8	-0.4	-2.0	**-3.7**
2020	1.9	0.1	8.6	0.7	0.3	0.0	3.7	-0.2	-0.2	0.8	-4.9	2.2	**13.2**
2019	2.8	-1.4	1.2	0.0	1.2	0.7	0.5	4.2	-3.6	0.1	0.1	0.6	**6.3**
2018		0.9	1.0	5.1	2.7	0.2	-1.8	3.7	1.0	-2.6	-0.8	2.4	**12.2**

Rolling 12 Month Net Performance

	Jan 2025	Jan 2024	Jan 2023	Jan 2022	Jan 2021
Total Returns (%)	8.5	4.5	-2.5	-5.5	9.7

*The performance shown is net of 0.75% management fees and 15% performance fees. From 18/01/2021 the performance represents the Fulcrum Thematic Equity Market Neutral Fund Class F USD. From 03/08/2020, the performance represents the Fulcrum Thematic Equity Market Neutral Fund Class Z USD with 0.75% and 15% fees. Prior to August 3rd 2020, this page shows the pro-forma performance of a portfolio, Fulcrum Thematic Equity Market Neutral, constructed using the actual performance of the equity thematic trades as implemented within the Fulcrum Diversified Absolute Return (DAR) funds. Individual position sizes have been adjusted to be commensurate with a standalone equity long-short portfolio. Source: Fulcrum Asset Management LLP. Past performance is not a guide to future performance and future returns are not guaranteed. No representation is being made that any client will or is likely to achieve results similar to those shown.

Key Facts

Legal Structure	UCITS SICAV
Domicile	Luxembourg
Fund Launch	03/08/2020
Strategy Launch	01/02/2018
Fund AUM	$497.6m
Strategy AUM	$1.3bn
Company AUM	$7.1bn

Share Class

Share Class	F USD
ISIN	LU2164659463
AMC	0.75%
Performance Fee	15.0%
Ongoing Charge	0.98%

Key Fund Metrics

Annualised Return	4.7%
Annualised Volatility	8.1%
Sharpe Ratio	0.31
Sortino Ratio	0.38
Beta to Global Equities	0.01
Correlation to Global Equities	0.02
Correlation to HFX EMN	-0.09
Average Gross Exposure	206.7%
Average Net Exposure	7.4%

Fund Manager

Fawaz Chaudhry, Partner & Head of Equities
Joined Fulcrum in 2017
BlueCrest Capital (2016)
Moore Capital (2013-2016)
Hadron Capital (2011-2013)
Valorem Limited (2009-2011)

SQUARE MILE A

Portfolio Review

The month of January was positive for global markets, which were supported by strong economic activity and robust risk sentiment. Markets initially declined early in the month, with stocks and bonds taking a hit and the dollar rising after a stronger-than-expected US payrolls report cemented expectations of fewer US rate cuts. There was then a broad-based market recovery following a weaker-than-expected reading on the core Consumer Price Index (CPI). At the January meeting of the Federal Open Market Committee (FOMC), officials kept rates on hold, with Chair Powell signalling that they were in no "hurry" to loosen policy rapidly given the strong economy and above-target inflation. In contrast, the European Central Bank (ECB) opted to cut interest rates and signalled further loosening to come amid a persistently weak growth backdrop. Meanwhile, the UK saw some easing in price pressures in the latest CPI report, though inflation remained above the Bank of England (BoE) target and domestic activity continued to weaken. Elsewhere, the Bank of Japan (BoJ) raised interest rates to a 17-year high amid elevated readings on headline inflation. With domestic wage pressures proving firm, the BoJ also raised its inflation forecasts, and signalled further policy tightening to come. In China, policymakers unveiled further details on measures to stimulate household consumption and business investment. Against this backdrop, global equities rallied by +3.4%[1], led by a 6.5%[2] jump in European markets. Meanwhile, global bonds returned +0.6%[3], recovering from losses early in the month following the US labour market data. Whilst the dollar strengthened early on, it was largely flat[4] by the end of the month as Trump refrained from enacting tariff increases in January. Global commodities rose +3.3%[5] over the month, led by broad increases across energy, agricultural and industrial metals, as well as a +7.6%[6] jump in precious metals.

The Thematic Equity Market Neutral strategy was up +1.3% net of fees in January 2025, bringing the return since inception to +39.3%.

