

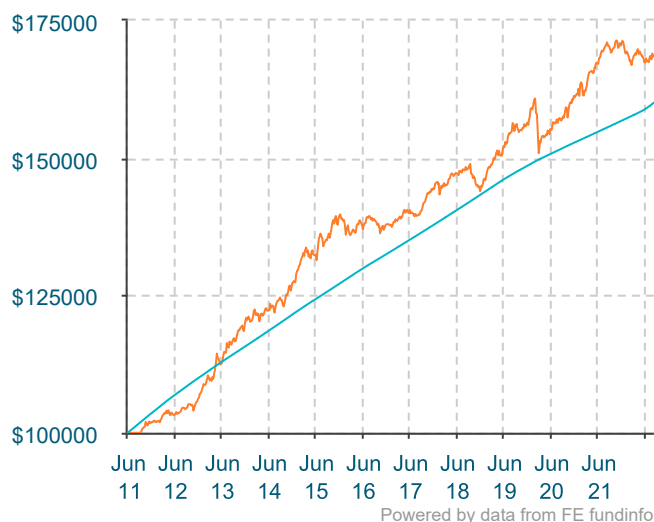
# Atrium Evolution Series – Diversified Fund

## AEF 5



31 August 2022

### Growth of \$100,000 since inception



● Portfolio ● RBA Cash + 2.5%

### Performance

	Portfolio	Objective
Since inception (% p.a.)	4.77%	4.29%
10 Years (%p.a.)	4.89%	4.01%
7 Years (%p.a.)	3.25%	3.55%
5 Years (%p.a.)	3.82%	3.29%
3 Years (%p.a.)	2.52%	2.86%
1 Year	-1.49%	-
6 Months	0.44%	-
3 Months	-0.11%	-
1 Month	0.12%	-

Source: Atrium Investment Management. 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.

### Ratings & awards



A rating is only one factor to be taken into account when deciding whether to invest.

### Investment objective

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

### Investment strategy

The Fund has a Risk Targeted, multi asset investment strategy.

Atrium uses a dynamic, unconstrained approach to asset allocation providing flexibility to take full advantage of opportunities in the market and to mitigate downside risk.

The Fund may be invested in a broad universe of assets across multiple asset classes.

Atrium may also use derivatives to gain exposure to assets or asset classes more efficiently, for currency management, and to mitigate downside risk.

### Key facts

Inception date	24 June 2011
Product code	COL0029AU
Investment strategy	Diversified - Risk Targeted
Volatility limit (p.a.)	5.00%
Objective	RBA Cash + 2.5%
Investment horizon	3 years
Pricing	Weekly
Platform availability	Various

### Volatility & Sharpe Ratio

	10 Years	7 Years	5 Years	3 Years
Volatility (% p.a.)	3.13	2.85	2.99	3.22
Sharpe Ratio	1.07	0.77	1.01	0.67

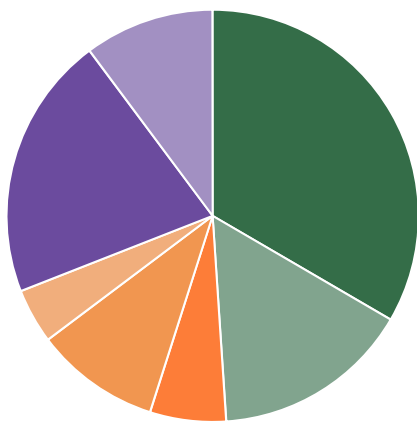
### What is volatility?

Volatility measures the fluctuations, or changes, in the price of an asset or market index. Assets with higher volatility generally have greater price changes, both positive and negative, and so higher volatility is generally an indication of higher risk.

### What is the Sharpe Ratio?

The Sharpe Ratio measures returns relative to the volatility, or risk, that was taken to achieve that return. The higher the ratio, the better the risk-adjusted performance has been - in other words, the investment risks taken have delivered better returns to the portfolio.

## Asset allocation



● Rates & credit	33.41%
● Cash	15.55%
● Australian equities	5.97%
● International equities	9.82%
● Listed infrastructure	4.31%
● Liquid alternatives	20.77%
● Private markets	10.19%

Source: Atrium Investment Management. Asset allocations may change at any time. May not include all open futures or derivatives positions. Cash may include allocations to shorter term rates and credit investments that may at times be subject to capital volatility.

Atrium aims to achieve its investment objectives by investing across a range of asset classes on a global basis that provide exposure to different risk factors.

Each asset is included in the Portfolio for its ability to contribute to returns on a stand alone basis.

The investment universe comprises of 3 broad categories - Preservers, Growth Drivers and Diversifiers.

### Preservers

Assets that protect the portfolio during periods of heightened equity market volatility and preserve capital, such as cash, government bonds and high quality investment grade bonds.

### Growth Drivers

Assets that are expected to deliver higher rates of return over time with higher levels of associated volatility (risk). This predominantly comprises equities but also includes other assets that are highly correlated to equities such as listed property and infrastructure.

### Diversifiers

Assets that generate additional real returns, with performance that is typically uncorrelated to the growth drivers and preservers within the portfolio.

Importantly, they are a source of portfolio diversification away from equity market and interest rate risks.

