

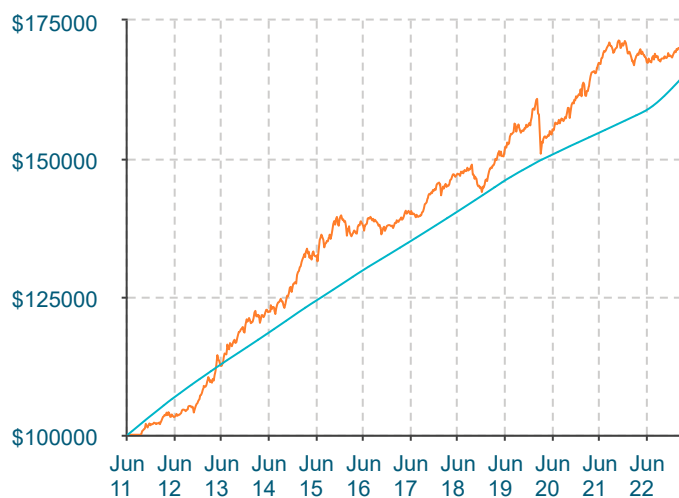
# Atrium Evolution Series – Diversified Fund

## AEF 5



28 February 2023

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



● Fund ● Objective

### Performance

	Fund	Objective
Since inception (% p.a.)	4.66%	4.34%
10 Years (%p.a.)	4.49%	3.99%
7 Years (%p.a.)	3.07%	3.61%
5 Years (%p.a.)	3.26%	3.42%
3 Years (%p.a.)	2.47%	3.19%
1 Year	1.45%	-
6 Months	1.00%	-
3 Months	0.63%	-
1 Month	0.33%	-

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.



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

### Investment objective

To maximise returns while ensuring portfolio risk, or volatility, does not exceed 5% over a rolling three (3) year time period.

### 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.)	3.10	2.77	2.98	3.07
Sharpe Ratio	0.96	0.70	0.78	0.57

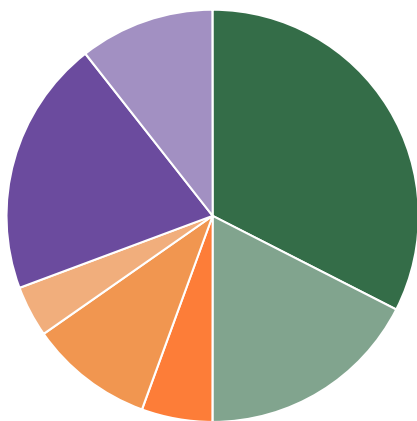
### What is volatility?

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	32.51%
● Cash	17.52%
● Australian equities	5.55%
● International equities	9.73%
● Listed infrastructure	4.02%
● Liquid alternatives	20.09%
● Private markets	10.59%

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	10.24%	Cash
KAPSTREAM ABSOLUTE RETURN INCOME FUND CLASS I	8.28%	Rates & credit
SMARTER MONEY FUND - ASSISTED INVESTOR	7.39%	Cash
ARDEA REAL OUTCOME FUND CLASS A	6.11%	Rates & credit
DAINTREE CORE INCOME TRUST	6.09%	Rates & credit
SMARTER MONEY HIGHER INCOME FUND - ASSISTED INVESTOR	4.62%	Rates & credit
CROWN DIVERSIFIED MACRO SEGREGATED PORTFOLIO SERIES	4.27%	Liquid alternatives
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	4.23%	Liquid alternatives
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	4.02%	Equities
MAN ALTERNATIVE RISK PREMIA - CLASS A SHARES (AUD)	3.56%	Liquid alternatives

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

After a strong January, February saw caution creep back into markets, as bond yields again rose, reflecting a shift back to an expectation that central banks have more hikes than previously assumed to be the case. US equities fell -2.4%, in line with the Australian market. Bond yields rose sharply, and gold fell reflecting the repricing of central banks. The Australian dollar was weak.

US equities reversed most of the January gains. The US market generated a decline of -2.4%, leaving it -7.7% on a 12 month basis. In February the weakness was widespread, with Information Technology the only sector to eke out a (small) gain. On the other hand, Energy was very weak (-7.1%) reflecting a decline in the oil price. Utilities, Telecommunications, and Health Care were also lower despite often being seen as more defensive components of the market. One standout on the upside was Tesla. The recently out-of-favour stock generated a +18.8% rise, following the huge rally in January (+40.6%) reflecting the amount of

volatility and uncertainty around the business. Europe was notable in February as it rose (+1.8%), with most major European markets rising. Emerging markets fell, and the notable move was in India where various Adani group entities came under heavy selling pressure, subjected to questions around its business model, transparency, and levels of debt.

The Australian equity market fell in line with the larger US market. BHP Group comprises more than 10% of the local market, and as it fell -8.5% in February, this was a significant headwind for the overall market. The other significant component of the market, the Banks, were also weak as investors parsed the earnings results for signs that net interest margins may have peaked, and bad and doubtful debts may start to increase reflecting a weaker growth outlook and potentially stressed mortgage book. Small caps slightly underperformed the larger capitalisation component of the market.

Bond markets corrected (yields rose meaningfully), as investors repriced expectations for policy rates, particularly in the US following the strong labour market data at the end of January. A number of Federal Reserve Bank speakers also highlighted that they were in favour of further rate rises. Credit markets performed reasonably well for the month, despite the volatility in equities, and the move was more pronounced for lower quality credit.

Higher bond yields in the US saw the Australian dollar decline 4.6% against the US dollar in February. The Australian dollar was also pressured by the significant fall in coal prices (-18.9% in February). Gold fell sharply, also reflecting the rise in bond yields and US dollar strength.

## Performance

The optimism of January gave way to realism in February, as markets digested news that inflation was “stickier” than first thought and that global central banks would need to lift interest rates higher than anticipated for a much longer period to rein in price growth. Whilst domestic equity and bond markets were lower for the month, the Fund was able to generate a positive return, highlighting the importance of genuine diversification.

The contributors to performance included liquid alternatives, rates and credit and global equities, with the majority of our global equity managers delivering a positive return over the month.

Positive contributors included P/E Global FX Alpha Fund, which benefitted from the sharp rise in the US dollar, and the Hyperion Global Growth Companies Fund which performed well on the back of a continued strong rise in Tesla.

The main detractor to performance included the Atrium Equity Opportunities Fund, which was negatively impacted by both BHP Group and Domino’s exposure.

## Portfolio changes

During the month we made an investment in the P/E Global Commodity Strategy, which is a long-short strategy that trades eight underlying commodities. This strategy will complement our liquid alternative sleeve and is lowly correlated to traditional assets.

We have also been active over reporting season in the Atrium Equity Opportunities Fund with additions to Worley, Domino’s and BHP Group and a reduction in Macquarie Bank.

## Outlook

The strong rally in risk assets in January looks to have lost steam as markets recalibrate interest rate expectations. We remain defensively positioned, with elevated cash levels and low equity exposure as we believe that company earnings will come under increasing pressure in a rising rates environment. We believe a range of investment opportunities will become increasingly attractive over the forthcoming period. Having the ability to deploy capital at short notice is one of the ways we are able to deliver value for clients.

Our focus on genuine diversification drives our research effort towards strategies capable of delivering absolute returns regardless of the inflation outcome. These types of investment strategies are vital in managing overall portfolio volatility.

## 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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