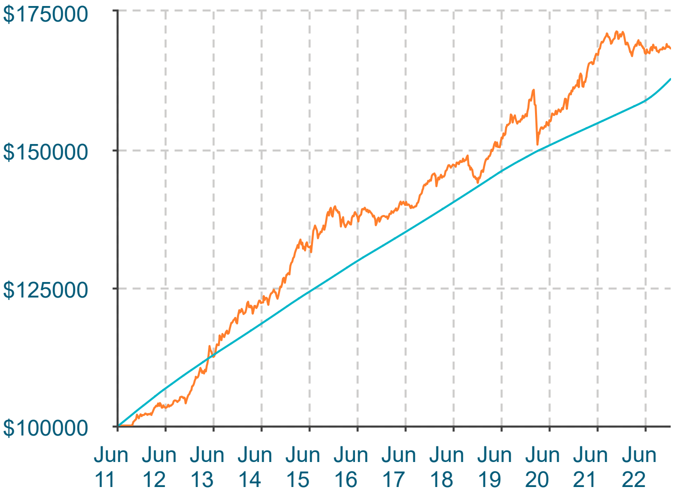
Atrium Evolution Series – Diversified Fund AEF 5

ATRIUM
Risk Targeted Investing

31 December 2022

Growth of $100,000 since inception



Fund   Objective

Performance

	Fund	Objective
Since inception (% p.a.)	4.62%	4.32%
10 Years (%p.a.)	4.69%	3.99%
7 Years (%p.a.)	2.69%	3.58%
5 Years (%p.a.)	3.12%	3.37%
3 Years (%p.a.)	2.56%	3.06%
1 Year	-1.76%	
6 Months	0.44%	
3 Months	0.43%	
1 Month	-0.48%	

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.

FINANCIAL STANDARD INVESTMENT LEADERSHIP AWARDS WINNER MULTI-ASSET Flexible Asset Allocation 2021

Recommended Lonsec Research

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	2.81	2.98	3.22
Sharpe Ratio	1.01	0.57	0.75	0.61

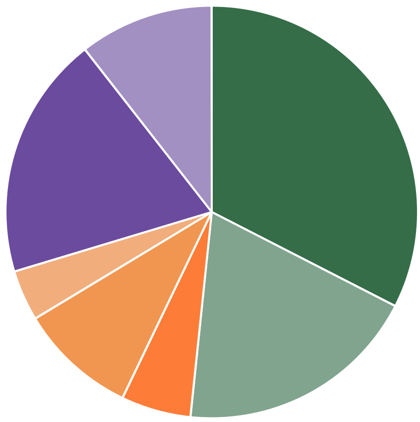
What is volatility?

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	32.54%
●	Cash	19.12%
●	Australian equities	5.47%
●	International equities	9.22%
●	Listed infrastructure	3.98%
●	Liquid alternatives	19.12%
●	Private markets	10.54%

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
CASH POSITION	15.44%	Cash
KAPSTREAM ABSOLUTE RETURN INCOME FUND CLASS I	7.81%	Rates & credit
ARDEA REAL OUTCOME FUND CLASS A	6.19%	Rates & credit
DAINTREE CORE INCOME TRUST	6.10%	Rates & credit
SMARTER MONEY HIGHER INCOME FUND - ASSISTED INVESTOR	4.31%	Rates & credit
CROWN DIVERSIFIED MACRO SEGREGATED PORTFOLIO SERIES	4.26%	Liquid alternatives
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	4.17%	Liquid alternatives
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	3.98%	Equities
MAN ALTERNATIVE RISK PREMIA - CLASS A SHARES (AUD)	3.58%	Liquid alternatives
SMARTER MONEY FUND - ASSISTED INVESTOR	3.26%	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

In a year of falling asset prices, the last quarter of 2022 offered some respite. Equity markets were higher, only just in the case of the Nasdaq, and bond yields fell. Commodities were weaker, led by oil, and offset by copper. The VIX, a measure of volatility in the equity market, was lower and more subdued.

The market's better performance in the last quarter of the year reflected an easing in inflationary conditions, and expectations that the peak in inflation and monetary policy tightening had been achieved. Towards the end of the quarter, however, concerns re-emerged that policy would continue to be tightened into 2023. In addition, the yield curve inverted. This signals, typically, the advent of a recession in 2023.

The S&P 500 index finished the quarter up 7.1%. Performance was strongest amongst the Dow Jones Industrial Average stocks, up 15.5%. Boeing 57.6%, Caterpillar 46.2%, and Honeywell 28.4% all had strong quarters. This outperformance likely reflected expectations of stabilisation in profit margins as inflation slows. By contrast, technology stocks remained weak in the quarter and are under pressure to improve profitability. Following Elon Musk's takeover of Twitter and subsequent cuts to staffing, other large technology companies have focused on cost-cutting. Apple fell -5.8%, Amazon fell -25.6% and Tesla fell -54% in the quarter.

In Australia, equities rose 8.7% in the quarter, continuing impressive performance in 2022. In addition to the broader global theme of peaking inflation. Australian equities benefited from the prospect of a re-opening in China. China's shift from a zero-COVID pandemic response will have substantial positive impacts for Australia's resources, education, and tourism industries. Both banks and miners had strong quarters. The Commonwealth Bank rose 13.1%, while BHP rose 18.7% and Rio Tinto 24.7% in the quarter.

