

ATRIUM EVOLUTION SERIES - DIVERSIFIED FUND AEF 5

Investment Objective

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

PERFORMANCE	Since Inception p.a.	10 Yrs p.a.	7 Yrs p.a.	5 Yrs p.a.	3 Yrs p.a.	1 Yr	3 Mths	1 Mth	Vol Since Inception p.a.	3 Yr Volatility	Sharpe Ratio
Atrium Evolution Series - Diversified Fund AEF 5	5.3%	5.4%	4.6%	4.1%	4.5%	7.7%	0.9%	-0.9%	3.0%	3.5%	1.1
RBA Cash Plus 2.5%	4.4%	4.3%	3.8%	3.5%	3.1%						

KEY HIGHLIGHTS

The Fund returned another quarter of positive performance and continues to consolidate the strong returns seen over the past 12 months. The key driver of performance continues to be the allocation to equity managers both here in Australia and via our global partners.

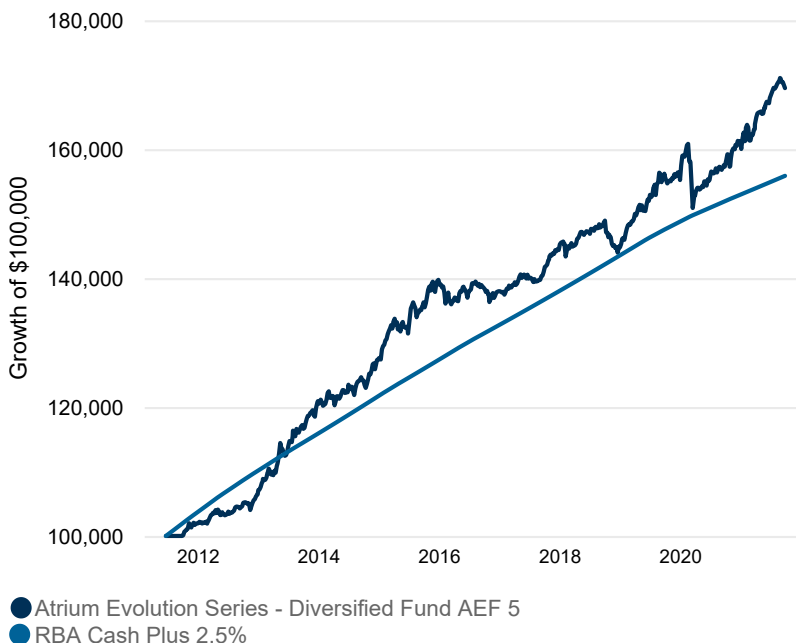
The key contributors within our preservers allocation for the quarter included Kapstream Absolute Return Income Fund, JP Morgan Global Strategic Bond Fund and the CQS Credit Multi Asset Fund which were able to deliver positive returns in a volatile market environment,

During the quarter it was pleasing to see positive performance from our Risk Premia managers Man and Two Sigma, which were able to profit from volatile markets.

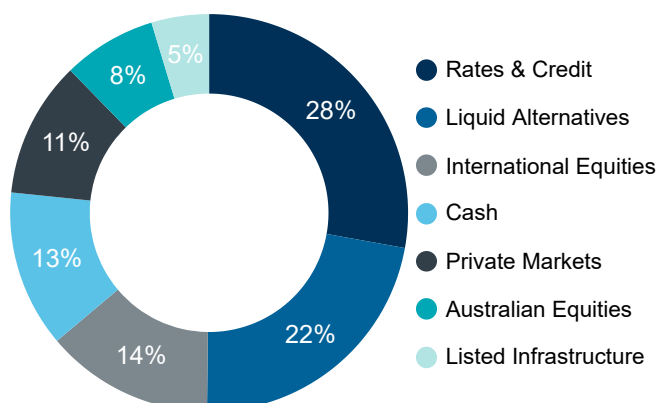
Our real asset exposure continues to perform to expectations by delivering a stable return profile. Over the quarter we invested further capital into a senior construction loan facility, after the repayment of land sale settlements at Leppington, NSW.

We continue to complete due diligence on a potential active manager in the emerging market equity space, as valuations remain compelling.

