

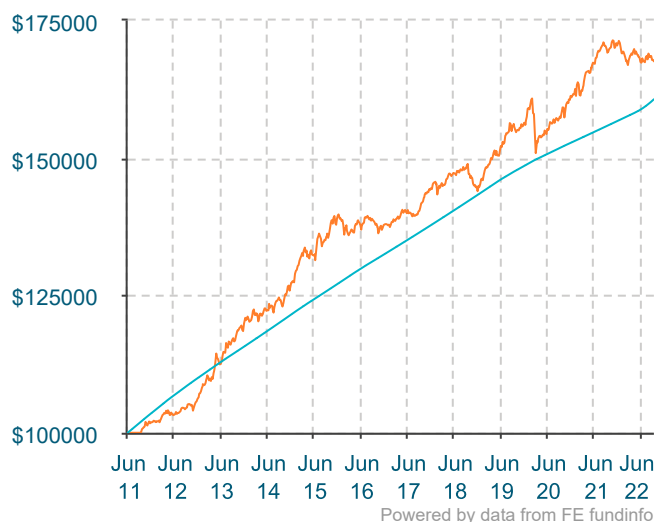
Atrium Evolution Series – Diversified Fund

AEF 5



30 September 2022

Growth of \$100,000 since inception



● Portfolio ● RBA Cash + 2.5%

Performance

	Portfolio	Objective
Since inception (% p.a.)	4.69%	4.30%
10 Years (%p.a.)	4.83%	4.00%
7 Years (%p.a.)	3.04%	3.56%
5 Years (%p.a.)	3.52%	3.31%
3 Years (%p.a.)	2.37%	2.89%
1 Year	-1.11%	3.09%
6 Months	-0.60%	1.78%
3 Months	0.01%	1.06%
1 Month	-0.54%	0.38%

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.)	3.15	2.86	3.00	3.24
Sharpe Ratio	1.05	0.69	0.90	0.61

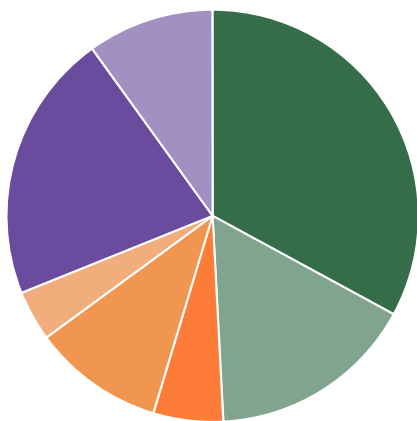
What is volatility?

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	32.93%
● Cash	16.25%
● Australian equities	5.47%
● International equities	10.30%
● Listed infrastructure	3.96%
● Liquid alternatives	21.15%
● Private markets	9.94%

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	14.05%	Cash
KAPSTREAM ABSOLUTE RETURN INCOME FUND CLASS I	7.68%	Rates & credit
ARDEA REAL OUTCOME FUND CLASS A	6.47%	Rates & credit
DAINTREE CORE INCOME TRUST	6.29%	Rates & credit
CROWN DIVERSIFIED MACRO SEGREGATED PORTFOLIO SERIES	4.66%	Liquid alternatives
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	4.51%	Liquid alternatives
SMARTER MONEY HIGHER INCOME FUND - ASSISTED INVESTOR	4.16%	Rates & credit
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	3.96%	Equities
MAN ALTERNATIVE RISK PREMIA - CLASS A SHARES (AUD)	3.76%	Liquid alternatives
SMARTER MONEY FUND - ASSISTED INVESTOR	3.40%	Cash

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Market update

The September quarter remained volatile as central banks withdraw liquidity in the face of high inflation readings. Volatility was most apparent in equity markets, where the US market declined -4.9%. Australian equities rose 0.4% for the quarter. Bond yields continued their rise, leading to further negative returns, and credit markets were generally quite weak. The Australian dollar fell sharply as investors sought the haven of the US dollar. Commodity prices fell on concerns around demand given slowing global activity.

The US market as represented by the S&P 500, fell for a third consecutive quarter, generating -4.9%. Yet again, the largest impact on the market was the largest Information Technology sector which declined -6.2% for the quarter leaving it down -31.4% since the start of the year. The largest stock in the US index, Apple, was positive for the quarter, despite highlighting the

slowing of demand for its consumer products, and a generally disappointing new product launch. The other large stocks, Microsoft and Google, were weak, as Microsoft declined -9.1%, and Google (included in the Communications sector, rather than IT) fell -12.2%. These stocks have tended to suffer as bond yields have risen, given their strong growth profiles, and hence longer dated earnings profiles. The housing market in the US continues to cool rapidly, with flow on effects across a range of these sectors. European stocks held up surprisingly well, given the Ukraine conflict and severe pressure on the banking sector, this time Credit Suisse. The German DAX underperformed given its proximity to the conflict and the manufacturing sector's exposure to energy (gas) prices, closing down -5.2% for the quarter. Emerging markets had a further weak quarter, suffering from the relentless strength in the US dollar and rise in bond yields.