DeepSeek and the AI Theme

We have reduced our exposure to the AI Winners theme in response to recent developments surrounding DeepSeek and its disruptive advancements. The AI sector continues to evolve at an unprecedented pace, driven by breakthroughs in efficiency, cost reduction, and strategic adaptations to geopolitical constraints. Chinese startup DeepSeek has emerged as a formidable player, launching models that rival OpenAI's offerings while dramatically lowering training and inference costs. Its latest reasoning model, R1, performs on par with OpenAI's o1 model but achieves a 94% reduction in training time and a 90% decrease in inference costs. With pricing set at just $0.55 per million tokens—nearly 30 times cheaper than OpenAI—DeepSeek is quickly positioning itself as a disruptive force in the global AI landscape.

One of DeepSeek's biggest challenges has been navigating U.S. semiconductor export restrictions, which prevent Chinese firms from accessing cutting-edge Nvidia GPUs. Instead of relying on the latest hardware, DeepSeek has innovated by optimizing memory-limited Nvidia H800 cards and employing advanced techniques such as Mixture-of-Experts (MoE) and Memory-Limited Architecture (MLA). These methods selectively activate relevant nodes during processing and reduce memory consumption without compromising performance. By writing base-level code directly into semiconductor hardware and bypassing the CUDA layer, DeepSeek has maximized efficiency within its resource constraints. Meanwhile, OpenAI is advancing its o3 model series, which requires approximately 100 times the hardware capacity of its o1 predecessor and is reportedly approaching the reasoning capabilities of STEM graduates. However, the growing hardware intensity of these models raises sustainability concerns, as cost pressures mount for companies developing proprietary AI systems. At the same time, Google is expanding its AI portfolio with the upcoming release of "Gemini 2.0 Flash Thinking," a reasoning model expected to be even more cost-effective than DeepSeek's R1, reinforcing the trend of increasingly affordable and accessible AI models.

Tariffs

The other major development concerns tariffs, which are expanding significantly, with further escalation likely against Europe. If an additional 10% tariff is imposed on the EU and a 25% tariff on Canada and Mexico follows within a month—on top of the existing 10% on China—total U.S. tariffs would rise to 13%, the highest since 1947. Border security is being cited to justify emergency powers, making these tariffs difficult to remove. They are likely to persist and exceed market expectations. If implemented, the tariffs could drive a 0.5-1.5% increase in CPI, prompting a hawkish Fed response.

Tariffs act as an indirect sales tax on U.S. consumers, with the burden split between producers and end-users, disproportionately affecting lower-income households. The U.S. auto sector is particularly vulnerable, given its deep supply chain ties to Canada and Mexico. This instability is likely to weigh on capital expenditure and overall economic activity, while higher consumer prices could dampen spending. Combined with the ongoing slowdown in China, particularly in real estate, and disappointing fiscal stimulus, global economic activity is set to weaken further. Europe remains especially exposed, given its dependence on Chinese demand and the potential for further U.S. trade actions. Against this backdrop, we maintain a cautious stance on equities, as elevated valuations may struggle to hold if growth disappoints. Instead, rate-sensitive and defensive sectors, such as utilities, real estate, and consumer staples, appear better positioned in a slowing economic environment.

Notable Theme Performance

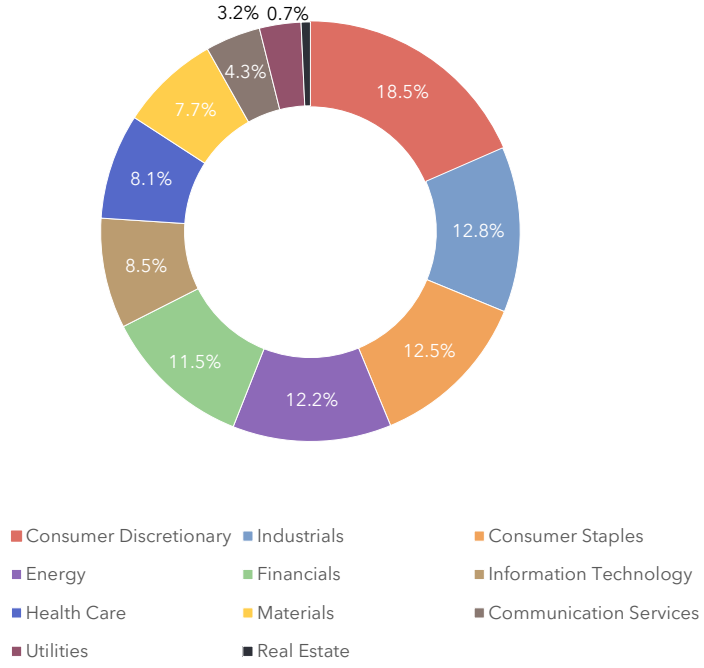
Our **Grocers vs Processed Food** was the top contributor in January with both legs of the trade delivering positive returns over the month. Walmart and Costco, key positions in our grocers long position, continued their strong performance. Preliminary data indicated that Walmart+ membership reached new highs. Meanwhile, Costco's December sales data were strong with underlying growth nearly 2x average U.S. Retail sales. Both businesses continue to benefit from the growing trends of healthy eating and food-at-home consumption, driven in part by the increasing adoption off GLP-1 drugs.