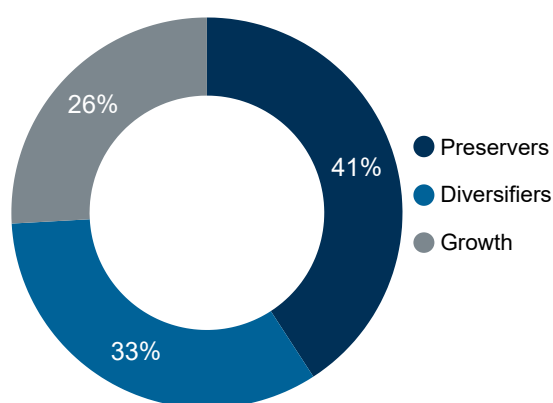
PERFORMANCE (SINCE INCEPTION)



ASSET CLASS EXPOSURE



RISK EXPOSURE



Source: Atrium, Iress. Allocations shown in the 'Asset Class Exposure' and 'Risk Exposure' charts as at the date of this report.

Source: Atrium, Iress. 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.

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MARKET COMMENTARY

The September quarter was a generally firm period for risk assets, with equities making gains (and in many instances record highs), although the gloss was taken off in September as markets pulled back on a range of concerns (slower growth, higher inflation, Chinese property developers, the US debt ceiling, and withdrawal of central bank liquidity). Bond yields remained in recent ranges, and the Australian dollar fell, and markets focussed on a series of significant moves across commodity markets.

US equities saw a positive quarter, generating 0.6%, although the month of September saw losses across all major sectors with the exception of Energy which bounced 9.4% for the month. Over the quarter, Financials was the strongest segment of the market, returning 2.7% and it was the more defensive sectors which outperformed. Utilities ground out a 1.8% return, followed by Telecommunications and Healthcare. Losses were seen in Materials (-3.5%) and Industrials (-4.2%) reflecting the ongoing uncertainty around economic growth, inflation and commodity prices. Large caps outperformed small caps. The European market performance (+0.7%) was in line with that of the US, although there was more interest in developments in Emerging Markets. The EM complex as a whole returned -6.7% in local currency terms, however there was significant dispersion within this. Russia performed strongly (+9.2%) as the oil price continued its rise. At the other end, Brazil was a standout (-12.5%) as the local central bank continued to tighten policy, as were a number of markets linked to China, which in turn declined 10.4% following the sharp June quarter decline. Local regulators continue to crack down on a number of sectors, and perhaps more importantly deal with the fallout from the hugely-indebted local property developer Evergrande which is teetering on default.

The Australian equity market saw further quarterly gains, returning 1.7%, despite the 1.9% decline in September. Unusually, both the leading and the lagging sectors were both part of the resources segment of the market. Energy was very strong, reflecting the substantial ongoing rise in oil prices (West Texas Intermediate oil rose 3.1% for the quarter, and is up 86.0% over 12 months), whilst the Materials index fell -9.9%, with the slide in iron ore prices being a major contributor leaving Fortescue and BHP materially lower over the period. As noted previously, the cessation of the dual listed structure for BHP also contributed to its substantial fall on the local market. Away from resources, the Financials were a standout, led by significant ongoing gains in Pinnacle (+32.6%) and Macquarie Group (+16.4%), and the 4 major banks were generally stronger. Small caps outperformed again, generating 3.4% for the quarter, although over 12 months large and small cap returns are broadly in line.

Bond markets stabilised as investors continued to take a stance that inflationary pressures are transitory, and thus likely to reverse or stabilise. Markets also watched closely for signals from the US Federal Reserve on the direction for policy, given how important quantitative easing has been in keeping bond yields low. The Fed is approaching a tapering of its monthly buying into year end, however the policy rate is unlikely to move in the next 12 months or more, limiting any rise in yields. Having said this yields reversed course in early August, rising into quarter end, and leaving the market broadly unchanged for the period as a whole. US 10-yr treasury yields were fractionally higher at 1.48%. Australian bond yields fell slightly over the quarter (-4 bps to 1.49%), as the Reserve Bank of Australia remains very cautious on its view for its policy rate which is expected to remain unchanged until at least 2024, and downplayed its role in managing the obvious implications for the local housing market.

The Australian dollar saw its third consecutive quarterly decline, falling 3.6% to 0.721 US dollars, despite the significant move higher in the coal price (+69.0%). Iron ore (-35.3%) on the other hand, fell very sharply on concerns about demand from China.

PORTFOLIO COMMENTARY

The Fund returned another quarter of positive performance and continues to consolidate the strong returns seen over the past 12 months. Notwithstanding equity markets stepping back from their recent highs, returns for investors have been exceptionally strong over this period – exceeding the cash plus objectives by a considerable margin. The key driver of performance continues to be the allocation to equity managers both here in Australia and via our global partners.

