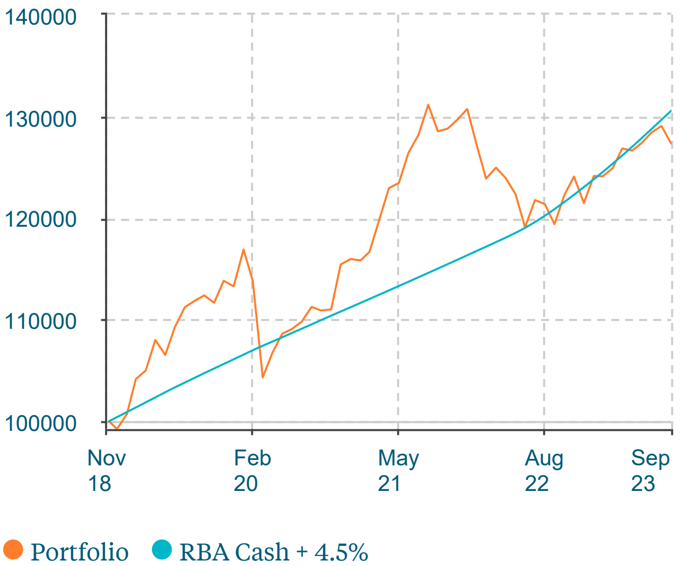
MAPS Risk Targeted Growth Portfolio

30 September 2023

Growth of $100,000 since inception



Performance

	Portfolio	Benchmark
Since inception (% p.a.)	5.14%	5.69%
10 Years (% p.a.)		
7 Years (% p.a.)		
5 Years (% p.a.)		
3 Years (% p.a.)	4.71%	
1 Year	6.64%	
6 Months	1.94%	
3 Months	-0.04%	
1 Month	-1.34%	

Source: Atrium Investment Management, 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, does 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.

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A rating is only one factor to be taken into account when deciding whether to invest.

Investment objective

To maximise returns while ensuring that portfolio risk, or volatility, does not exceed 9% over the investment time horizon.

Investment strategy

Atrium's focus is on the level of risk within the portfolio. We seek to allocate to investments across a broad range of asset classes based on an assessment of their value and contribution to total risk and return.

Atrium can dynamically adjust the allocation to asset classes on an ongoing basis. By doing this, we seek to build a portfolio that can withstand changes in underlying market volatility.

The aim is to deliver a risk level in the Investment Portfolio that is consistent with the investment profile selected.

Key facts

Inception date	06 December 2018
Product code	AIM109
Investment strategy	Diversified - Risk Targeted
Volatility limit (p.a.)	9.00%
Benchmark	RBA Cash + 4.5%
Investment horizon	5-7 years
Liquidity	Daily
Platform availability	HUB24

Volatility & Sharpe Ratio

	10 Years	7 Years	5 Years	3 Years
Volatility (% p.a.)	-	-	-	5.82
Sharpe Ratio	-	-	-	0.62

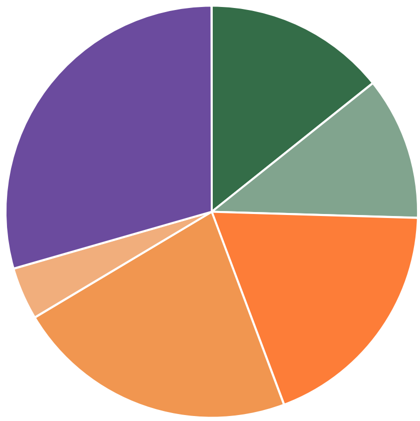
What is volatility?

