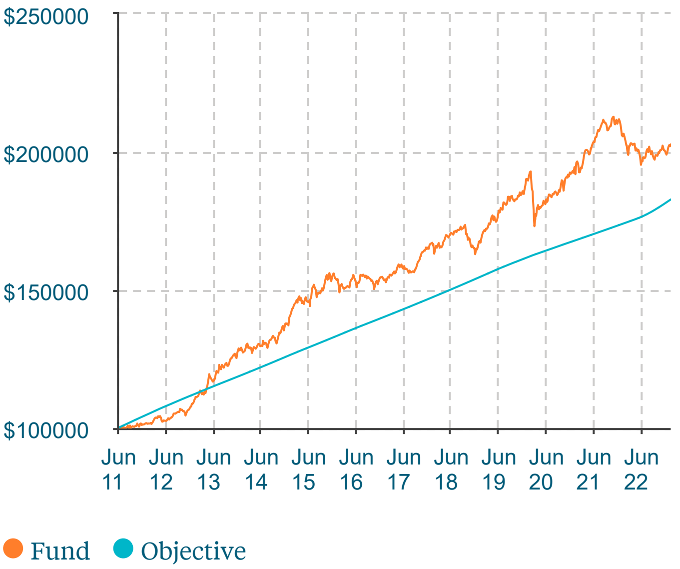
Atrium Evolution Series – Diversified Fund AEF 7

31 January 2023

Growth of $100,000 since inception



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.

Performance

	Fund	Objective
Since inception (% p.a.)	6.28%	5.33%
10 Years (%p.a.)	6.25%	4.99%
7 Years (%p.a.)	4.02%	4.60%
5 Years (%p.a.)	4.07%	4.40%
3 Years (%p.a.)	2.26%	-
1 Year	-1.82%	-
6 Months	1.24%	-
3 Months	1.41%	-
1 Month	1.88%	-

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.

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.)	5.12	4.89	5.21	5.61
Sharpe Ratio	0.93	0.60	0.61	0.29

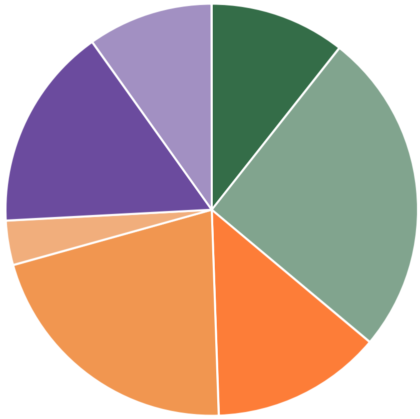
What is volatility?

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	10.62%
●	Cash	25.48%
●	Australian equities	13.36%
●	International equities	21.21%
●	Listed infrastructure	3.48%
●	Liquid alternatives	16.00%
●	Private markets	9.84%

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	17.50%	Cash
SMARTER MONEY FUND - ASSISTED INVESTOR	7.64%	Cash
ANTIPODES GLOBAL FUND LONG UCITS CLASS S	6.13%	Equities
ATRIUM GLOBAL EQUITIES MANDATE NO.1 (MANAGED BY MAGELLAN)	4.54%	Equities
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	3.51%	Liquid alternatives
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	3.48%	Equities
CROWN DIVERSIFIED MACRO SEGREGATED PORTFOLIO SERIES	3.47%	Liquid alternatives
REALSIDE CAPITAL FLAGSHIP FUND	3.28%	Private markets
SGH ICE PROFESSIONAL INVESTOR FUND	3.24%	Equities
MAN ALTERNATIVE RISK PREMIA - CLASS A SHARES (AUD)	3.08%	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 very volatile period in markets in 2022, January started strongly, with equities moving sharply higher as markets factored in a near term peak in policy rates, potentially followed by rate cuts later in 2023. The US equity market generated +6.3%, in line with Australia at +6.2%. Yields fell in bond markets, credit markets performed well, and the AUD appreciated 3.6%.

The US equity market was buoyed by a shifting view that further rate rises may be lower than first anticipated, with the potential for rate cuts later in the year. As the Federal Reserve Bank (Fed) Chairman failed to push back on loosening financial conditions late in the month, equities surged into month end. The key sector was Information Technology, having languished over 2022, saw a gain of 9.3% . In line with that theme, although not included in the IT sector, Tesla was very strong, its price rising 40.6% for the month. The Telecommunications sector was also very strong with an impressive 14.5% gain. The Healthcare index fell, as there are underlying wage pressures in that sector which will weigh on profitability. Utilities also fell slightly. Away from the US, international markets were mixed but generally very firm, with Europe generating +6.8%, and Emerging Markets +6.5% in local currency terms. China and China-associated markets performed well as the economy continued to open up from the Covid lockdowns.

The Australian equity market rose +6.2% in a strong month for risk assets. Consumer Discretionary stocks were strong (+9.9%) as the markets focussed on the December half year earnings with some optimism. Breville was the standout in this sector, returning +23.2%. Diversified Financials were also strong, led by a 19.1% gain in Pinnacle Investment Management. The other standout on the positive side was the Property Trusts sector, which had been beaten up over 2022 as bond yields rose. Property Trusts generated +8.1% as bond yields started to move lower, although the sector has provided negative returns on a 1 and 3-year basis.

Bond yields fell sharply again in January, as bond markets looked for signs as to the direction of US central bank policy. The bond yield curve remains inverted, an unusual state where longer term yields are lower than shorter dated yields, often seen as a pre-cursor to recession. The Fed hiked rates by a smaller 25 basis points (bps) at the end of the month and a higher-than-expected CPI release in January raised fears that the Reserve Bank of Australia has more work to do in terms of hiking policy rates.

Performance

The Fund was positive in January as markets showed a significant bounce after a torrid 2022. The key driver of performance was equities, which performed exceptionally well as the case for an economic "soft landing" was revisited with inflation looking to have moderated globally. Investments within rates and credit as well as private markets also contributed to positively to performance, while our liquid alternatives exposure was the only detractor.

Within rates and credit, CQS Credit Multi Asset Fund and JP Morgan Global Strategic Bond Fund were the best performers (within the Atrium Enhanced Fixed Income Fund) as both high yield bonds and loans rallied on the back of renewed optimism in global markets.

Amongst our equity exposures, the Atrium Equity Opportunities Fund performed broadly in-line with the market, while the Hyperion Global Growth Companies Fund delivered more than 10% above benchmark for the month after a very strong rebound in both Tesla and Amazon. Our allocation to global equities significantly outperformed the index, with the Antipodes Global Fund – Long continuing to perform exceptionally well.

Within our diversifiers, a number of our underlying exposures gave back some of last year's strong performance as markets aggressively rebounded. These managers had largely been positioned for a weaker macro environment which worked against them in January. Key detractors included the Crown Diversified Macro Segregated Portfolio and P/E Global FX Alpha Fund.

Portfolio changes

The team took advantage of the strong rally across many asset classes during the month to take some profits, notably within equities.

We expect to shortly make an investment into a long-short commodity strategy which will aim to exploit elevated dispersion amongst global commodity markets and deliver strong risk adjusted returns through the cycle.

Outlook

Overall, we remain defensively positioned, with elevated cash levels and equity exposure at historical lows. While inflation globally looks to have peaked and global economic conditions have improved, we are still of the view that central banks are unlikely to achieve a "soft landing", with risks skewed to the downside. Our focus on capital preservation and managing volatility takes precedence in this environment. We are of the view that the latest equity market rally may prove to be short lived, as central banks continue to ratchet interest rates higher and expectations of rate cuts later in the year will prove too optimistic.

For more information

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

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