31 December 2021

INTEGRATED MAPS

MAPS ALTERNATIVES PORTFOLIO

INVESTMENT OBJECTIVE

To deliver positive absolute returns through a diversified portfolio of alternative investment strategies. The Portfolio Manager will seek to deliver these returns in a risk-controlled manner, targeting total expected portfolio risk of 4-6% p.a. The Investment Portfolio is designed to generate consistent positive returns that are independent of equity market returns while preserving capital over a long-term investment horizon.

PERFORMANCE	Since Inception	2 Yr p.a.	1 Year	6 Mths	3 Mths	1 Mth	Vol S.I. p.a.	Sharpe Ratio
MAPS Alternatives Portfolio	5.3%	4.9%	5.7%	0.6%	0.5%	0.8%	4.3%	1.1

KEY HIGHLIGHTS

The MAPS Alternatives Portfolio finished the year strongly, delivering a 5.7% return in a year marked by volatility in global bond markets.

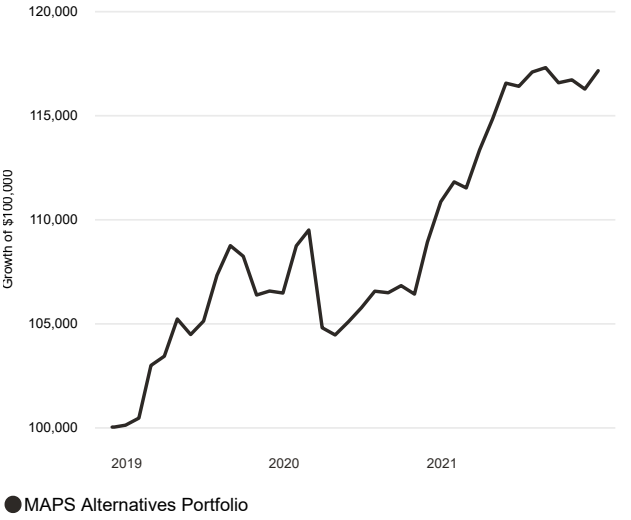
Key drivers of performance for the quarter were the Man Alternative Style Risk Premia Access Fund as equity markets pivoted away from higher risk growth stocks, and the P/E Global FX Alpha Fund on the back of a strongly performing US dollar.

During the quarter, following extensive reviews, we redeemed our holdings in the Regal Tasman Market Neutral Fund and the GMO Systematic Macro Fund, and redeployed the proceeds to existing managers within the Portfolio.

The strategy remains well diversified and focused on delivering returns uncorrelated to bond and equity markets while outperforming a cash plus return objective. In the new year we expect to complete due diligence on a number of new strategies which we believe will complement the current Portfolio.

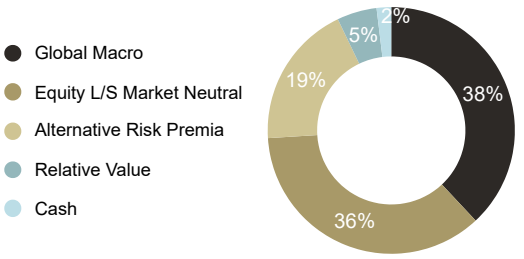
Source: Atrium, HUB24. Allocations as at the date of this report.

PERFORMANCE (SINCE INCEPTION)



Source: Atrium, HUB24. Performance as at the date of this report. Inception date is 6 December 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.

CATEGORY EXPOSURE



CATEGORY	NAME	WEIGHT %
Global Macro	Crown Diversified Trend Access Fund	27.65%
Equity L/S Market Neutral	Zebedee Long Short Equity Access Fund	20.69%
Alternative Risk Premia	Man Alternative Style Risk Premia Access Fund	18.88%
Equity L/S Market Neutral	Atrium Alternatives Fund	15.28%
Global Macro	P/E Global FX Alpha (AUD)	10.39%
Relative Value	Ardea Global Alpha Plus Fund - Class I	5.21%
Cash	Cash	1.91%
Total		**100.00%**

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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 Alternatives Portfolio ended the year strongly and delivered another positive quarter of performance.

While global bonds markets were in flux over the quarter, the majority of our strategies were able to deliver a positive return.

The key drivers of positive performance over the quarter included the Man Alternative Style Risk Premia Access Fund which returned 4.8% for the quarter and had its best calendar year since inception. The key underlying contributors included the equity sleeve (namely value and quality signals), while the low equity beta strategy also delivered a strong performance as markets pivoted away from high beta growth stocks over the quarter. Within the macro strategies, volatility was also a strong contributor.

The P/E Global FX Alpha Fund was also a positive contributor over the quarter, namely due to its long exposure to the strongly performing US dollar, while the Crown Atrium Segregated Portfolio (which holds one fund managed by Zebedee Capital Partners) was positive despite the low net equity exposure within the Fund.

The major detractors to performance included Ardea Global Alpha Plus Fund, while the Crown Diversified Trend Access Fund also detracted for the quarter driven by trend reversals (equity and energy markets) due to the new Covid variant and commodity losses through the relative value and mean reversion quantitative strategies.

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PORTFOLIO COMMENTARY

During the quarter we made two significant changes to the portfolio. Firstly, we redeemed our holdings in the Regal Tasman Market Neutral Fund. Notwithstanding its stellar performance recently, our view was that the return profile and more specifically performance during periods of major equity market drawdowns is not aligned with our focus on delivering a smoother return profile across all equity market scenarios. We also redeemed our holdings in the GMO Systematic Macro Fund after an extensive review of the strategy. Funds have been redeployed to existing managers within the Portfolio.

The strategy remains well diversified and focused on delivering returns uncorrelated to bond and equity markets while outperforming a cash plus return objective.