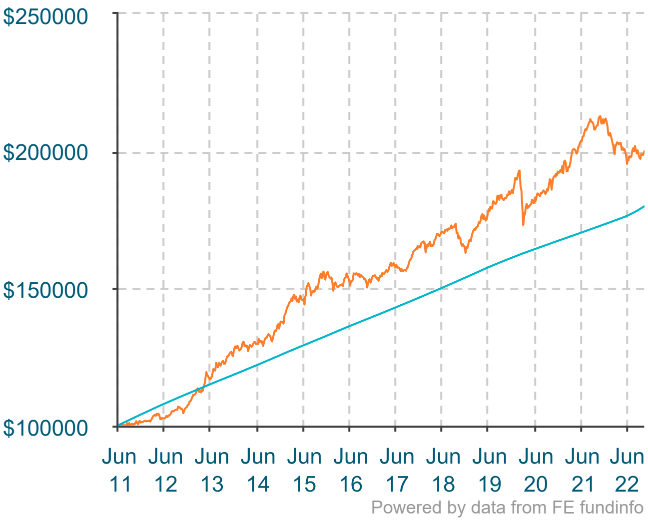
Atrium Evolution Series – Diversified Fund AEF 7

ATRIUM
Risk Targeted Investing

31 October 2022

Growth of $100,000 since inception



Fund RBA Cash + 3.5%

Performance

	Fund	Objective
Since inception (% p.a.)	6.29%	5.31%
10 Years (%p.a.)	6.56%	4.99%
7 Years (%p.a.)	3.77%	4.56%
5 Years (%p.a.)	4.26%	4.32%
3 Years (%p.a.)	3.05%	3.94%
1 Year	-4.53%	4.30%
6 Months	-1.51%	2.48%
3 Months	-0.16%	1.41%
1 Month	1.40%	0.50%

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.

Investment objective

To maximise returns while ensuring portfolio risk, or volatility, does not exceed 7% 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	COL0030AU
Investment strategy	Diversified - Risk Targeted
Volatility limit (p.a.)	7.00%
Objective	RBA Cash + 3.5%
Investment horizon	5 years
Pricing	Weekly
Platform availability	Various

Volatility & Sharpe Ratio

	10 Years	7 Years	5 Years	3 Years
Volatility (% p.a.)	5.11	4.83	5.09	5.62
Sharpe Ratio	0.99	0.56	0.67	0.46

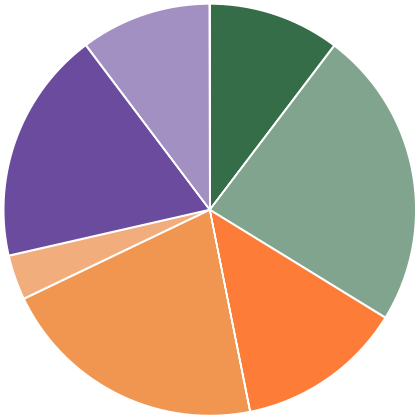
What is volatility?

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	10.33%
●	Cash	23.46%
●	Australian equities	13.07%
●	International equities	21.03%
●	Listed infrastructure	3.53%
●	Liquid alternatives	18.33%
●	Private markets	10.25%

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	21.68%	Cash
ANTIPODES GLOBAL FUND LONG UCITS CLASS S	5.69%	Equities
ATRIUM GLOBAL EQUITIES MANDATE NO.1	4.71%	Equities
CROWN DIVERSIFIED MACRO SEGREGATED PORTFOLIO SERIES	4.08%	Liquid alternatives
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	3.91%	Liquid alternatives
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1	3.53%	Equities
SGH ICE PROFESSIONAL INVESTOR FUND	3.34%	Equities
REALSIDE CAPITAL FLAGSHIP FUND	3.30%	Private markets
MAN ALTERNATIVE RISK PREMIA - CLASS A SHARES (AUD)	3.21%	Liquid alternatives
NORTHCAPE CAPITAL GLOBAL EQUITIES FUND	2.73%	Equities

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

Equity markets bounced sharply in October, led by a view that central banks may be approaching a pivot from their aggressive tightening of monetary policy. The US market generated +8.1%, with the Australian market slightly behind at +6.0%. Bond yields outside of Australia rose, credit markets were generally firm, and the Australian dollar was flat against its US counterpart as major commodity prices declined, with the exception of oil.