## Top holdings

Holding	Weight	Asset Class
AUD CASH POSITION	12.34%	Cash
KAPSTREAM ABSOLUTE RETURN INCOME FUND CLASS I	7.76%	Rates & credit
ARDEA REAL OUTCOME FUND CLASS A	6.41%	Rates & credit
DAINTREE CORE INCOME TRUST AUD	6.36%	Rates & credit
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	4.31%	Equities
CROWN DIVERSIFIED MACRO SEGREGATED PORTFOLIO SERIES	4.29%	Liquid alternatives
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	4.23%	Liquid alternatives
SMARTER MONEY HIGHER INCOME FUND - ASSISTED INVESTOR	4.19%	Rates & credit
MAN ALTERNATIVE RISK PREMIA - CLASS A SHARES (AUD)	3.66%	Liquid alternatives
SMARTER MONEY FUND - ASSISTED INVESTOR	3.40%	Cash

Source: Atrium Investment Management. Asset allocations may change at any time. May not include all open futures or derivatives positions. Cash may include allocations to shorter term rates and credit investments that may at times be subject to capital volatility.

## Market update

Equity markets were weaker in general over the month of August with the US market falling 4.1%, reversing strong gains in July. Australian equities bucked the trend, gaining 1.2%. Bond yields rose sharply, and the US dollar continued to strengthen, rising 2.1% against the Australian dollar. Volatility rose and credit markets were generally weaker.

US equities fell in August, as a number of Federal Reserve (Fed) speakers pushed back on any perceived dovish pivot ahead of the crucial Jackson Hole central bank symposium later in the month. Given the move higher in rates, it made sense that the highly interest rate-sensitive Information Technology sector was one of the weakest. The IT sector is by far the largest sector in the US market and declined -6.1% for the month as valuations moved lower. Apple fell -3.3%, and Microsoft fell -6.9%. Another notable sectoral decline was the Real Estate sector (-5.7%), reflecting the increasingly apparent rolling over of the housing

market as fixed mortgage rates continue to rise. Away from the US, Europe was weak, reflecting the growing fears of a recession, led by the sharp rise in energy costs associated with the closure of the Nordstream gas pipeline and higher overall energy prices. Emerging Markets performed reasonably well, generating a slight positive return in local currency terms (although negative in USD terms as the dollar strengthened), but it was notable that Hong Kong and China saw sharp pullbacks reflecting further concerns around weakening Chinese growth and the growing fears within the local real estate sector.

The Australian equity market performed relatively well during August, with a 1.2% return for the month. Several sectors closed in negative territory for the month, with the Real Estate sector perhaps unsurprisingly generating a negative -3.9%, and Consumer Staples were also weak. However, to the positive side, Energy (+7.8%) and Materials (+4.4%) posted strong gains as the local market passed through its year-end earnings releases. The Materials sector was led by strong rises in lithium producers, and BHP, by far the largest single stock on the local market, rose 5.0%. The banks were slightly weaker over the month.

Bond yields rose very sharply in August reversing July's declines, leaving year to date returns across fixed income indices in negative territory as markets continue to price central bank hikes and parse central bank communications, which have been confused over recent months. The Fed and European Central Bank were both widely expected to hike a further 75 basis points (bps) in September, and the Reserve Bank of Australia hiked 50 bps in early August. This is despite signs that much of the inflationary push is coming from supply side constraints rather than strong underlying demand.

The Australian dollar declined 2.1% against the US dollar to 0.68, driven more by US dollar strength, partly reflecting rising US bond yields. Oil declined 8.9% as markets remained focussed on lower demand due to the growing potential for a global recession.

## Performance

The Fund was positive over the month, in contrast to falls in global equity and bond markets, with our focus on risk and diversification helping to preserve capital.

The key driver of positive returns for our portfolios was our allocation to liquid alternatives, which has been an outstanding diversifier in a period where traditional asset class returns have been negative. Key standout performers included the P/E Global FX Alpha Fund and the Crown Diversified Macro Segregated Portfolio.

Our rates and credit managers were higher in aggregate, led by our allocation to the CQS Credit Multi Asset Fund which invests predominantly in the loans and high yield bond markets.

Our global equity managers were all lower over the month, while our domestic share allocations fared better as the investments in both the Atrium Equity Opportunities Fund and SGH ICE Fund were positive.

## Portfolio changes

There were no major portfolio changes over the month. During the period, we increased protection in the portfolio through the purchase of call options on US Treasury Bonds, which should provide positive returns if risk markets sell off and bonds rally. We have also taken profit on our US S&P 500 put options and extended the expiry into October.

We remain active in seeking out opportunities to ensure the portfolios are well diversified with robust strategies to deliver to both our return and risk objectives in this environment. To this end, the team have conducted due diligence across a number of liquid alternative strategies, although no changes have been made at this stage.

Overall, the Fund remains defensively positioned, with higher cash allocations and equities towards the lower end of our historical range. Our focus on capital preservation takes front and centre across our portfolios in the current market environment.

## Outlook

It was our expectation that the recent rally in equities would be short lived and this has proved to be correct in August. We expect markets to remain volatile for some time while central banks have a difficult task in reducing inflation while not tipping economies into recession.

## For more information

If you have any questions, please contact your Financial Adviser or [www.atriuminvest.com.au](http://www.atriuminvest.com.au)

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