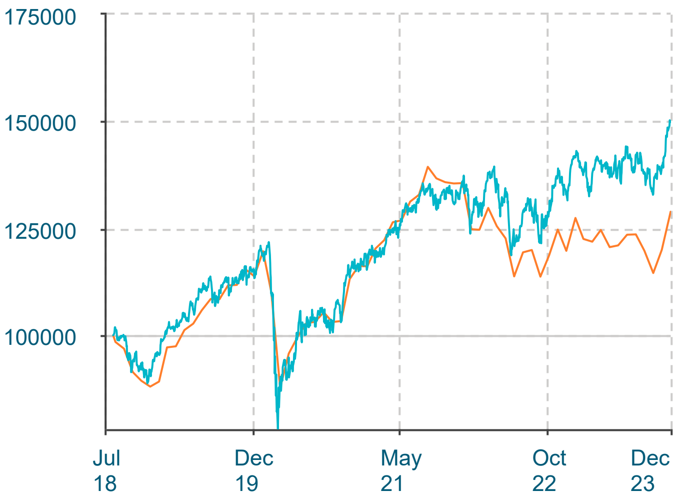
MAPS Australian Equities Portfolio

31 December 2023

Growth of $100,000 since inception



Performance

	Portfolio	Benchmark
Since inception (% p.a.)	4.86%	7.84%
10 Years (% p.a.)		
7 Years (% p.a.)		
5 Years (% p.a.)	7.94%	
3 Years (% p.a.)	3.53%	
1 Year	7.65%	
6 Months	6.51%	
3 Months	7.63%	
1 Month	7.44%	

Source: Atrium Investment Management, 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, 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.

Investment objective

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

Investment strategy

Atrium will invest the Investment Portfolio in high-quality businesses selected typically from the top 200 ASX listed companies by market capitalisation.

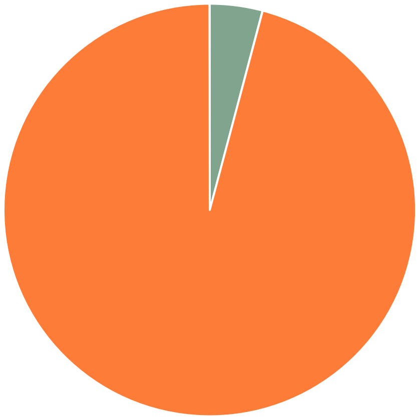
Exposure to a broad range of market sectors allows the Investment Portfolio to minimise the potential negative effects of market or industry specific shocks.

This reduces the potential of concentration risk which results from investing in limited sectors or companies.

Key facts

Inception date	23 August 2018
Product code	AIM001
Investment strategy	Australian Equities - Active
Benchmark	S&P ASX 200
Investment horizon	7+ years
Liquidity	Daily
Platform availability	HUB24

Asset allocation



●	Cash	4.14%
●	Australian equities	95.86%

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
BHP GROUP	14.70%
CSL LIMITED	10.15%
COMMONWEALTH BANK OF AUSTRALIA	7.42%
WOOLWORTHS GROUP LIMITED	5.63%
NATIONAL AUSTRALIA BANK	5.49%
CARSALES.COM LTD	5.45%
TRANSURBAN GROUP	5.39%
NORTHERN STAR RESOURCES LTD	4.80%
MACQUARIE GROUP LTD	4.59%
WORLEY LTD	4.55%

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

The quarter ended 31 December saw a strong recovery in equity and bond markets, due in the main to an increasingly confident view that central banks have tightened policy sufficiently, and that the next move in rates may be lower. The US equity market gained 11.7% for the quarter, the Australian market generated +8.4%. 10-year bond yields fell sharply. Consistent with these moves, the Australian dollar gained strongly, +5.9%, further supported by falling market volatility. Such an environment was also very supportive for credit markets. Commodity prices were generally firm, with the notable exception of oil which fell -20.5% on the quarter.

The US equity market closed out 2023 in very strong fashion, with a substantial 11.7% return for the quarter, and a full year return of +26.3%. What was apparent in the fourth quarter was a broadening out of the positive returns. The earlier part of 2023 had been heavily reliant on around 10 tech / tech-linked names which had driven all of the return, leaving the rest of the market flat. This was somewhat reversed in the fourth quarter, as sectors such as Homebuilders (+34.0%) and Consumer Finance (+29.0%) rose strongly. Information Technology names also did well, but the market was less reliant on these names. To the downside, Oil and Gas-linked sectors fell sharply as the oil price fell, however the key thematic was lower bond yields, and a shorter path to easier financial conditions. Europe gained +6.4% for the quarter, although the key German DAX did significantly better (+8.9%). Emerging Markets lagged, gaining 5.6% in local currency terms despite materially lower US bond yields and a lower US dollar, a combination typically very supportive for Emerging Markets. Looking below the headline number however, it was again China and Hong Kong which weighed on Emerging Markets, highlighting again the importance of considering the large exposure to China in an equity allocation.

