

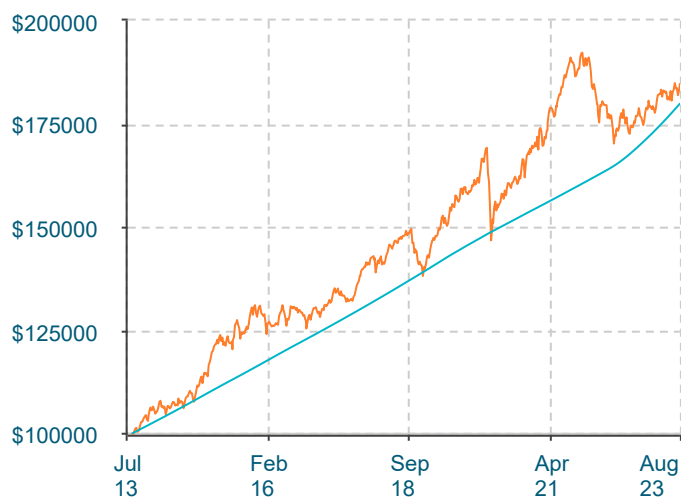
# Atrium Evolution Series – Diversified Fund

## AEF 9



31 August 2023

### Growth of \$100,000 since inception



● Fund ● Objective

### Performance

	Fund	Objective
Since inception (% p.a.)	7.08%	6.42%
10 Years (%p.a.)	6.33%	6.05%
7 Years (%p.a.)	5.09%	5.76%
5 Years (%p.a.)	4.37%	5.66%
3 Years (%p.a.)	4.52%	
1 Year	4.94%	
6 Months	3.41%	
3 Months	0.99%	
1 Month	0.08%	

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.



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 9% 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	COL0031AU
Investment strategy	Diversified - Risk Targeted
Volatility limit (p.a.)	9.00%
Return objective	RBA Cash + 4.5%
Investment horizon	5-7 years
Pricing	Weekly
Platform availability	Various

### Volatility & Sharpe Ratio

	10 Years	7 Years	5 Years	3 Years
Volatility (% p.a.)	6.21	6.05	6.79	6.02
Sharpe Ratio	0.77	0.64	0.48	0.57

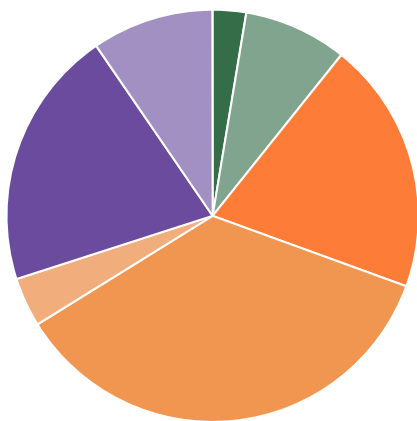
### What is volatility?

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	2.62%
● Cash	8.12%
● Australian equities	19.81%
● International equities	35.62%
● Listed infrastructure	3.87%
● Liquid alternatives	20.40%
● Private markets	9.55%

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
ANTIPODES GLOBAL FUND LONG UCITS CLASS S	9.79%	Equities
CASH POSITION	8.95%	Cash
ATRIUM GLOBAL EQUITIES MANDATE NO.1 (MANAGED BY MAGELLAN)	7.72%	Equities
HYPERION GLOBAL GROWTH COMPANIES FUND CLASS C	5.46%	Equities
NORTHCAPE CAPITAL GLOBAL EQUITIES FUND	5.19%	Equities
SGH ICE PROFESSIONAL INVESTOR FUND	4.92%	Equities
FAIRLIGHT GLOBAL SMALL AND MID CAP (SMID) FUND - FOUNDATION CLASS	4.91%	Equities
CROWN DIVERSIFIED MACRO SEGREGATED PORTFOLIO SERIES	4.26%	Liquid alternatives
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	4.12%	Liquid alternatives
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	3.87%	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

During the month of August, risk markets experienced a downward trend. In the United States, the equity market declined by 1.3%, while Australia saw a slightly better performance with a 0.7% decrease. It's worth noting that both markets rebounded from their lowest points within the month. Bond prices continued to decline, as yields rose, although there was a partial reversal towards the end of the month. Despite an increase in the prices of two major exports, iron ore and coal, the Australian dollar weakened considerably, closing the month with a 3.5% decrease. Meanwhile, oil prices continued to rise, maintaining a strong upward trend over the past three months.

In the US equity market, weakness was observed for the month, particularly with a 1.3% decline, except for the Energy sector, which gained 1.8% due to the significant increase in oil prices. The Utilities sector led losses with a 6.2% decrease, primarily due

to rising bond yields, which have a direct impact on the cash flows of utility companies. Consumer Staples (-3.6%) and Financials (-2.6%) also underperformed the overall market. However, the Information Technology sector continued to be the centre of attention, matching the market's decline of 1.3%. Notably, high-end chip-maker Nvidia continued its remarkable ascent, raising concerns about whether future earnings can justify its current valuation, which has exceeded US\$1 trillion.

