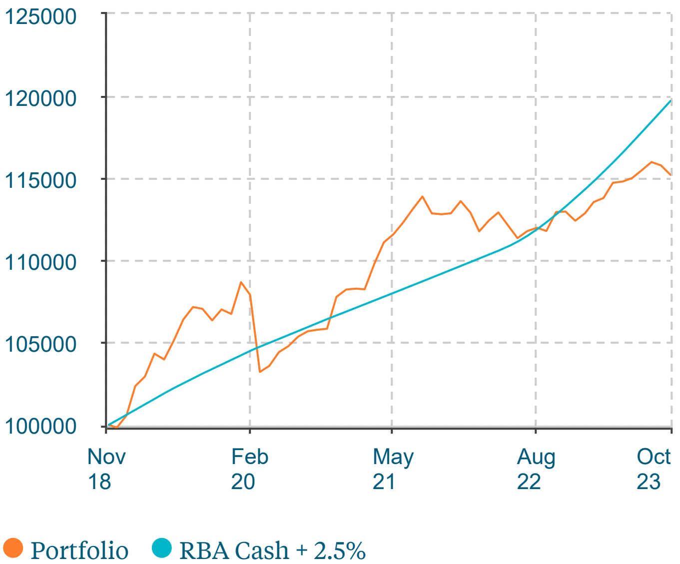
MAPS Risk Targeted Moderately Conservative Portfolio

31 October 2023

Growth of $100,000 since inception



Performance

	Portfolio	Benchmark
Since inception (% p.a.)	2.93%	3.74%
10 Years (% p.a.)		
7 Years (% p.a.)		
5 Years (% p.a.)		
3 Years (% p.a.)	2.87%	4.00%
1 Year	1.99%	
6 Months	0.41%	
3 Months	-0.25%	
1 Month	-0.51%	

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.

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 5% 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	AIM107
Investment strategy	Diversified - Risk Targeted
Volatility limit (p.a.)	5.00%
Benchmark	RBA Cash + 2.5%
Investment horizon	3 years
Liquidity	Daily
Platform availability	HUB24

Volatility & Sharpe Ratio

	10 Years	7 Years	5 Years	3 Years
Volatility (% p.a.)	-	-	-	2.21
Sharpe Ratio	-	-	-	0.81

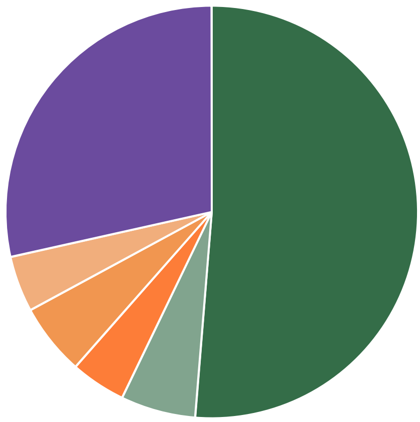
What is volatility?

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	51.29%
●	Cash	5.88%
●	Australian equities	4.33%
●	International equities	5.62%
●	Listed infrastructure	4.38%
●	Liquid alternatives	28.50%

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
KAPSTREAM ABSOLUTE RETURN INCOME FUND CLASS I	13.58%	Rates & credit
ARDEA REAL OUTCOME FUND CLASS A	9.66%	Rates & credit
DAINTREE CORE INCOME TRUST	8.32%	Rates & credit
CROWN DIVERSIFIED TREND ACCESS FUND	7.97%	Liquid alternatives
ZEBEDEE LONG SHORT EQUITY ACCESS FUND	6.55%	Liquid alternatives
SMARTER MONEY HIGHER INCOME FUND - ASSISTED INVESTOR	6.21%	Rates & credit
MAN ALTERNATIVE STYLE RISK PREMIA ACCESS FUND	5.99%	Liquid alternatives
VANGUARD AUS GOVT BOND ETF	5.32%	Rates & credit
CASH POSITION	4.58%	Cash
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	4.38%	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

October proved to be a challenging period for both equities and bonds. US equities experienced a decline of -2.1% for the month, while the Australian market fared even worse. The predominant factor behind this downturn was the significant surge in bond yields, resulting in adverse returns on fixed-rate bond portfolios. Additionally, the markets grappled with the unsettling events in the Middle East. In response to this risk-off environment, the Australian dollar depreciated, market volatility increased, and credit markets exhibited general weakness.

US equity markets experienced a decline of -2.1% for the month, marking an overall decrease of -8.3% over the past three months. The most significant downturn was observed in the Energy sector, with a notable decrease of -6.0%. Despite an initial rise in oil prices following the Hamas attacks and Israeli retaliation in the Middle East, the month concluded with a substantial drop of -9.5%. Market attention shifted towards concerns about slowing global growth, and the ongoing conflict, as of now, has not involved other oil-producing nations.

Consumer Discretionary stocks also saw sharp declines, partially influenced by apprehensions arising from the conclusion of the student loan repayment holiday. Market breadth, or its lack, remained a focal point, and the Information Technology sector, the largest in the US market, maintained a flat performance during the Q3 earnings releases. Small cap stocks continued to underperform.