The Australian equity market continued its 2022 outperformance, generating a return of +0.4% for the quarter, being down only -9.6% since the start of 2022. The Australian market is highly concentrated, and with strong gains in the banks and resource companies, this contributed to the positive quarterly result. Banks rose 3.8% for the quarter as Westpac rose +5.9%, with NAB and ANZ closely behind that. The resources sector was led by Energy, as Whitehaven Coal (in excess of +90%) rallied, although the largest security in the Australian market by far, BHP, was roughly flat for the quarter. On the negative side from a sector standpoint, Utilities were very weak as they face political pressure around their business models, and very sharp price increases over 2022/23. Real Estate Investment Trusts were also very weak during the quarter.

Bond market moves were again key during the quarter, as bond yields continued their relentless rise (a rise in bond yields implies a fall in prices). Markets gained a slight reprieve in July, as markets thought the US Federal Reserve Bank may have been getting closer to a peak in rates, although these hopes were dashed in August and September, which saw bond yields rise almost in a straight line. US 10-year treasuries rose 82 basis points (bps) to close at 3.83%, and market participants are taking note of the fact the yield curve has inverted at certain points, typically indicating an upcoming US recession. In the month of June alone, Australian 10-year bond yields rose slightly more than 20 bps, to close at 3.89%, a closing level not seen since 2014. The rise in Australian bond yields was less pronounced as economists and the Reserve Bank of Australia started to consider what higher rates might mean for a highly indebted Australian consumer. Nonetheless, a further 4 hikes of 25 bps were priced in by markets over 2022/23. Credit markets were weak during the quarter, consistent with the higher market volatility and lower equities.

The Australian dollar fell a further 7.3% against the US dollar, again driven by general US dollar strength, although higher volatility in markets is often a negative factor for the Australian unit, and there have also been some concerns around the RBA's policy communications. Oil fell 21.8% for the quarter, as markets considered the impact of slowing activity on demand.

Performance

The September quarter was a challenging environment for the traditional asset classes of equities and bonds with major headwinds from rising inflation and slowing economic growth. Despite this, the Fund's diversification helped smooth returns and highlighted the benefit of true diversification in times of market volatility.

Liquid Alternatives (along with cash, private markets, and protection strategies) have been the ballast of the Fund in this turbulent period. The key drivers of performance within this sleeve included our global macro allocations in the Crown Diversified Macro Segregated Portfolio. Long positions in the US dollar and a short position in bonds provided strong contribution to this strategy's returns. Our alternative risk premia strategy Man Alternative Risk Premia was also a solid contributor, while our managed currency exposure P/E Global FX Alpha Fund has continued to deliver stellar returns, returning over 14% for the quarter on the back of a long USD position, and short Euro and Yen positions.

Equities were mixed over the month. The Atrium Equity Opportunities Fund was higher over the quarter on the back of strong performance from BHP, Pilbara Minerals and ResMed, while our interest rate sensitive exposures such as Transurban and Atlas Arteria were detractors. In global equities, the Hyperion Global Growth Companies Fund outperformed the index with positions in Tesla and Amazon adding value, while our other global equity managers were modestly lower over the quarter.

Listed infrastructure (managed by Magellan) was the only major detractor to returns as rising global real yields have negatively impacted utilities and infrastructure assets over this period.

The defensive allocation to rates and credit allocation did well to avoid the issues faced by more interest rate sensitive peers. Key contributors to performance (held within the Atrium Enhanced Fixed Income Fund) have included MCP Wholesale Investments Trust, Ardea Real Outcome Fund and Smarter Money Higher Income Fund, with the latter benefitting from its exposure to semi-government bonds and short-term credit trading opportunities. The only laggards were the Kapstream Absolute Return Income Fund and Daintree Core Income Trust.

Portfolio changes

We continue to actively manage the portfolio through this time of market volatility. Allocations within the Atrium Equity Opportunities Fund are being positioned for a change in the economic cycle. Two changes included James Hardie being exited while Carsales was a new addition.

Other portfolio changes included adding to our cash holdings by taking advantage of recent equity market strength to take profits. We have also been active in our overlay strategies, taking profits in positions to prosper from the equity market falls. In early October we further reduced equity exposure as we expect a challenging period ahead for global equity markets.

Further positions are now being assessed in Private Markets as these transactions are expected to provide diversification in times of market volatility.

Outlook

As the great monetary experiment of the past decade closes and global central banks begin the arduous journey of lifting interest rates to fight off inflation (which has proven to be not so transitory), we have been defensive, with higher cash allocations and corresponding lower allocations to equities, while also maintaining higher allocations to liquid alternatives - which have been better able to navigate the falls in equity and bond markets and assist the Fund in preserving capital and delivering positive returns.

The potential exists for a period of range bound equity markets as company earnings come under pressure and bond yields oscillate in the face of reduced global liquidity and monetary tightening. We remain nimble, with the ability to tactically add to equities on weakness while trimming during periods of strength. Our focus however remains steadfast on capital preservation and delivering clients a smoother return profile.

For more information

If you have any questions, please contact your Financial Adviser or www.atriuminvest.com.au

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