In Europe, equities declined by 2.8%, with markets fearing a looming recession in the region, exacerbated by its close economic ties to China. Germany, in particular, experienced a 3.0% decline. Emerging markets, following their usual pattern, weakened as US bond yields rose and the US dollar strengthened. China faced significant challenges, and local regulators began discussing sales of equity holdings with international investors.

Australian equities recorded a 0.7% decline in a month notable for its earnings season. At a macro level, the earnings season exceeded expectations in terms of revenues and earnings, although the outlook remained highly uncertain and potentially weaker than initially anticipated. BHP, the largest stock in the local index, contributed to the market's decline with a 2.5% drop. Surprisingly, the Consumer Discretionary sector was the standout performer, rising by 4.6%, while the only other positive sector was Real Estate, up 1.0%. In contrast, Consumer Staples suffered a sharp decline of 4.1%, with Coles being notably impacted due to a trend of consumers downgrading their purchases. Coles fell by 10.6%, whereas Woolworths only dropped 1.3%, and Metcash gained 3.6%. In the Discretionary Sector, most companies performed well during earnings season, except for travel-related firms. Banks performed in line with the market, and small-capitalisation stocks continued to underperform.

Bond markets saw yields resume their upward trajectory, with US 10-year yields reaching new cycle highs above 4.3%. Concerns were alleviated as Jerome Powell did not indicate the need for further tightening during the Jackson Hole meeting, although it was clear that policy easing was not on the horizon. Inflation appeared to have peaked, and there were signs that the labour market had lost some of its exceptional strength. Consequently, real yields, rather than inflation expectations, were the primary driver of rising bond yields. In Australia, the Reserve Bank maintained its stance without a rate hike, suggesting that the tightening cycle may have plateaued, despite the recovery in the housing market. US 10-year yields remained unchanged by the end of the month, slightly above 4.1%, while in Australia, they fell by 5 basis points to 4.0%. Credit markets displayed mixed movements, with no significant overall shifts.

In August, the Australian dollar depreciated significantly, despite an improvement in key export prices. The main driver behind the Australian dollar's decline was ongoing concerns about significant economic pressures in China. China's economic slowdown, driven by deteriorating demographics and concerns about the property sector's mounting debt, weighed heavily on the Australian dollar.

## Performance

Performance was notably positive during a month marked by declines in both domestic and global equity markets. This underscores our commitment to achieving a smoother and more consistent return profile for our portfolios.

The standout contributors to our performance included our liquid alternative strategies, particularly the P/E Global FX Alpha Fund, which delivered an impressive return for the month driven by a short position on the Australian dollar. Additionally, the Crown Diversified Macro Fund made a significant positive contribution.

Among our global equity managers, our listed infrastructure exposure lagged due to the impact of higher real yields on performance. However, the Atrium Global Equities Mandate, managed by Magellan, and the Fairlight Global Small and Mid-Cap Fund delivered robust positive returns for the month.

In the realm of Australian equities, the Atrium Equity Opportunities Fund posted positive results despite a negative index return, with Carsales.com being a key contributor to this performance.

## Portfolio changes

During the month, there were no significant alterations to the portfolio. Our allocations toward equities and risk-bearing assets continue to be relatively conservative, positioned toward the lower end of our historical range, with increased exposure to cash and diversifier strategies, including liquid alternatives.

While overall portfolio activity remains subdued, it is dynamically positioned to seize any emerging opportunities. Underlying changes have occurred at the security level, with notable activity in the Atrium Equity Opportunities Fund. This activity involved increasing positions in Northern Star Resources and Bapcor, as well as introducing a new position in IGO Limited (IGO). In the span of three years, IGO has successfully transformed its operations from solely a nickel mining enterprise in 2020 to a diversified company engaged in nickel and lithium mining, as well as the downstream production of lithium hydroxide in 2023. Conversely, we completely divested from Coles and reduced exposure to CBA during the month.

## Outlook

Despite widespread monetary policy tightening worldwide, the prevailing market consensus has firmly shifted towards the expectation of a "soft landing." This outlook anticipates only modest declines in company earnings and potential easing of monetary policies. While this scenario is plausible, our positioning remains oriented towards the possibility of a "harder landing," which entails more substantial drops in company earnings, a scenario with higher probability than what the current market anticipates.

We maintain this perspective due to our belief that the second and third-order consequences of the extensive monetary tightening have yet to fully materialise. We are now observing tentative indications of labour market weakening in both the United States and Australia. Additionally, core inflation in many economies continues to surpass target levels, heightening the risk that central banks may face limitations in their ability to loosen monetary policy should economic growth deteriorate more than expected. This dynamic underscores the intricate balancing act that policymakers must navigate in their pursuit of economic stability.

## For more information

If you have any questions, please contact your Financial Adviser or [www.atriuminvest.com.au](http://www.atriuminvest.com.au)

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