Our **US Drug Distributors** theme also contributed positively to performance. The fundamental business model of US drug distributors is based on purchasing pharmaceuticals in the wholesale market and selling them at a small spread to consumers. We expect the proliferation of GLP-1 drugs to be a meaningful tailwind for these businesses in the future. Cencora performed particularly well (+11.3%) as the company raised its FY25 guidance and earnings accretion revisions exceeded market expectations.

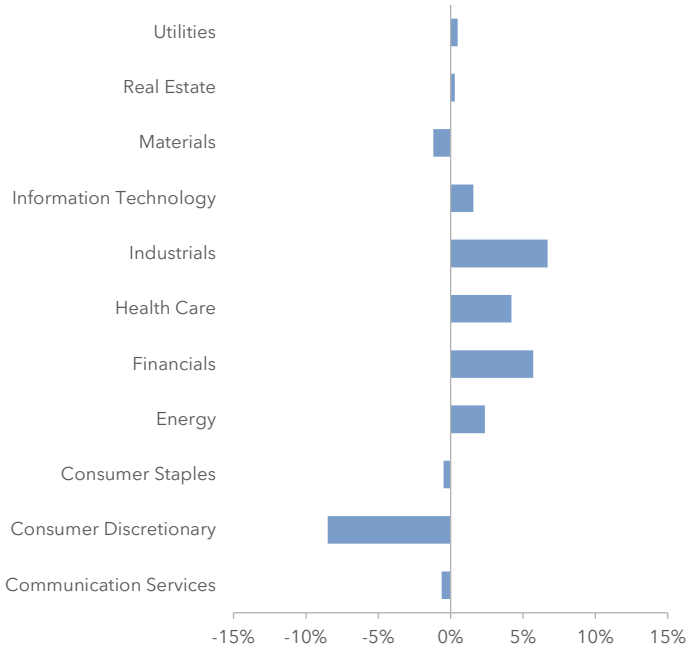
[1]Bloomberg Ticker: GDUEACWF Index
[2]Bloomberg Ticker: M7EU Index
[3]Bloomberg Ticker: LEGATRUU Index
[4]Bloomberg Ticker: DXY Curncy
[5]Bloomberg Ticker: SPGSCITR Index
[6]BCOMPRTR Index

Portfolio Overview

Gross Sector Breakdown



Beta Sector Breakdown



Top 5 Long Positions[1]	Exposure %
ELI LILLY & CO	2.4
NOVO NORDISK A/S-B	2.2
3I GROUP PLC	1.4
WALMART INC	1.3
MCKESSON CORP	1.2

Top 5 Short Positions[1]	Exposure %
WALT DISNEY CO/THE	-0.7
LVMH MOET HENNESSY LOUIS VUI	-0.6
PERNOD RICARD SA	-0.6
CONSTELLATION BRANDS INC-A	-0.5
JANUS HENDERSON GROUP PLC	-0.5

Portfolio Overview	Current %	Median %
Gross exposure	194.8	197.3
Net exposure	19.7	10.6
Highest position	2.4	1.8
Top 10 positions	14.1	12.3

Regional Exposure	Current %	Median %
North America	59.1	53.1
Western Europe	25.2	28.4
Developed Asia	6.5	6.7
Emerging Markets	9.2	11.8

Liquidity[2]	Current %	Median %
0-1 day	98.6	94.0
1-2 days	0.6	4.2
2-5 days	0.2	1.8
5-10 days	0.0	0.0

Market Cap	Current %	Median %
Mega Cap (>$15bn)	57.5	45.6
Large Cap ($5-15bn)	23.5	28.8
Mid Cap ($1-5bn)	17.0	22.8
Small Cap (<$1bn)	1.9	2.8

The breakdown represents the current gross exposure as of the 31st January 2025 within the Fulcrum Thematic Equity Market Neutral UCITS Fund. Data prior to 03/08/2020 was constructed using the Fulcrum Thematic Equity Market Neutral portfolio, constructed using the actual positioning of the equity thematic trades as implemented within the Fulcrum Diversified Absolute Return (DAR) funds. Individual position sizes have been adjusted to be commensurate with a standalone equity long-short portfolio.
Source: Bloomberg, Fulcrum Asset Management LLP

(1) Excludes sector and country indices & futures
(2) Days to Liquidate the portfolio at a 15% participation rate

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