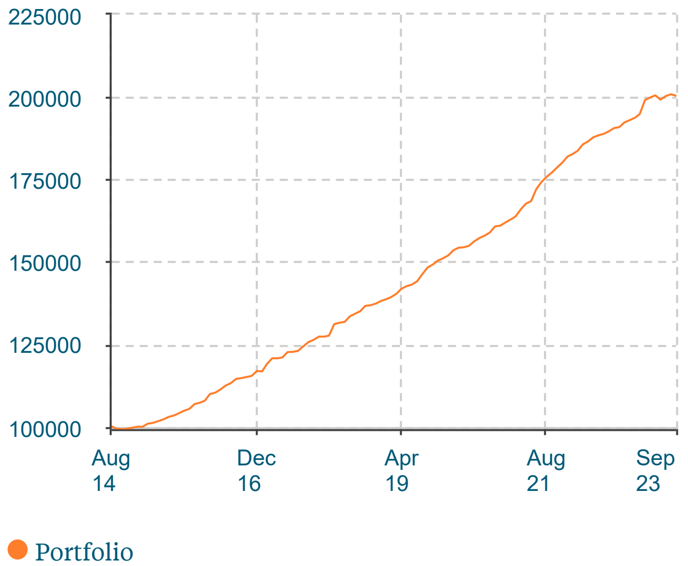
MAPS Real Assets Portfolio

30 September 2023

Growth of $100,000 since inception



Performance

	Portfolio
Since inception (% p.a.)	7.96%
10 Years (% p.a.)	
7 Years (% p.a.)	8.30%
5 Years (% p.a.)	7.96%
3 Years (% p.a.)	8.05%
1 Year	5.15%
6 Months	0.66%
3 Months	0.59%
1 Month	-0.24%

Source: Atrium Investment Management, HUB24. Performance as at the date of this report. Merged Performance data - the performance chart shows the performance of the Atrium Real Assets Fund from 1 September 2014 to 5 December 2018 and the performance of the Real Assets portfolio of the Integrated Managed Accounts Portfolio Service (MAPS) from 6 December 2018. 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 as an investor in the MAPS Real Assets Portfolio. Past performance is not a reliable indicator of future performance. Future performance and return of capital is not guaranteed.

Investment objective

To provide investors in the Investment Portfolio with a consistent income stream, the potential for capital growth and diversification.

Investment strategy

The Investment Portfolio will invest in the Atrium Real Assets Fund (ARAF), providing investors with exposure to a portfolio of illiquid assets diversified by asset class, position in the capital structure and geography, and selected for their potential to earn superior risk adjusted returns. ARAF has a broad mandate, with the ability to invest:

- In real assets that can provide portfolio diversification and that are characterised by having the potential for stable and growing cash flow, capital appreciation and/or inflation protection.
- In other illiquid assets that may provide portfolio diversification, including intangible assets.
- Directly, or indirectly through third party managed investment vehicles.

Atrium expects that the Investment Portfolio will be predominantly invested in assets providing exposure to the Australian economy but may be invested in assets providing exposure to other economies where the risks are considered appropriate. Atrium may, at its discretion, invest the Investment Portfolio in other securities that provide exposures that are consistent with the investment strategy.

Key facts

Inception date	02 September 2014
Product code	Various Series
Investment strategy	Private Markets - Active
Investment horizon	7 - 10 years
Liquidity	Illiquid
Platform availability	HUB24

Volatility & Sharpe Ratio

	10 Years	7 Years	5 Years	3 Years
Volatility (% p.a.)	-	1.88	1.63	1.88

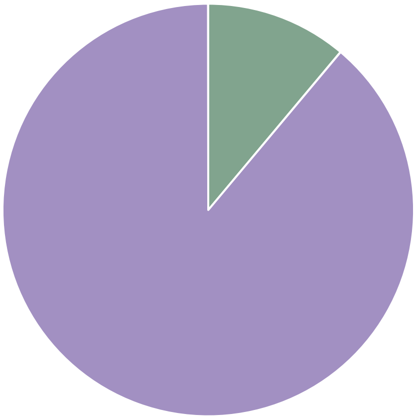
What is volatility?

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



●	Cash	11.12%
●	Private markets	88.88%

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	Capital Position
REALSIDE CAPITAL FLAGSHIP FUND	11.49%	Mezzanine debt
CASH POSITION	11.12%	Cash
REALSIDE 108 ST GEORGES TERRACE FUND	8.59%	Equity - direct property
REALSIDE ION HOLDINGS TRUST	6.39%	Mezzanine debt
REALSIDE ADELAIDE OFFICE FUND	5.65%	Equity - direct property
URBN SURF WAVEPARK	5.54%	Equity - venture/pe
REALSIDE 170 PACIFIC HIGHWAY FUND	5.31%	Equity - direct property
3PG TRUST 3	4.77%	Senior debt
AMP WHOLESALE AUSTRALIAN PROPERTY FUND	4.71%	Equity - direct property
OVEST INDUSTRIAL FUND NO. 1	4.45%	Equity - direct property

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

While the Reserve Bank of Australia (RBA) maintained a consistent cash rate throughout the third quarter of the 2023 calendar year, the lingering effects of the previous rapid rate increases in earlier quarters continued to exert pressure on both domestic and global private markets. This pressure had repercussions on transaction volumes and pricing across various market segments.