The Australian market was also strong, gaining 8.4% for the quarter, and up +12.4% for the full year. The Real Estate sector performed very strongly, reflecting a more optimistic / less pessimistic outlook on the part of investors. The sector was led by major REITs which were trading directly in reaction to the recovery in bond prices, improving the financing outlook. The issues of the Office sector have not gone away, with likely oversupply as office arrangements have changed for most companies, leading to structurally less demand, but this had already been factored in by investors. The Banks gained 9.8% for the quarter. BHP, now well in excess of 10% of the local market, drove the Materials sector higher, supported by rising commodity prices. Healthcare also did well, as CSL and ResMed saw a reversal of prior falls which had been partly linked to the growth in appetite-suppression drugs in Europe and the US. To the downside, Energy was the weakest sector, reflecting the sharp decline in oil prices for the quarter.

Bond markets were again volatile, although from late October yields moved lower into year end, finishing off the year on a very positive note (bond prices move inverse to bond yields). The bulk of the move was caused by lowering inflation prints, and a growing view that central banks may have done enough to temper inflation, and that the next move may be lower to support growth. US 10-year yields fell 69 basis points (bps) for the quarter to close at 3.88%, Australian bond yields fell 53 bps to 3.96%. The Reserve Bank of Australia again hiked the cash rate at the start of November, to sit at 4.35%. Major credit markets delivered substantially positive excess returns for the quarter.

The Australian dollar reversed much of the previous quarter's falls, gaining 5.9% against the US dollar, influenced in the most part by falling bond yields (and associated decline in the US dollar), rising commodity prices, and declining market volatility. Gold prices approached record levels, gaining a very impressive 11.6% for the quarter, also reflecting the fall in interest rates and the US dollar.

Performance

The Fund delivered a solid return over the quarter, while modestly underperforming the broader market. Our focus on high quality companies can lead to short term underperformance in a strong market, as we have recently experienced, when more cyclical stocks play catch up and outperform. After a flat first two months of the quarter, global equities surged in December as the US Federal Reserve appeared to pivot from their hawkish rhetoric for interest rates signalling to the market that the rate hiking cycle may be at an end. The market moved quickly to not only aggressively price in the start of the rate cutting cycle but also drove long bond yields from circa 5% to circa 4% in quick time. Long bond yields are a key driver of company valuations. This dramatic move in the interest rate outlook underpinned a strong upward move in equities.

Within the portfolio BHP, Northern Star Resources, Lovisa and CSL were the strongest contributors. Northern Star Resources rallied on the back of the rising gold price (gold has an inverse correlation with interest rates); Lovisa as a result of the company announcing their entry into new markets, principally China, as part of their aggressive store roll-out program, and CSL, as the market focused on fundamentals following a very weak September quarter. Detractors included Bapcor which delivered a disappointing update from their retail division, Treasury Wines who issued stock at a deep discount to fund an acquisition in the US and IGO which suffered from falling battery material prices.

Portfolio changes

Minimal changes were made to the portfolio during the December quarter with the most notable being the addition of WiseTech Global and an increase in the BHP position.

WiseTech Global adds exposure to the Information Technology sector with their focus on the digitisation of the global air and sea supply chain logistics space. We were drawn to WTC due to the market leading platform which is changing the way global freight forwarders conduct business. We forecast a number of additional verticals that WiseTech can also disrupt, such as customs and land side logistics etc, which can offer many years of double-digit growth.

The decision to increase the position size of BHP stemmed from our recent trip to China which gave us confidence that authorities will continue to stimulate the economy and our perception that the housing market will show signs of stabilising in 2024. Both of these events would be positive for the iron ore price. We are already seeing higher forecast iron ore prices for 1H 2024. We reduced the Fund's weighting in Atlas Arteria over concerns for growth while also reducing our holding in Macquarie Bank as we see a short-term risk to earnings due to low asset realisations – a key driver of the group's earnings.

Outlook

As we enter a new calendar year the focus of our investments does not change. We are cognisant of the interest rate pivot from the US Federal Reserve and the likely prospect that the interest rate cycle in Australia has peaked or will peak early in the 2024. Macro drivers are always key but as we enter the February reporting season a clearer picture of the underlying economy should eventuate with companies not only delivering their 1H results (backward looking) but more importantly delivering guidance and trading updates for the remainder of the fiscal year. We are expecting a high level of volatility to again be present during 2024 as traders/investors pre-empt central bank actions, however ultimately we believe individual stock prices will be driven by fundamentals. 2024 has the hallmarks of being an exciting year for equity investing.

For more information

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