31 December 2021

MAPS Australian Equities Portfolio

INVESTMENT OBJECTIVE

To provide superior risk adjusted returns relative to the S&P/ASX 200 Accumulation Index over the medium to long term.

PERFORMANCE	Since Inception	3 Yrs p.a.	1 Yr	6 Mths	3 Mths	1 Mth	Vol S.I. p.a.	Sharpe Ratio
MAPS Australian Equities Portfolio	9.5%	15.5%	16.7%	3.3%	-0.8%	0.1%	16.8%	0.52

KEY HIGHLIGHTS

The MAPS Australian Equities Portfolio was marginally lower over the quarter following a strong period of outperformance. Over the long term, the Portfolio continues to deliver returns in excess of the S&P/ASX 200 Accumulation Index benchmark.

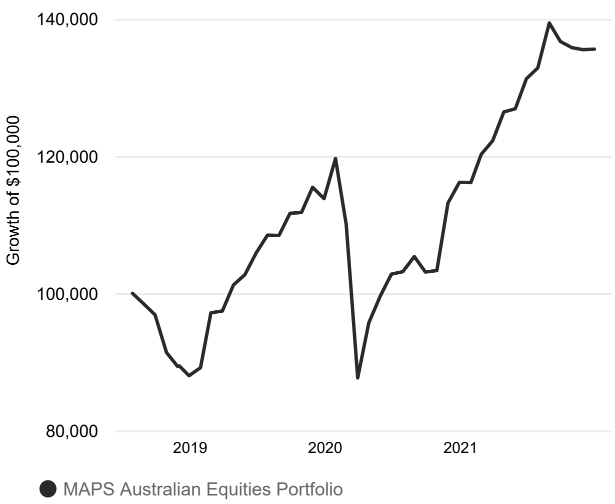
Performance was mixed over the quarter with strong gains in commodity stocks 29 Metals and BHP as demand for electric vehicles and consumer durable goods saw commodity prices remain elevated.

The Magellan Financial Group weighed on performance as below market returns in the managed funds led to an outflow of funds under management. While the market has taken a distinctly bearish view on the company, our view is that the current share price implies too pessimistic an outlook.

During the quarter the Portfolio participated in the CSL capital raising, with cash levels relatively unchanged over the quarter.

The Portfolio remains well positioned in quality and durable businesses which we believe are well placed to deliver strong returns for shareholders over the coming years.

PERFORMANCE (SINCE INCEPTION)

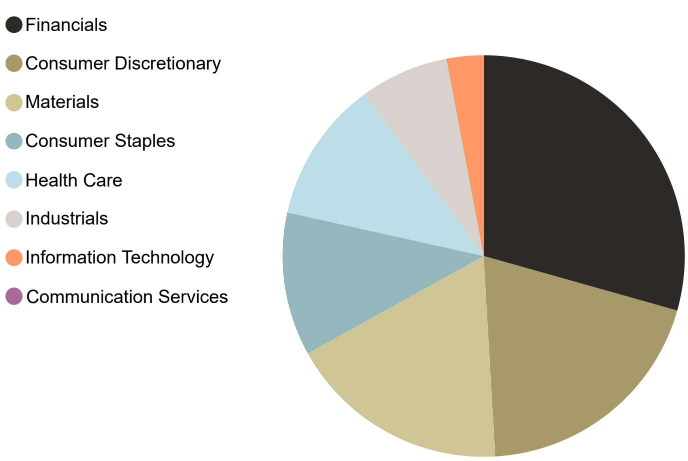


Source: Atrium, HUB24. Performance as at the date of this report. Inception date is 23 August 2018. Past performance is not a reliable indicator of future performance. Future performance and return of capital is not guaranteed. Performance figures relate to the model portfolios managed by Atrium. Individual investor portfolio performance may be different from the results above and will differ among clients depending on the timing of their investment and the level of variation from the models. Performance is net of investment management fees. The performance figures do not take into account platform administration fees that may apply and may not take into account some or all of the rebates you may receive.

TOP 10 HOLDINGS

SECURITY	WEIGHT %
Macquarie Group Ltd	7.7%
BHP Billiton Limited	7.1%
CSL Limited	7.0%
Australia and New Zealand Banking Group Ltd	6.7%
Woolworths Ltd	6.3%
Commonwealth Bank of Australia	6.1%
James Hardie Industries	6.0%
Wesfarmers Limited	5.7%
Westpac	5.1%
Treasury Wines	4.4%

INDUSTRY EXPOSURE



Source: Atrium, Iress. Allocations as at the date of this report.

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MAPS AUSTRALIAN EQUITIES PORTFOLIO

MARKET COMMENTARY

The December quarter saw a further rise in equities, dominated by a strong performance in the US (+11.0%) as the market closed the quarter by hitting a record high. The Australian S&P/ASX 200 index generated +2.1% for the quarter. Bond yields rose in general, the US dollar firmed as did the Australian dollar, and market volatility (as represented by the VIX) declined, despite seeing a sharp bounce in November.

