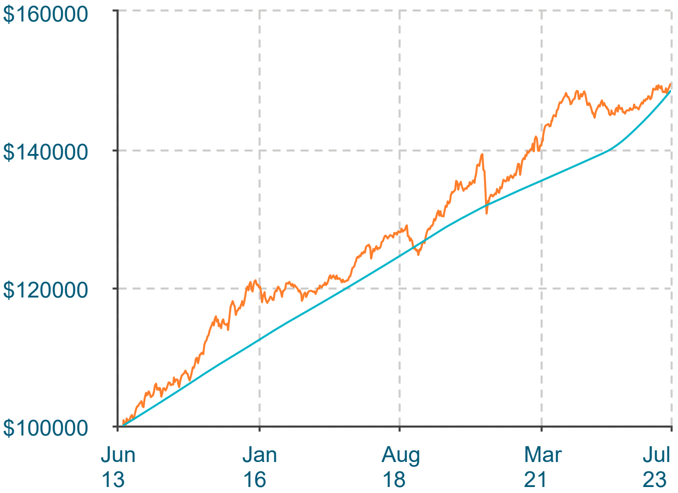
Atrium Evolution Series – Diversified Fund AEF 5

31 July 2023

Growth of $100,000 since inception



Fund Objective

Performance

	Fund	Objective
Since inception (% p.a.)	4.61%	4.41%
10 Years (%p.a.)	4.10%	4.03%
7 Years (%p.a.)	3.11%	3.73%
5 Years (%p.a.)	3.21%	3.62%
3 Years (%p.a.)	3.33%	3.68%
1 Year	2.52%	
6 Months	1.72%	
3 Months	0.18%	
1 Month	0.40%	

Objective refers to the Return objective as stated in the Key Facts table.

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 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%
Return 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.)	2.99	2.66	2.99	2.31
Sharpe Ratio	0.86	0.71	0.71	0.97

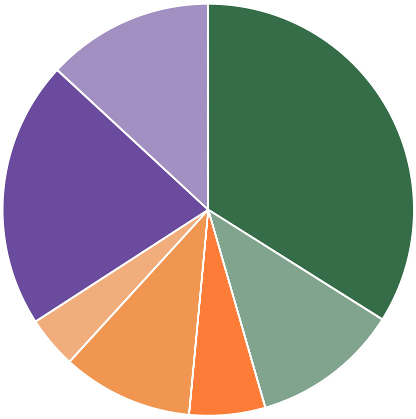
What is volatility?

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	33.95%
●	Cash	11.58%
●	Australian equities	5.98%
●	International equities	10.29%
●	Listed infrastructure	4.08%
●	Liquid alternatives	21.01%
●	Private markets	13.12%

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, such as liquid alternatives and private markets.

Top holdings

Holding	Weight	Asset Class
CASH POSITION	12.12%	Cash
KAPSTREAM ABSOLUTE RETURN INCOME FUND CLASS I	8.27%	Rates & credit
ARDEA REAL OUTCOME FUND CLASS A	6.04%	Rates & credit
DAINTREE CORE INCOME TRUST	5.27%	Rates & credit
CROWN DIVERSIFIED MACRO SEGREGATED PORTFOLIO SERIES	4.31%	Liquid alternatives
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	4.11%	Liquid alternatives
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	4.08%	Equities
SMARTER MONEY HIGHER INCOME FUND - ASSISTED INVESTOR	3.99%	Rates & credit
MAN ALTERNATIVE RISK PREMIA - CLASS A SHARES (AUD)	3.46%	Liquid alternatives
REALSIDE CAPITAL FLAGSHIP FUND	3.24%	Private markets

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 July, equities displayed robust performance once again, particularly in the US market, which witnessed a gain of 3.2%. Australian equities also generated a commendable return of 2.9% during the same period. Notably, government bond yields experienced an increase, while credit markets maintained their stability. Additionally, the Australian dollar appreciated, aligning with the prevailing risk-on sentiment in the markets. Despite this, equity volatility remained subdued, and both oil and gold experienced upward rallies.

A noteworthy aspect of July's resilient US equity market was a shift in leadership. In recent years, and particularly in the first half of 2023, Information Technology and other "new-economy" entities such as Amazon and Google had been the primary drivers of market gains. However, during July, the Information Technology sector rose by 2.7%, closely mirroring the overall market's performance. Notably, sectors like Energy (with a 7.4% rise) and Financials (with a 4.8% rise) took the lead. The earnings season saw companies surpassing analyst expectations, once again defying concerns about economic recession and weakened earnings.

In Europe, there was a 2.0% increase, with Germany's DAX index largely following suit. Emerging Markets exhibited more dynamic behaviour, achieving a 5.3% gain in local currency terms. Among the prominent emerging markets, China and Hong Kong exhibited considerable strength with gains of 7.9% and 7.2%, respectively. However, much of this resurgence appeared to be a recovery from prior underperformance, and it's premature to conclude that the worries surrounding growth deceleration and a distressed property sector have completely dissipated.

