

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%	4.4%	5.1%	8.2%	0.4%	0.4%	3.0%	3.4%	1.1
RBA Cash Plus 2.5%	4.4%	4.3%	3.8%	3.5%	3.1%						

KEY HIGHLIGHTS

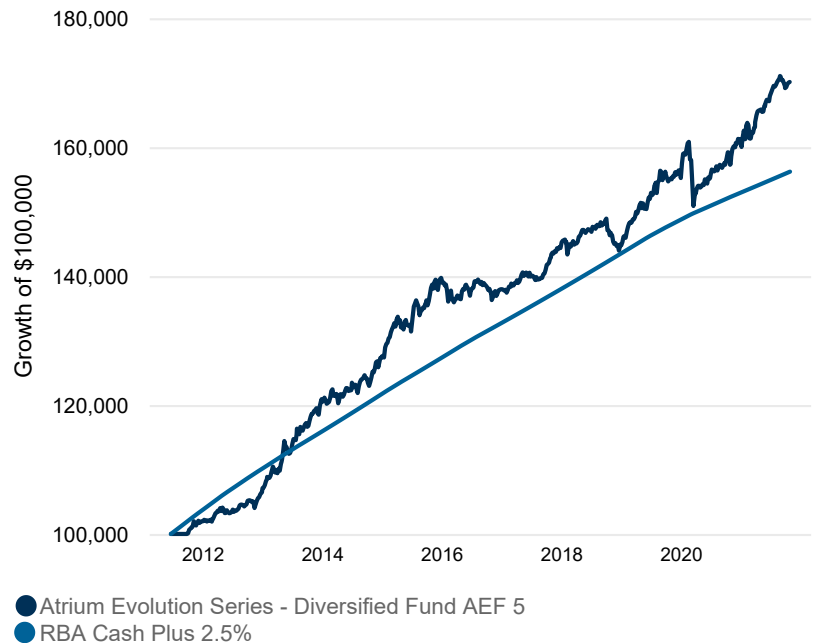
The Fund has now reached its 10-year anniversary, and we are pleased to deliver on our objectives of strong long-term performance with lower volatility compared to peers.

In the month of October, global equities were the key driver of returns, with the Hyperion Global Growth Companies Fund the standout performer due to its exposure to US technology stocks.

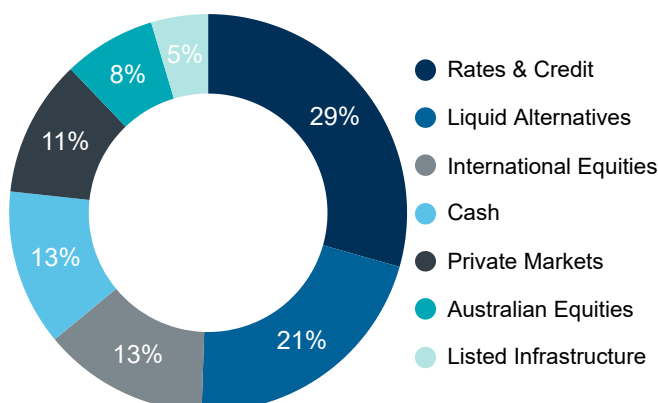
In a month which saw Australian bonds suffer the sharpest falls in 30 years, our diversifying liquid alternatives strategies provided a positive contribution in aggregate, highlighting the importance of seeking out true portfolio diversification.

Going forward, we expect strong economic activity to continue, although we continue to track the potential for a higher inflationary environment. As such, we retain a relatively heightened allocation to equities, with considerable diversification, downside protection and a bias towards quality companies.

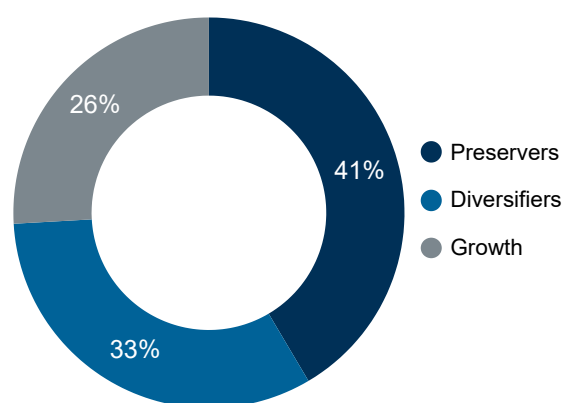
PERFORMANCE (SINCE INCEPTION)



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

October saw continued appetite for risk in markets, with the US equity market generating a strong 7.0% return, although Australian equities lost ground slightly. Most of the volatility was seen in government bond markets, where yields moved sharply higher on concerns about inflation, slowing growth, and mixed signals from a number of central banks, notably including the Reserve Bank of Australia. The Australian dollar continued to recover, despite a sharp move lower in coal and iron ore prices.