US equities rose strongly in October, generating a +8.1% return for the month. As oil prices rose sharply, it was the Oil and Gas sector which led the market, led by Oil and Gas service providers (Halliburton +47.9%, Schlumberger +44.9%), and the Integrated Oil and Gas companies (Exxon Mobil +26.9%, Chevron + 25.9%). Part of this move may have been linked to expectations for a strong Republican showing at the early November mid-term elections (which did not eventuate). The mega-cap technology firms saw significant volatility, but a key thematic that came through was a weakening of advertising demand.

Google and Facebook/Meta both fell sharply after their September quarter earnings. Microsoft also declined into month end. Away from the US, European equities were firm, returning 6.2% for the month, with Germany (+9.4%) leading the market higher. In contrast, Emerging Markets were one area of weakness for the month, although within this, the weakness was confined mainly to China (-13.0%) and Hong Kong (-14.7%) on a combination of a Covid-zero policy in China, and further concerns around Chinese technology firms. Outside of China, emerging markets were generally strong over the month.

The Australian equity market was firm in October, generating a return of +6.0%. One of the largest sectors, the banks, was very strong. Banks rose 14.5%, leaving them in positive territory over 2022 (+8.3%). Resources were +1.5% for the month as commodity prices came under pressure. The other notable performer was the real estate investment trust ("REIT") sector. Since the start of 2022, REITs have fallen -21.6%, mainly reflecting rising bond yields but also changes to demand for office space due to work from home arrangements. During October, however, as bond yields declined, the REIT sector generated +9.9% for the month. On the downside, Medibank Private fell 19% for the month on the cyber-attack, and Magellan Financial Group also continued to slide as its assets under management failed to stabilise after recent significant declines.

Bond yields were mixed during October. The key US market saw 10-yr bond yields rise 22 basis points (bps) to 4.05% as the Federal Reserve made clear it has further work to do to contain inflation. For the Australian market, signs increased that policy rate hikes by the Reserve Bank were feeding into activity, particularly in the housing market, and a weaker-than-expected inflation print late in the month saw yields move lower into month end, closing 13 bps lower at 3.76%. As the RBA meeting in early November approached, the market started to reduce expectations of hikes in the near term, and the RBA's Phil Lowe made clear that the substantial increase to date, likely reduced the amount of further required hikes to tame inflation.

The Australian dollar was broadly unchanged against the US dollar at 0.64. Often in a strong risk-on move in equity markets, the Australian dollar tends to rally, but the move lower in bond yields against the rest of the world, and sharp falls in coal and iron ore prices more than offset this. Oil rose 10.1% for the month.

Performance

After a tumultuous period for markets over the previous quarter, it was pleasing to see the Fund deliver positive performance over the month, capitalising on returns as global equity markets rebounded strongly.

The key driver of positive returns for our portfolios was the allocation to global and domestic equities, with liquid alternatives and rates & credit also contributing to positive performance.

The equities portfolios managed by Northcape Capital, Magellan through the global equity mandate, and the listed infrastructure mandate (also managed by Magellan) rebounded strongly from a challenging September. The Atrium Equity Opportunities Fund was also positive over the month.

Our allocation to liquid alternative strategies has continued to compound positive returns with the Crown Diversified Macro Segregated Portfolio performing well on the back of underlying global macro strategies where interest rate and currency positions added value. The allocation to trend following strategies gave back some of the recent strong performance as recent trends reversed.

Portfolio changes

During the month there were no major portfolio changes, but we did take advantage of the strong market conditions to modestly trim our equity exposures back in line with our targets.

Overall, we have positioned the Fund with higher cash allocations and the overall equity exposure continues to be positioned towards the lower end of our historical range. We view the current investment environment as highly uncertain and remain defensive and diversified in our positioning. This extends to our protection positions which have been placed on the S&P 500. These play an important role in defending returns if markets were to fall further.

Outlook

Our expectation is that the recent rally in equities will be short lived as the dual risks of falling company earnings and rising discount rates weigh on stock prices. We expect markets to remain volatile while central banks balance the task of reducing inflation while maintaining growth in economies.

We are beginning to see the early signs of pressure on company profits, with earnings downgrades announcements and indications of a weaker outlook ahead.
The outlook for inflation, globally, remains uncertain. Inflation may have already peaked in the US, but has yet to peak in Australia. We believe inflation will remain on the higher side of central bank targets, and this will continue to weigh on riskier assets such as shares.

For more information

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