Australian equities generated a 2.9% return for July, continuing the recovery from the late 2022 lows. During this period, the Banking Sector and Energy segment showed robust performance. Energy witnessed a significant surge of 8.8% for the month, propelled by notable gains from Beach Energy (+19.6%) and Karoon Energy (+13.2%). The Financials sector also displayed strength with a 4.9% increase, primarily driven by the performance of the banking institutions. ANZ was the strongest of the majors, gaining 8.6% ahead of a decision on its potential acquisition on Suncorp's banking assets. Second-tier banks (BOQ and Bendigo) outperformed even the majors. Apart from the banking sector, Credit Corp and Challenger delivered strong financial performances. Despite being a minor component of the local market, Information Technology demonstrated resilience. Conversely, Consumer Staples exhibited weakness, particularly within the supermarket segment, where concerns persisted about the ability to pass on price hikes in the current consumer environment. After a challenging year, small-capitalization stocks slightly outperformed.

Bond markets exhibited relatively more volatility compared to equities, diverging from their historical patterns. This volatility stemmed from the ongoing contemplation of central banks' potential strategies in light of emerging signs of inflation, at least in the short term. The US Federal Reserve continued to communicate that policy rates were unlikely to decrease in the immediate future. Higher policy rates will likely lead to lower activity and inflation over the medium term, and hence yield curves remain inverted (where longer-term yields remain lower than shorter-term yields). In Australia, the anticipated replacement of Dr. Phil Lowe at the Reserve Bank had limited market impact. More crucially, the RBA decided to halt its rate hikes, while the US Federal Reserve possibly executed the last hike in the current cycle in July. Consequently, US 10-year yields climbed by 12 basis points (bps), and Australian yields increased by 4 bps over the month. Lower-rated credit markets displayed resilience.

During July, the Australian dollar experienced a slight strengthening, yet it continued to hover within a narrow range between 0.65 and 0.69, consistent with its performance for most of 2023. This appreciation was partially bolstered by a rise in iron ore prices, although declines in coal prices offset some of the gains.

Performance

The commencement of the new fiscal year witnessed the continuation of a robust upward trend in global equity markets. During this period, the Fund registered a favourable performance, largely attributed to the contributions from equities.

Among equities, both domestic and international stocks yielded substantial gains throughout the month. Standout performers included Fairlight Global Small and Midcap Fund, Hyperion Global Growth Companies Fund, and Antipodes Global Fund – Long Only. The latter effectively capitalized on a vigorous recovery in emerging markets and cyclical stocks. On the other hand, certain areas of our listed infrastructure exposure struggled to keep pace, as investor sentiment shifted towards growth and cyclical stocks while steering away from defensive assets.

The performance of our liquid alternative investments exhibited a more varied pattern. The Crown Diversified Macro Segregated Portfolio achieved positive returns, while our risk premia and currency strategies experienced a downturn over the same period. Our recent venture into insurance bonds has proven to be fruitful thus far.

Our rates and credit managers demonstrated commendable performance within an environment marked by narrowing credit spreads and declining government bond yields. Our higher yield investments in KKR Global Credit Opportunities Fund and CQS Credit Multi Asset Fund, continued to excel. Notably, these funds generated robust double-digit running yields, contributing significantly to our overall performance.

Portfolio changes

The current landscape is characterized by heightened risks and limited rewards for assuming risk. The prevailing returns on risk-free cash investments pose a substantial benchmark for any potential new ventures. Consequently, our allocations towards equities and risk-bearing assets are positioned conservatively, aligning with the lower bounds of our historical range. We sustain a significant reserve of cash, strategically held in readiness for opportunities that are likely to emerge as a result of one of the most pronounced surges in short-term global interest rates ever witnessed.

Although our activity this month has been relatively subdued, we hold the belief that patience holds equal significance to investment expertise. We anticipate that opportunities will inevitably arise as monetary policy undergoes further tightening in the upcoming months, whether through increased cash rates or longer-term bond yields resulting from quantitative tightening and heightened supply.

Outlook

Over the past year, there has been a notable tightening of policies by global central banks, exemplified by a remarkable 4% increase in the cash rate in Australia. Despite this, economies have demonstrated resilience, as evidenced by labour markets showing minimal signs of deterioration. Although there has been a significant decline in inflation over recent quarters, domestic core inflation remains elevated, and there exists the potential for an uptick once the impact of high inflation readings subsides in the upcoming quarters.
The prospect of a "Goldilocks" scenario, characterized by a gentle economic slowdown, is within the realm of possibility for global economies. Nevertheless, inherent risks persist, particularly in relation to where inflation levels will eventually stabilize. The robust employment landscape, especially in the services sector, contributes to this uncertainty around inflation.

Even as inflationary pressures moderate, the steadfastness of labour markets compels global central banks to uphold heightened cash rates and potentially continue their tightening trajectory. This dynamic underscores the delicate balance that policymakers must navigate in their efforts to ensure economic stability.

For more information

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