Interest rates were broadly flat across most economies. The Australian 10-year government bond yield finished the year above 4.0% for the first time since 2013. There were strong counter-cyclical rallies in several currencies, including the pound up 12%, euro up 11.0% and the Australian dollar up 5.0%. The rally in non-US dollar currencies reflected the likelihood of more aggressive monetary policy outside of the United States.

The increasing prospect of a more balanced Federal Reserve policy was highlighted in late November 2022 by Chair Jerome Powell. Powell said "we have a long way to go in restoring price stability" but also that "it makes sense to moderate the pace of rate increases". In Australia, November's Statement on Monetary Policy highlighted concerns from the RBA that inflation pressures would not ease rapidly. The RBA highlighted a scenario where persistent inflation will lead to increasing wage demands; "If this were to occur, domestic demand would likely need to slow by more than currently forecast for inflation to return to target, with implications for the path of monetary policy."

Performance

2022 closed without a Christmas rally for investors, as global equity markets partially retraced solid performances from earlier in the quarter. Bond markets were also positive in aggregate over the quarter, as yields fell on the back of falling inflation expectations and central banks remained steadfast in combatting inflation.

During the quarter, all asset classes contributed positively to performance, excluding liquid alternatives which gave back some performance after a strong calendar year.

Amongst our preserver allocations, the key positive contributors to performance included Kapstream Absolute Return Income Fund, JP Morgan Global Strategic Bond Fund and CQS Credit Multi Asset Fund. Credit markets performed well over the quarter, in tandem with equities. Lower rated corporates performed particularly well on the belief balance sheets would withstand the current economic environment.

Our liquid alternatives exposures which proved to be a key ballast for portfolios over the calendar year, retraced some performance. Our trend following strategies were negatively impacted by reversals across some markets – especially the US dollar, but nevertheless they finished the year with positive returns.

P/E Global FX Alpha Fund was the key detractor to performance for the quarter and was negatively impacted by a long US dollar and short Euro position. The Crown Atrium Segregated Portfolio (allocated to European long-short manager Zebedee Capital Partners) was positive over the quarter with well-timed exposures to European consumer discretionary and global materials.

Private markets exposure has continued to compound positive returns. During the quarter, three new investments were undertaken. This included participating in a syndicate to acquire an A-grade office tower in Perth, loan facilities for a natural resources development and to finance the off-take and sale of renewable energy. These new investments took advantage of the tight capital markets to acquire assets or provide loans at favourable rates.

Within our growth allocations, the standout for the quarter and year has been Antipodes Global Fund - Long which benefitted from outperformance across Cyclical and Industrial stocks along with its bias towards both Asian and European stocks. Northcape Capital Global Equities Fund was also a solid performer over the quarter.

The Atrium Equity Opportunities Fund delivered a solid return for the quarter (although underperformed the broader market), with BHP the largest positive contributor, along with Commonwealth Bank. Commodities have been the key reason for Australia's equity market outperformance for both the quarter and year. The SG Hiscock ICE Fund, unfortunately lagged noticeably over the quarter, as its lack of resource exposure and bias towards small and mid-cap stocks was not rewarded by the market.

On the other side of the ledger, our smaller allocation to the Hyperion Global Growth Companies Fund was a key underperformer, with large positions in both Tesla and Amazon performing poorly over the quarter.

Our infrastructure strategy managed by Magellan outperformed its benchmark over the quarter due to a strong performance from French toll road and airport operator Vinci.

Our recently re-introduced Japanese Yen position added to performance in the quarter in contrast to our long US dollar exposure which detracted for the quarter but was still well ahead for the year.

Portfolio changes

Within the liquid alternatives sleeve we are currently completing due diligence on global long short managers to exploit the increased opportunity set from a change in market regime. We have fully redeemed from Ardea Global Alpha Plus Fund, after the fund was closed.

During the quarter we took advantage of strong equity markets to trim equity positions and bring allocations closer to our lower overall targets. Within global equities, we have tilted towards Northcape Capital Global Equities Fund with a higher quality portfolio that is better placed for a potential earnings downgrade cycle.

Within the Atrium Equity Opportunities Fund, we added two new positions over the quarter, gold miner Northern Star and Worley, while exiting from City Chic, EML Payments and Coles.

Outlook

As we start 2023, inflation concerns are abating as the peak in global inflation looks to have passed. Nevertheless, risks remain that inflation proves more “sticky” and that central banks need to maintain interest rates at higher levels for longer to hit their respective inflation targets. A challenge to central banks' inflation expectations in 2023, will be the end of China’s zero COVID policy and its impact on global commodity and goods prices.

Consensus company earnings, however, remain elevated (although recently revised lower) and at risk of significant downgrades, especially if interest rates stay elevated and the risk of recession increases. Accordingly, we have maintained our equity exposure towards the lower end of our range as risks remain skewed towards the downside, and our focus on preserving capital through the cycle comes to the fore.

We have highlighted in previous research that periods of increasing inflation volatility and tight labour markets can prove detrimental to traditional ‘set and forget’ portfolio approaches. In this “sea change in markets” the value of dynamic asset allocation and active management becomes more apparent and will be crucial for investors in meeting their investment objectives.

For more information

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