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	14.27%
●	Cash	11.21%
●	Australian equities	18.83%
●	International equities	22.12%
●	Listed infrastructure	4.12%
●	Liquid alternatives	29.46%

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
CASH POSITION	11.21%	Cash
CROWN DIVERSIFIED TREND ACCESS FUND	8.51%	Liquid alternatives
ZEBEDEE LONG SHORT EQUITY ACCESS FUND	6.25%	Liquid alternatives
ANTIPODES GLOBAL FUND - LONG ONLY CLASS I	5.91%	Equities
MAN ALTERNATIVE STYLE RISK PREMIA ACCESS FUND	5.76%	Liquid alternatives
VANGUARD AUS GOVT BOND ETF	5.48%	Rates & credit
MAGELLAN GLOBAL FUND	4.58%	Equities
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	4.12%	Equities
HYPERION GLOBAL GROWTH COMPANIES FUND - CLASS C	3.33%	Equities
FAIRLIGHT GLOBAL SMALL AND MID CAP (SMID) FUND - FOUNDATION CLASS	3.29%	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

In the quarter that concluded on 30 September 2023, we witnessed a general weakness in markets. US equities displayed a decline of -3.3%, and Australian equities also dipped, albeit to a slightly lesser extent at -0.8%. The primary focal point was the bond market, where yields experienced a significant uptick, reflecting the anticipation of robust economic data, a central bank committed to holding rates steady for a more extended period, and the potential influx of a substantial supply of bonds. Meanwhile, the US dollar maintained its strength against the Australian dollar, the Japanese Yen, and other major currencies. Coal prices continued their descent, although iron ore prices surged. Gold prices also dropped, partly influenced by the rise in bond yields.

For the US equity market, the quarter was marked by a decline of -3.3%, although the market remained up by a substantial 21.6%

when viewed over a 12-month period (broadly coinciding with the lows of 2022). Within sectors, Utilities suffered a significant setback due to the surge in bond yields, reporting a -9.2% drop for the quarter, which also pushed it into negative territory on a 12-month basis. Information Technology, the largest sector in the US market, experienced a -5.6% decline in the quarter. Worries persist about the extent of market breadth in the rebound from the lows of 2022, as a limited number of IT stocks continue to drive the bulk of the market's gains in 2023. Key drivers within the IT sector included Apple (-11.7%, impacted by a new product release and concerns in China) and Microsoft (-7.3%). Nvidia saw continued growth, albeit at a slower pace. Consumer stocks weakened as the market observed a reduction in excess savings, raising questions about consumer spending sustainability. Energy was the standout performer with a +12.2% increase, reflecting gains in the oil price.

European equity markets slipped (-2.1% in Euro terms), and emerging markets also declined, although less than the US market, which was somewhat surprising given the stronger US dollar and higher bond yields.

The Australian market reported a -0.8% return for the quarter, although it remained nearly 14% higher over a 12-month period. This outperformance was primarily attributed to the strong performance of the banking sector, which rose by 4.4%, and a mostly stable Resources sector (-0.2%). The dominance of the four major banks and BHP in the Australian market's weighting led to a relatively strong quarter for the Australian market. However, some sectors faced significant declines, including Consumer Staples (-5.9%), with Endeavour and Coles impacted during the earnings season via not being able to pass through price increases. Healthcare was notably weak, falling by -9.3%, driven by valuation concerns for companies like ResMed and Healius. Property also recorded a decline of -2.9%, reflecting the impact of higher bond yields and a less optimistic outlook for the office sector.

Bond markets remained volatile as real yields saw a substantial increase, driven by the deteriorating fiscal situation in the US and signals that the US Federal Reserve (Fed) would not adopt an accommodative policy stance in the next 12 months. Remarkably, the surge in bond yields was not primarily driven by higher long-term inflation expectations. This upward movement in yields led to negative returns on bond portfolios, particularly in September as the sell-off gained momentum, while major credit markets delivered positive excess returns during the quarter.

The Australian dollar depreciated significantly by -3.4% against the US dollar, influenced in part by declining coal prices and the overall strength of the US dollar. Gold prices fell by -3.7%, mainly due to rising US real yields and the strength of the US dollar, while the oil price saw a notable rebound from an oversold state.

Performance

The Portfolio delivered a positive performance for the quarter, despite declines in both equity and bond markets. This underscores the strength of our portfolio construction approach and our ability to generate returns across various market conditions. The standout contributors to our performance were our investments in liquid alternatives and private markets.

