

# ATRIUM EVOLUTION SERIES - DIVERSIFIED FUND AEF 5

## INVESTMENT OBJECTIVE

To maximise returns within the constraint of ensuring that portfolio risk, or volatility, does not exceed 5% over the investment time horizon.

PERFORMANCE	Since Inception p.a.	7 Yrs p.a.	5 Yrs p.a.	3 Yrs p.a.	1 Yr	6 Mths	3 Mths	1 Mth	Vol Since Inception p.a.	3 Yr Volatility	Sharpe Ratio
Atrium Evolution Series - Diversified Fund AEF 5	5.3%	4.5%	4.0%	4.2%	7.8%	5.4%	2.8%	1.6%	3.1%	3.4%	1.1
RBA Cash Plus 2.5%	4.5%	3.9%	3.6%	3.3%							

## KEY HIGHLIGHTS

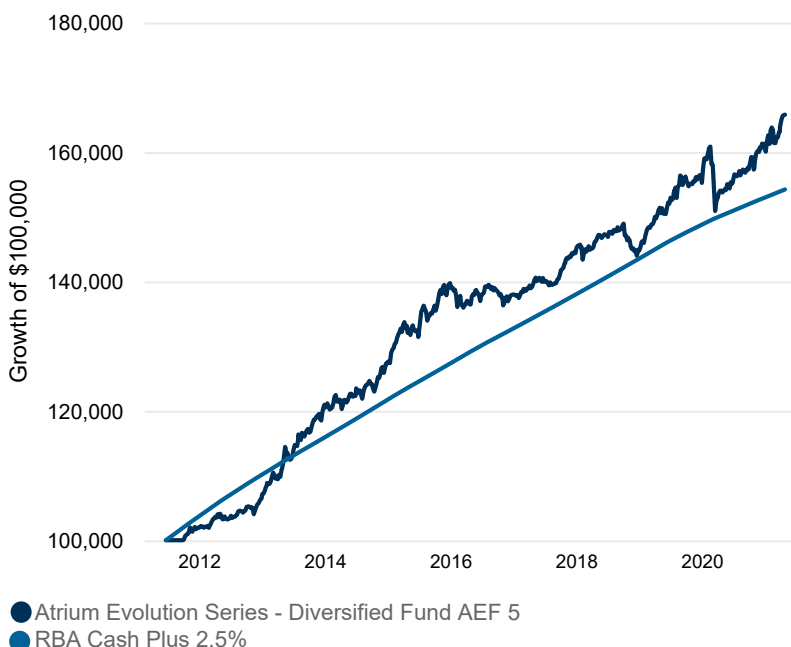
The Fund delivered strong performance over the month of April with all asset classes contributing positively to returns.

Global equities were the key driver of returns, with the Fairlight Global Small and Mid Cap Fund a stand out performer.

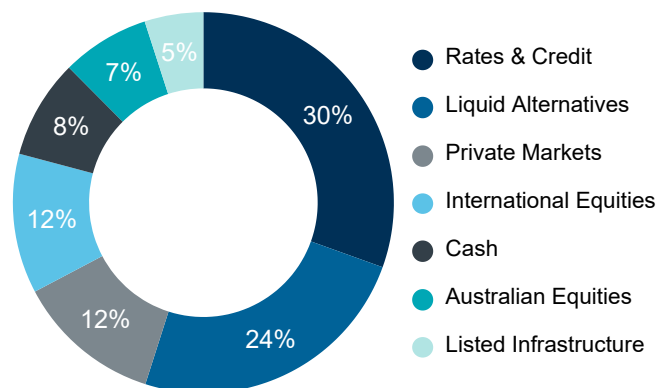
Within our liquid alternatives exposure the Fund made a new allocation to the Ardea Pure Alpha Fund, which is a relative value strategy investing in government bonds without taking on interest rate risk.

Inflation remains a highly relevant theme in markets, and we continue to actively manage the portfolio to ensure we are well positioned should this become a greater risk to the domestic and global economy.

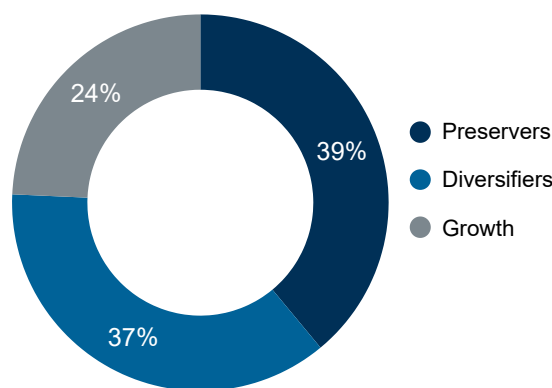
## PERFORMANCE (SINCE INCEPTION)



## ASSET CLASS EXPOSURE



## RISK EXPOSURE



Source: Atrium, Iress. Allocations shown in the 'Asset Class Exposure' and 'Risk Exposure' charts as at the date of this report.