One notable area experiencing this ongoing pressure is the office real estate sector, particularly in the major markets of Sydney and Melbourne. Here, the influence of the work-from-home trend is becoming increasingly evident, resulting in reduced rental yields. Corporate tenants are now opting for smaller office spaces and actively negotiating more favourable rental agreements. These concessions are translating into higher incentive offerings, as tenants seek to enhance amenities and encourage employees to return to traditional office working patterns. The implication is that these changes in effective rent are not expected to be permanent, as these incentives phase out, and face rents either stabilize or increase from their current levels.

Of particular interest is the dominant presence of major corporations in Sydney and Melbourne, which is shaping leasing dynamics in these markets. Large companies with significant Central Business District (CBD) footprints are downsizing, creating a vacuum effect that draws smaller tenants, traditionally situated in peripheral and second-tier locations, into the CBD core. This shift is significantly reducing demand in the outer markets of Sydney and Melbourne and further eroding the attractiveness of lower-grade assets. In the current market environment, only well-located properties with top-notch amenities are likely to thrive.

Conversely, the smaller domestic markets, including Brisbane, Adelaide, and Perth, are charting their own unique courses. Each market exhibits strength due to specific factors. Perth, for instance, is driven by a collection of companies capitalising on the high demand for minerals supporting the energy transition. Adelaide benefits from large-scale government and resource programs that require both resources and space. Brisbane enjoys robust demographic trends, supported by growth in its urban and regional areas.
Other segments of the commercial real estate market, such as industrial and retail, are maintaining more stable valuations and income prospects. However, vigilance is being exercised in monitoring these sectors for signs of contagion or distress in either performance or sentiment.

From a deal flow perspective, private debt markets in the corporate sphere continue to experience sluggishness, although real estate-backed lending remains relatively stable. The construction sector, while still facing some challenges, exhibits greater stability, with new projects benefitting from increased certainty regarding the availability of materials and labour. Additionally, the heightened demand for residential properties is encouraging the completion of projects already underway. Although credit markets remain cautious, borrower liquidity remains restricted, impacting transaction volumes in both equity and debt capital markets.

Performance

The Fund achieved a positive return for the September quarter, primarily driven by the consistent performance of its private debt investments, which continued to yield interest. However, the revaluation of its real estate assets, particularly those in the east coast office sector, had a negative impact on the overall performance.

It is crucial to highlight that the Fund’s real estate portfolio boasts diversification across both sectors and geographical regions. Consequently, while it maintains exposure to the east coast office segment through diversified funds, the adverse effects of revaluations in this portion of the portfolio have been largely offset by the stability in asset valuations in other sectors and locations.

During the June quarter, we made provisions for the interest accrued on a loan associated with a borrower placed into receivership. We are actively working towards a positive resolution for this transaction and are confident that the situation will be restructured favourably by year-end.

The URBNSURF team is making continuous progress towards completing the Sydney wave park. We are eagerly anticipating the realization of this long-term investment's potential, as we apply a proven operating model, originally developed in Melbourne, to this superbly situated asset in the heart of Sydney.

Portfolio changes

Although the portfolio management team initially planned to allocate funds to new assets in the September quarter, shifting market dynamics led to a resetting of expectations for valuations, resulting in extended allocation timelines. This adjustment allows the team to maintain flexibility in assessing a broader spectrum of opportunities emerging in the market. This flexibility has proven advantageous as the quality of available assets continues to improve, and terms become more favorable for those with capital to invest.

During this period, we successfully completed a partial transfer of our position from Realside Capital's Flagship Fund to the new Realside Capital Opportunities Fund, reinforcing our robust partnership with Realside Capital.

The management team overseeing 108 St George Terrace has reported significant progress in their leasing plans, driven by strong demand dynamics in the Perth market. Our confidence in this investment remains steadfast, supported by the attractive entry price, even though there are minimal transactions in the market to use as a benchmark. We maintain a positive outlook on this investment as the overall investment strategy continues to be executed effectively.

In the same quarter, the Fund’s position in a mezzanine note was repaid, and another loan secured against a commercial asset was successfully completed as scheduled. As a result, the Fund is presently holding approximately 10% of its assets in cash. With one more transaction anticipated to repay in the upcoming quarter, we are actively assessing the most optimal way to allocate capital in this evolving environment. We are confident that we can identify transactions that offer compelling returns without compromising our unwavering focus on capital returns and entry valuations.

Outlook

The portfolio management team foresees that, in the absence of interest rate relief, the turbulent market dynamics will persist over the coming quarters. While these conditions present challenges to the market, they also offer enticing opportunities to acquire assets at attractive price levels, positioning the portfolio for strong performance in the next economic cycle.

Our outlook remains cautiously optimistic regarding the opportunities available and the benefits they bring to our investors. Although it's essential to acknowledge the prevailing risks, the current opportunity landscape is as compelling as it has been for many years.

We maintain an ongoing evaluation of the investment thesis for each asset held in the portfolio. If there's potential for greater upside through the implementation of a new business plan, we collaborate with our asset managers to thoroughly assess each proposal on its merits. We believe this approach has the capacity to unlock latent value within the portfolio, which is a significant advantage for investors committed to this strategy.

We are confident that the Fund is well-positioned to leverage the existing market conditions. We achieve this by mitigating risks through robust diversification, while utilising our established relationships and platform to identify and execute on assets we believe will consistently deliver returns for the portfolio.

For more information

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