Given the current juncture characterized by uncertainty surrounding inflation and interest rates, our distinctive approach is marked by reduced dependence on traditional asset classes like equities and bonds and an increased exposure to uncorrelated strategies like liquid alternatives that have proved highly effective. These strategies more than compensated for losses in other segments of the Portfolio during a volatile period for equity and bond markets.
Within our liquid alternatives, the Crown Diversified Trend Access Fund benefited from recent shifts in the oil price and profitable short positions in government bonds. Similarly, the P/E Global FX Alpha Fund excelled due to its long position in the US dollar and short positions in the Yen, Australian dollar, and Euro.

We consider our exposure to diversifying elements like liquid alternatives essential in achieving our risk objectives while also meeting our cash-plus return targets over the medium to long term at this stage of the economic cycle.

In our rates and credit exposure, most of our managers performed positively during the quarter, despite later-quarter increases in credit spreads, with the JP Morgan Global Strategic Bond Fund being the sole detractor. Our direct interest rate duration exposure was adversely affected by the ongoing rise in US and Australian bond yields. We increased our exposure to this segment during the quarter, given the growing risks of a recession in the US and Australia and the attractive current yields.

In a challenging environment for our equity managers over the quarter, the Fairlight Global Small and Midcap Fund achieved positive performance. Several underlying companies reported strong earnings growth in the latest reporting season, even amid a slowing economy. However, the Northcape Global Equities Fund faced headwinds due to its position in US variety store Dollar General, which reported weaker results during the quarter. Overall, we believe that our emphasis on "quality companies" within the global equity portion positions us favourably if the current market pullback continues, which has primarily been driven by a small subset of seven stocks in the US, which we consider priced to perfection, relatively overvalued to history, and unsustainable on a forward-looking basis. Given the current stage in the market cycle, we believe it's prudent to maintain exposure to more defensive and less cyclical names, as they have underperformed more cyclical exposures such as energy.

Our listed global infrastructure exposure, managed by Magellan, has been trailing due to rising real interest rates, which have continued to hinder performance. Defensive holdings like infrastructure have lagged broader markets since the nadir of the Covid pandemic in 2020.

Regarding domestic equity exposure, our direct Australian share sleeve closely tracked the market. Key contributors included recent addition Carsales.com and National Australia Bank, while detractors were mainly in the healthcare sector, including ResMed and CSL.

Portfolio changes

We took advantage of the strength in equity markets earlier in the quarter by rebalancing several of our global equity positions to align them with our target allocations.

Within the direct Australian shares sleeve, there were several adjustments during the recent reporting season. We divested from Coles Supermarkets and Pilbara Minerals while initiating a new position in IGO Ltd, an Australian lithium miner poised to benefit from the increasing demand for batteries. Additionally, we increased our holdings in Bapcor Holdings, Lovisa, and Lifestyle Communities. Capitalising on weakness in the Healthcare sector, we augmented our position in ResMed.

In the liquid alternatives segment of the Crown Diversified Trend Access Fund, we adjusted our mix of underlying managers to capitalise on the evolving opportunity landscape in global markets. We reduced exposure to the highly performing Trend Following segments and reallocated resources to our Relative Value Macro strategies.

We increased our government bond allocation via the Vanguard Australian Government Bond ETF and the Atrium Enhanced Fixed Income Fund. At the broader portfolio level, we've been conducting research in various areas of the wider market, particularly Australian and global small caps, where we've observed a substantial valuation discount. Additionally, we anticipate adding to our insurance-linked strategy exposures in the coming months as the risk-adjusted returns in that segment continue to improve.

In the upcoming quarter, our senior portfolio managers are preparing for a research trip to the US and Europe to explore new opportunities.

Outlook

As global long-term bond yields continue to rise, the potential for a "hard landing" and a significant pullback in equity markets becomes more pronounced. The critical question for investors revolves around whether markets can endure higher interest rates for an extended period beyond current expectations.

Our perspective remains anchored in the belief that sustaining inflation within the targets of central banks will be challenging, particularly in the case of equities, which appear to be excessively valued at their current levels. We maintain a cautious stance, holding increased levels of cash that are ready for deployment should opportunities arise. Our equity exposure is positioned towards the lower end of our historical range, and we maintain a substantial allocation to uncorrelated strategies like liquid alternatives. These uncorrelated strategies have thus far proven to be a reliable haven during a period of heightened economic volatility.

For more information

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