Within US equities, Energy performed strongly (+10.4%) as the oil price rose, however it was Consumer Discretionary (+10.9%) that led the market with one stock, Tesla (+43.7%), having another incredible month, closing the month out with market capitalization well in excess of US\$1 trillion. Amazon, also included in Consumer Discretionary, rose 2.7%. Information Technology (+8.2%) was very firm (driven by sharp rises in Microsoft and Apple), as was Communication Services (ongoing move higher in Google). Financials were also strong for the month at +7.3%, as continued firm earnings growth was reported during reporting season. Elsewhere, European equities generated +4.7% for the month, and Emerging Markets struggled (+0.9%), as a number of emerging market central banks were forced to increase interest rates as they tend to be more sensitive to inflation risks, given the problems this has generated in the past (particularly in South America).

Australian equities were broadly flat (-0.1%), following a period of strong gains. There was weakness in Energy (-2.7%), Consumer Staples (-2.3%), and Insurance (-3.7%), driven in part by storm activity on the East Coast. Banks were flat (+0.3%), as investors focused on the implications of a flattening yield curve for their earnings, and also a build-up of costs. On the positive side, Information Technology rose (+2.1%), and Diversified Financials were very strong (+5.3%), paced by outsized moves in Netwealth (+18.8%), Pinnacle Investment Management (+9.2%) and Macquarie Group (+8.7%, and closing in on \$200). Small caps outperformed again, generating 0.9% for the month.

Bond markets were volatile as a number of central banks raised policy rates, and others reversed course on previous policy commitments. On the latter, the Reserve Bank of Australia stood out ahead of its early November policy-setting meeting having previously given very strong commitments to the markets that a higher cash rate was unlikely before 2024 at the earliest, and that the yield on the April 2024 government bond would not trade above 0.10%. Following higher than expected inflation for the third quarter, the RBA stepped back from its commitment on the April 2024 bond, seeing its yield rocket higher into month end, and leading to one of the worst months ever for the Australian bond market. The Reserve Bank of New Zealand hiked rates during the month as did a range of other central banks. Australian 10-yr bond yields rose 60 basis points to 2.09%, in the US the rise was much more muted.

The Australian dollar rose 4.0% to 0.751, again trading in the opposite direction of coal prices (-21.0%) and iron ore prices (-18.5%). Relative interest rate movements seemed to provide support for the Australian currency, to more than offset the commodity price move, and a significant fall in equity market volatility as occurred in the month often provides support for the Australian dollar.

PORTFOLIO COMMENTARY

The Atrium Evolution Series – Diversified Fund AEF 5 successfully navigated falls in domestic shares and local bonds and delivered positive returns in the traditionally volatile month of October. This month also corresponded with the 10-year anniversary of the Atrium Evolution Series – Diversified Fund and pleasingly, during a month of volatile returns in traditional assets, we were able to highlight the advantages of a risk targeted approach for clients.

Global shares were the key driver of returns, notwithstanding the headwinds of the stronger Australian dollar. The Hyperion Global Growth Companies Fund continued to perform well on the back of its US technology exposure along with the phenomenal rise of Tesla over the month. Our smaller capitalisation stock picker, Fairlight Global Small and Mid Cap Fund, outperformed its benchmark with solid performances from a number of key positions including Aspen Technologies, a global leader in industrial optimisation software which was the subject of a takeover offer during the month.

Our Australian shares allocation was flat over the month, modestly outperforming the broader market after a very strong prior quarter, with small and mid-cap stocks outperforming their larger counterparts.

Our exposure within the preservers part of the portfolio was slightly lower over the month, falling 0.2%. However, it is worth mentioning that this was in sharp contrast to the composite Australian bond market which suffered one of its sharpest falls in 30 years (-3.6%) as the RBA pivoted away from its view that the cash rate would be on hold until 2024. The key standout performer was the Smarter Money Higher Income Fund which benefited from its large position in Australian semi-government bonds which performed relatively well, while Daintree Core Income Trust and Ardea Real Outcome Fund declined on the back of the circa 1% rise in the three-year bond yield.

The diversifying liquid alternatives part of the portfolio was positive for the month in aggregate. Key contributors included Crown Atrium Segregated Portfolio (which holds one fund managed by Zebedee Capital Partners) on the back of strong returns from European banks, with positive contribution also seen through One River's Systematic Trend strategy which generated returns across equity and fixed income markets. The Man Alternative Style Risk Premia Fund also posted solid returns for the month from both trend and equity risk premia sleeves. Offsetting this was the Crown Diversified Macro Segregated Portfolio as systematic macro managers lagged over the month. The P/E Global FX Alpha Fund was negatively impacted by the US dollar falling relative to other major currencies.

Overall, our positioning reflects the view that the central bank stimulus and extremely accommodative interest rate setting will underpin strong economic activity, supported by the expected global recovery from COVID19 restrictions. However, we continue to track the potential for a higher inflationary environment and the corresponding flow-on impact to interest rates. From this, we retain a relatively heightened allocation to equities, with considerable diversification and downside protection given the potential for tighter global monetary conditions and inflationary pressures. We also maintain our bias towards quality companies which are better able to withstand inflationary shocks due to their superior pricing power and competitive market positioning.

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