Source: Atrium, Iress. Performance shown as at the date of this report. Inception date is 24 June 2011. Past performance is not a reliable indicator of future performance. Future performance and return of capital is not guaranteed. Performance is after fees and costs and assumes re-investment of all distributions.

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### MARKET COMMENTARY

Markets were closely focussed on inflation during April, attempting to look through significant price increases in a number of areas, and to gauge what this means for central banks going forward. Copper, lumber, iron ore, and a range of other commodities surged as the global economy showed signs of improvement, despite lingering COVID concerns, most notably in India. Equities continued to move to record highs in a number of regions, bond yields consolidated, credit markets remained firm and the Australian dollar rose.

The US equity market returned 5.3% during the month, and market volatility continued to decline. Strong performance was seen in Telecommunications (+7.9%) and Consumer Discretionary (+7.1%). Financials also performed strongly (+6.6%), as the market took a positive view on the Q1 earnings released during April. Broadcast stocks were weak, weighed on by Discovery (down around 13%), one of the stocks previously held by the failed Archegos Capital, potentially linked to unwinding of the remaining Credit Suisse exposure. The Materials sector performed in line with the index (+5.3%), although the Copper sector sharply outperformed within this, generating 14.8%. Elsewhere, Emerging Markets generally underperformed (+1.6% in local currency terms) as a number of central banks have commenced rate hikes, as inflationary pressures mount partly reflecting domestic currency weakness. European markets also lagged the US, generating +2.1% (MSCI Index), and the German Dax (+0.8%) was a key drag on the region.

Australian equities generated a 3.5% return over April. The Bank sector continued its strong performance rising 2.7% for the month (up 41.3% over 6 months), as earnings are expected to benefit from steeper yield curves, and writebacks of previous credit write-downs which may prove to have been excessive. Resources were strong (+5.4%), on the back of the sharp move higher in commodity prices. The Information Technology sector in Australia is very small but generated 9.7%, paced by strong gains in Megaport and 2 payments companies, EML and Afterpay. Small cap stock returns were higher than the broader market over the month.

Bond markets remain fixed on the uncertain signs around inflation. As large central bank buying programmes (so-called quantitative easing) hold nominal yields low, as market expectations for inflation have risen, real yields continue to move lower in major markets. The US Federal Reserve continues to highlight the lingering fragilities in the labour market, rather than focussing solely on the unemployment rate, and is thus comfortable keeping rates unchanged over the coming ~2 years. The Reserve Bank of Australia has similar concerns, although specifically focusses on ongoing wage growth weakness, and continues to express its expectation that rates are unlikely to move higher in Australia until at least 2024. US 10-year bond yields fell 11 basis points (bps) to 1.63%, Australian 10-year bonds also saw a fall in yield of 4 bps to 1.75%. German 10-year bond yields remain below zero. Credit markets were slightly firmer during the month.

The Australian dollar rose 1.6% to 0.77 as the US dollar saw a month of general weakness. Gold rallied 3.6% partly reflecting the weaker US dollar.

### PORTFOLIO COMMENTARY

The Fund delivered strong performance over the month of April with all asset classes contributing positively to returns. Global equities in particular contributed strongly to the result. The Fairlight Global Small and Mid Cap Fund did well as the smaller end of the market continues to outperform larger stocks, and the manager's active quality approach also added value over their benchmark. Our liquid alternatives allocation has continued its solid start to 2021, providing genuine diversification as bond market volatility has continued to impact the effectiveness of bonds as a portfolio diversifier. The majority of alternatives strategies delivered positive performance led by equity market neutral manager Regal Funds Management and our alternative risk premia strategies, while our rates and credit allocations also contributed to returns.

Over the month, there were no major changes to asset allocation. Within liquid alternatives we made a new allocation to the Ardea Pure Alpha Fund, a relative value strategy that invests in government bonds without taking on interest rate risk. Given its low correlation to both equity and bond markets we believe that this strategy should enhance the diversifying qualities of the liquid alternatives allocation.

Inflation remains a highly relevant theme in markets and within our own investment committees. Although we believe that recent upward pressure on prices (especially commodity and transport related) is more transitory, we are alert to the possibility of more structural increases in prices which could be more sustainable. We continue to actively manage the portfolio to ensure we are well positioned should inflation become a greater risk to the domestic and global economy.