Within our preservers allocation, we continue to display low levels of volatility across the portfolio in an environment where both interest rate and credit markets have seen significant swings over recent months. Importantly, we have positioned the allocation to be shielded from much of this volatility as we have oriented away from interest rate markets, instead continuing to focus on strategies in high quality credit for the majority of this part of the portfolio.

The key contributors for the quarter included Kapstream Absolute Return Income Fund, JP Morgan Global Strategic Bond Fund and the CQS Credit Multi Asset Fund which were able to deliver positive returns in a volatile market environment, while the key laggard was the Smarter Money Fund which was negative on the back of losses in the semi-government bond market. The spread between semi and Commonwealth Government bonds moved wider over the quarter on the back of concerns around the finances of New South Wales in particular.

During the quarter we saw rising equity bond correlations which validates our view that relying on traditional measures will not provide an appropriate ballast for portfolios so we prefer to orientate to low interest rate sensitivity assets.

Amongst our diversifier allocations performance was mixed over the quarter. The P/E Global FX Alpha Fund was the key outperformer, as the surge in the US dollar drove returns for the strategy. Fixed income arbitrageur Episteme Capital (via the Crown Diversified Trend Access Fund) provided strong positive returns over the quarter as it was able to capture the volatility of bond yields.

During the quarter however it was pleasing to see positive performance from our Risk Premia managers Man and Two Sigma, which were able to profit from volatile markets, Man has continued to benefit from the re-structuring of its equity based risk premia strategies, while Two Sigma has been profiting in particular from its momentum based macro strategies.

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PORTFOLIO COMMENTARY

Our real asset exposure continues to perform to expectations by delivering a stable return profile. Over the quarter we invested further capital into a senior construction loan facility, after the repayment of land sale settlements at Leppington, NSW. The strategy is currently tilted towards capital protection (via senior secured positions) while remaining opportunistic where returns are appropriate.

During the quarter we redeemed our entire holdings in the Regal Tasman Market Neutral Fund. For some time we have been assessing the attributes of a range of managers and the attributes of some managers (whilst still high quality in our view) don't provide the profile of returns we believe are best suited to our portfolios.

Within our growth allocations, Australian equities delivered solid returns over benchmarks over the quarter. The Atrium Equity Opportunities Fund returned well in excess of its benchmark on the back of a very successful reporting season. The key contributors to performance over the quarter included retailers Lovisa and City Chic, Macquarie Group and ResMed, all of which delivered double digit share price returns with a combination of strong earnings, solid balance sheet positioning and improved earnings guidance alongside a common feature of healthy free cash flow generation. On the other side of the ledger, BHP was a major detractor as iron ore prices tumbled, while the Magellan Financial Group share price fell on increased fund outflows due to poor performance.

Our investment in SG Hiscock ICE was also a solid outperformer over the quarter, with key drivers of returns including positions in pharmaceutical distributor EBOS alongside Pinnacle Investment Management and Sydney Airports, with the latter under a takeover offer from a consortium of infrastructure investors.

Performance amongst our global equity investments was mixed over the quarter. Northcape Capital Global Equities Fund and Fairlight Global Small and Mid Cap Fund outperformed their respective indices. Fairlight performed well on the back off exposure to strongly performing software and technology companies, while Northcape during the quarter trimmed many of its recently strong performing positions in Nvidia, ASML and PayPal, while shifting towards more "defensive" companies such as Dollar General and Colgate-Palmolive which should perform better during more challenging economic scenarios.

The laggards included the Antipodes Global Fund – Long, which struggled mainly due to its exposure to Asian equities, while our global equity mandate (managed by Magellan) also lagged as it pivoted away from China, after selling down Tencent. Further, our Global Listed Infrastructure Mandate No. 1 (managed by Magellan), underperformed its index due to its lagging US Utilities exposure.

During the quarter we increased our global equity exposure via futures as we build out our core global equity strategy which will aim to deliver lower drawdowns and volatility by targeting quality global companies that have certainty around earnings. A higher equity allocation was funded from reduced liquid alternative allocations. We retain explicit downside protection through an option strategy as complacency on risk in equity markets continues to be high, making protection relatively cheap.

We continue to complete due diligence on a potential active manager in the emerging market equity space, as valuations remain compelling.

Looking forward, the recent rise in bond yields and tightening (rate rises) by a number of global central banks does provide some headwind for global markets, but we believe the environment still remains sufficiently supportive for equities (especially versus bonds). The risk of inflation shown through commodity and producer price related inflation in our view is not widespread and feeding through into wage cost pressures. This we believe will be key for any sustained increase in inflation over the medium to long term, notwithstanding continued supply side shocks (and recent energy price rises) which we believe will cause inflation to linger at higher levels for longer.