In European markets, there was a considerable decline of -3.6% in Euro terms for the month. Emerging Markets also faced a -3.6% fall in local currency terms, struggling as is typical when US bond yields rise. Central banks in Latin America, particularly Brazil, initiated rate cuts, with the rationale being that earlier restrictive measures had effectively contained inflation compared to other major central banks.

Australian equities experienced a third consecutive monthly decline in October, registering a decrease of -3.8%. Over the past three months, the decline amounted to -7.2%. Despite this downturn, the market has remained relatively flat on a year-to-date basis. In October, all major sectors, except Utilities, recorded negative movements. Utilities showed an unexpected increase of +1.7%, driven in part by M&A activities surrounding Origin Energy, which rose by 4.0% during the month.

The largest decliners were Health Care (-7.2%) and the smaller Information Technology sector (-7.6%). Within Health Care, CSL played a significant role, influenced partly by concerns related to new drugs emerging from Europe, indicating potential positive impacts on appetite suppression and, consequently, obesity. The Banks experienced a decline of -3.4% for the month.

Notably, BHP, representing more than 10% of the local market's weighting, defied the trend by rising 0.6% for the month. Without this gain, the local market would have faced a more challenging month overall.

Bond markets experienced another notable increase in yields, causing a corresponding decline in bond prices. This resulted in significant downturns in fixed-rate bond portfolios throughout the month, putting these portfolios at risk of experiencing three consecutive calendar years of annual negative results, an unprecedented situation.

Investor attention has focused on the considerable fiscal pressures in the United States, coupled with a somewhat unclear political process regarding the selection of a Republican House leader. With a growing perception that the US Federal Reserve might have concluded its extended monetary policy tightening, shorter-dated bonds found some support, contributing to a pronounced steepening of the yield curve, often considered an indicator of an impending recession.

U.S. 10-year treasuries saw a notable increase of 36 basis points (bps), while Australian yields rose by an additional 44 bps, reflecting the elevated inflation figures for the month. Overall, credit markets showed a general weakening trend throughout the month.

The decline of the Australian dollar by 1.5% to USD 0.63 presented a puzzling scenario, considering the significant increase in bond yields in Australia compared to movements in other major markets. Typically, higher yields attract capital flows into the Australian dollar; however, in this risk-averse environment, the currency behaved more in line with its usual response to falling equities and rising volatility. The substantial drop in coal prices during October also contributed to the currency's movement.

Performance

With the conservative positioning leading into a period of market volatility, the Portfolio saw modestly lower returns over the month despite the larger falls seen in equity and bond markets. This highlights our approach of smoothing market drawdowns and allocating to a genuinely diversified mix of assets which can reduce risk through the market cycle.

Listed infrastructure, an asset class that had been lagging over the year (and since the Covid nadir), generated a positive return contribution as investors pivoted towards the safer defensive end of the market where relative valuations are attractive. We are starting to see the return of the quality factor within global equity markets as investors begin to question “blue sky” valuations of companies such as the “magnificent seven” and their ability to grow earnings if economic conditions deteriorate. Our global equity mandate managed by Magellan handsomely outperformed the index over the month as high-quality companies on sensible valuations outperformed their lower quality and higher priced peers. Our direct equity exposure was a major detractor over the month.

With the previously mentioned rise in market volatility, it was pleasing to see our allocation to liquid alternatives providing diversification benefits over the month. While some managers gave back some of their recent strong returns – including the Crown Diversified Trend Access Fund, this was offset by stronger returns across our risk premia strategies managed by Two Sigma (via the Atrium Alternatives Fund) and Man. We have also seen valued added from our recently introduced insurance linked strategies (via the Atrium Alternatives Fund).

The allocation to rates and credit, our defensive allocations within the portfolio, continue to perform to expectations by delivering solid returns across all market environments despite the elevated volatility in bond markets overall. Pleasingly we are seeing yields rise in this segment of the portfolio, providing excess returns above cash and term deposit rates. The standout was Ardea Real Outcome Fund which has been able to exploit the increasing volatility in global bond and inflation markets.

Portfolio changes

Heading into October, the portfolios were positioned for greater levels of market volatility and remain conservatively positioned with a high cash allocation ready to deploy to cheaper assets if prices continue to fall to where see fair value. Within liquid alternatives we have been rebalancing our exposures and locking in profits from some our better performing strategies and reallocating towards better risk adjusted return opportunities.

Outlook

The RBA cash rate increase in November reinforced our view that inflation is "stickier" than many have expected and that cash rates need to remain higher for longer for the RBA to achieve its inflation objectives in a timely manner. This recent rate increase, coupled with much higher global interest rates makes the path of a "soft landing" for the global economy extremely difficult to navigate, although markets seem to be drawn towards this narrative. Further, we are seeing tentative signs of the domestic and global economies slowing.

Given this higher cash rate hurdle and deteriorating macroeconomic outlook, risk assets such as equities appear relatively expensive, with our expectation for future returns at current prices in many cases below the return available from cash. With this in mind, and given our dynamic approach to asset allocation, we believe we remain well positioned to take advantage of any opportunities if the falls in the global asset markets gather momentum and the risk adjusted returns obtainable from equities improve.

For more information

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