While the US market saw a further strong positive quarter and finished on a series of record highs, this was on weaker trading volumes. Beneath the surface, the recent rise in bond yields has caused an important change; Information Technology, the largest sector in the US market, is no longer leading the gains. The Nasdaq index, which has a greater exposure to technology, generated a return of 8.4% reflecting this change of leadership. One "new economy" stock which did perform very well again, was electric vehicle manufacturer Tesla (+36.3%), despite unusual statements from the founder around reducing his holding in the stock. Automobile manufacturing was the second strongest sub-sector of the market led by Tesla – second only to Real Estate Investment Trusts, but perhaps more impressively, Ford which gained 47.0%. Banks lagged the market, as the flattening yield curve has the potential to negatively impact earnings, and COVID-sensitive sectors such as Airlines and Casinos, were amongst the worst performers as the Omicron strain hit markets.

European markets underperformed slightly over the quarter, returning 7.7%. Emerging markets were negative for the quarter (-0.9% in local currency terms), perhaps the most notable was Turkey where the market generated 32.1% in local currency terms but fell -11.2% when measured in US dollar terms due to the collapse of the currency, as the central bank took a highly unusual approach to dealing with inflation. Brazil was also sharply negative as the local central bank continues to hike rates aggressively, and Russia was weak. The Hong Kong market fell -4.7%, as Chinese tech continues to be hit by policy pronouncements in China.

The Australian equity market saw further quarterly gains, generating 2.1%. The banks were a key focus, particularly Westpac (-17.9%), as earnings were weaker than expected, and investors focused on the implications of the flattening yield curve on net interest margins, and inevitable lingering concerns around the sustainability of house prices. At the lead was Consumer Services, led by perennial underperformer Telstra, which returned 6.4%, partly on policy driven support for its Asian network. Financials declined -3.7% for the quarter, although there was substantial dispersion within this. Macquarie Group continued its rise, +12.9%, while Magellan Financial Group struggled into year-end, -40.0% for the quarter.

Bond markets remain a key focus for global markets, given the sharp increase in recorded inflation over the latter part of 2021. The increase had been put down to temporary factors – by both the market, and by central banks – although this has been increasingly questioned. Headline inflation printed at 6.8% for November (with the more important core measure at 4.9%, a number not seen since the early 1990s), and the US Federal Reserve seemed somewhat panicked, indicating in December that the tapering of its bond purchases would proceed at a quicker pace, and that rate rises should be expected over 2022. The pressure was understandably felt more at the short end (2 yr US bond yields rose 46 basis points (bps) over the quarter), and the long end was relatively stable (+2.3bps to 1.51%). Australian bond yields were under greater pressure, rising 18 bps to 1.67%, with most of the damage done in October when the Reserve Bank of Australia was seen as making a clumsy exit from its previous policy of supporting short-dated bond yields. Credit markets were slightly weaker over the quarter.

The Australian dollar reversed a run of three consecutive declines, rising 0.9% to 0.728 against the US dollar, although it remains near the lower end of the recent trading band. The US dollar rose on a trade-weighted basis, often seen as a positive for global risk markets. Despite the rise in the US dollar, gold generated +6.1% for the quarter (as real – inflation adjusted - bond yields declined quite sharply), and oil clocked up its seventh consecutive quarterly rise.

PORTFOLIO COMMENTARY

The MAPS Australian Equities Portfolio was marginally lower over the quarter, underperforming the benchmark after a period of strong outperformance. Over the long term, the Portfolio continues to deliver returns in excess of the S&P/ASX 200 Accumulation Index benchmark.

During the quarter performance was mixed with strong gains in commodity stocks, 29 Metals and BHP, along with Macquarie Group being offset by steep falls in Magellan Financial Group, City Chic and Domino's Pizza. The returns in commodity stocks were driven by strong commodity prices as demand for electric vehicles and consumer durable goods continued at a time where supply disruptions were still evident. Strong copper and zinc prices saw 29 Metals close the year at a record high, while a rebound in the iron ore price combined with an impending re-weighting of BHP (unification of domestic and UK listings) in the Australian index saw that stock perform strongly. Macquarie Group delivered a trading update that was well ahead of market expectations.

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MAPS AUSTRALIAN EQUITIES PORTFOLIO

PORTFOLIO COMMENTARY

The Magellan Financial Group weighed on performance as their below market returns led to an outflow of funds under management. The loss of a significant institutional investor has also resulted in an outflow of retail funds under management. Whilst the market has taken a distinctly bearish view, our view is that the share price is implying a too pessimistic outlook for the company's prospects. Elsewhere both City Chic and Domino's Pizza de-rated with concerns of disrupted supply chains weighing on both companies. While we remain of the opinion these issues will eventually be resolved, in the short-term markets are focusing on what is happening today.

During the quarter the Portfolio participated in the CSL capital raising, with cash levels relatively unchanged over the quarter.

The team continue to refine and implement the investment process that has served us well at Atrium and view all investments on a medium to long term basis. Although in the short term markets may over react, we remain confident that our solid investment framework will help identify long term alpha generating investments. The Portfolio remains well positioned in quality and durable businesses which we believe are well placed to deliver strong returns for shareholders over the coming years.

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