

Thursday, October 14, 2021

We have performed an analysis of the effect where the existing allocation to the Fulcrum Diversified Investments Fund (FDIF) is augmented by an allocation to the FHIM Trade Logistics Strategy (FHIM) from October 2017 to the end of September 2021. It is noted that the Investment Manager changed in November 2020 for the FDIF.

Comparison

We have examined the overall portfolio performance, pre and post the inclusion of FHIM. We are using the daily NAVs from November 2020 with monthly NAVs prior as our base valuation data. For FDIF, we are not including Fees or spreads and have assumed that all distributions are retained (if any). For FHIM, this strategy is net of fees and there is nil spread in the Fund with distributions retained (not reinvested).

Historical monthly correlation of FHIM to FDIF: -0.115 (-11.5%) R-Squared: 0.0131 (1.31%)

On a hypothetical allocation of 50% (FDIF) and 50% (FHIM) there is an improvement to the risk adjusted returns. Sharpe and Sortino improves by 311% and 314% respectively. The max draw down improves by 10.43% (an improvement of 53%). This can be explained by the FHIM strategy where investments are made into income streams that are uncorrelated to equity or credit markets. Additionally, these investments are Investment Grade where FHIM is senior secured.

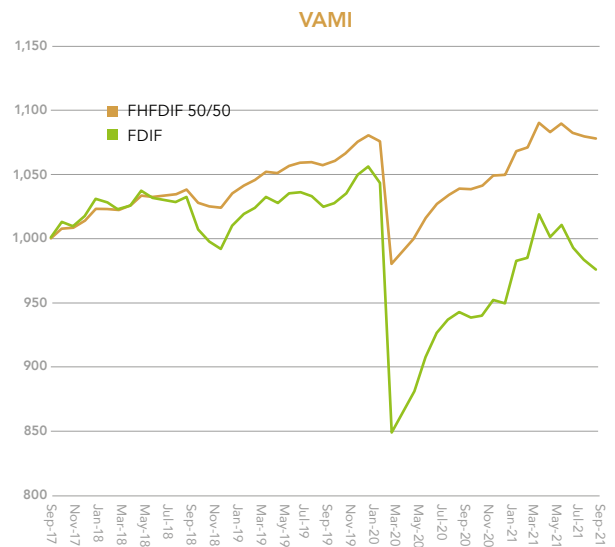
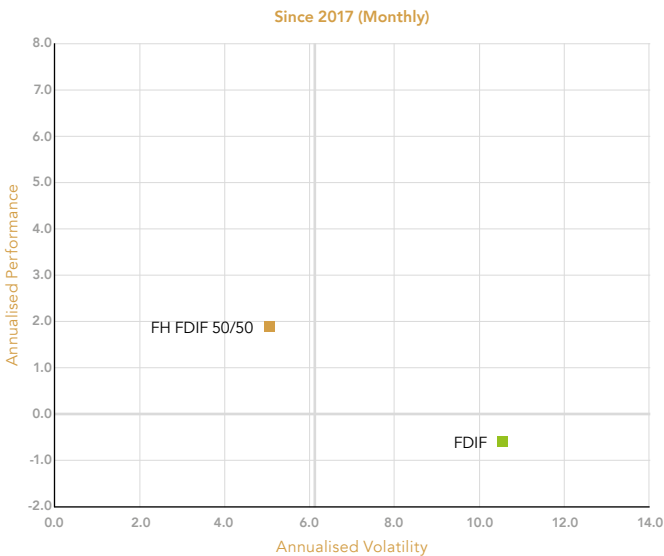
The returns are asset backed and fixed at 4.5% which supports a defensive approach to managing a basket of Fixed Income holdings.

The improved risk adjusted returns are reflected in the smoothing of the overall returns (refer Table of results)

	FDIF 100% allocation	FDIF with 50% FHIM allocation	Change
CAGR	-0.60%	1.90%	+2.50%
Sharpe Ratio	-0.09	0.20	+0.29
Sortino Ratio	-0.10	0.22	+0.32
Max Drawdown (EOM)	-19.73%	-9.30%	+10.43%
2017 (from October)	1.72%	1.41%	-0.31%
2018	-2.49%	0.98%	+3.47%
2019	5.79%	5.00%	-0.79%
2020	-9.23%	-2.41%	+6.82%
2021 (end of September)	2.49%	2.73%	+0.24%

The noticeable examples of FHIM’s positive impact with an allocation of 50% FDIF and 50% FHIM is:

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|---|------------------|
| 1. 2.50% increase in CAGR - | 416% improvement |
| 2. 10.43% reduction in Max Drawdown - | 53% improvement |
| 3. 0.29 increase in the Sharpe Ratio - | 311% improvement |
| 4. 0.32 increase in the Sortino Ratio - | 314% improvement |



The analysis supports the conclusion that volatility is reduced whilst maintaining consistent fixed income revenue with an annual increase in returns. This is achieved without impacting the principal investment. On this basis we would suggest that there would be merit in having an exposure to the FHIM Fund.

Regards
Luke Ferguson

Luke Ferguson
CEO – Ferguson Hyams Investment Management Pty Ltd