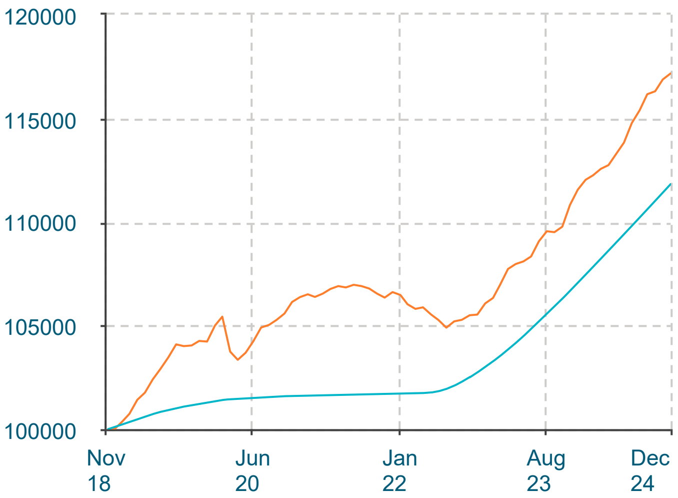
MAPS Fixed Income Portfolio

As at 31 December 2024

Growth of $100,000 since inception



Portfolio RBA Cash Rate

Performance

	Portfolio	Benchmark
Since inception (% p.a.)	2.64%	1.86%
10 Years (% p.a.)		
7 Years (% p.a.)		
5 Years (% p.a.)	2.37%	2.00%
3 Years (% p.a.)	3.20%	3.21%
1 Year	5.03%	
6 Months	2.93%	
3 Months	0.86%	
1 Month	0.25%	

Source: Atrium Investment Management, HUB24. The RBA cash rate is only for illustrative purposes and the investment in the fund is of higher risk/return profile and of different asset class, investment objective and fees. Inception date is 6 December 2018. Past performance is not a reliable indicator of future performance. Future performance and return of capital are not guaranteed. Performance figures are based on input data available as at the date of this report. 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 outperform the RBA Cash Rate by 2% p.a. (after fees) over rolling 3-year periods.

Investment strategy

The Investment Portfolio invests directly into Atrium Enhanced Fixed Income Fund providing investors diversified exposure to rates and credit markets.

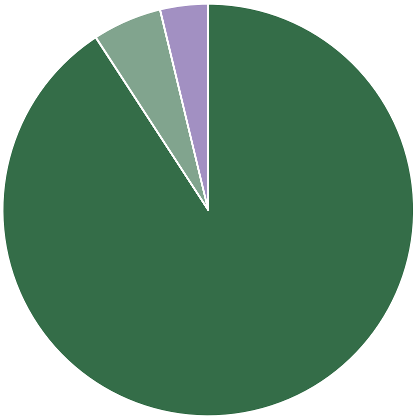
There are several advantages in relation to flexibility for the investor:

- The potential to enhance returns over cash, albeit with incrementally higher risk.
- Low structural sensitivity to interest rate changes, thus mitigating the likelihood of capital losses during periods of rising interest rates.
- Ability to take exposure to a wide range of assets thus broadening the diversification and potential return.
- Being able to invest directly in assets or via external investment managers.
- The ability to take exposure to foreign currency assets and hedge these back to AUD.

Key facts

Inception date	06 December 2018
Product code	AIM105
Investment strategy	Rates & Credit - Active
Benchmark	RBA Cash Rate
Investment horizon	3 years
Liquidity	Daily
Platform availability	HUB24

Asset allocation



●	Rates & credit	90.80%
●	Cash	5.43%
●	Private markets	3.77%

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. Figures are based on input data available as at the date of this report. Due to rounding, numbers might not add up to 100%.

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	Sector
KAPSTREAM ABSOLUTE RETURN INCOME FUND CLASS I	33.69%	Rates & credit
DAINTREE CORE INCOME TRUST	14.96%	Rates & credit
COOLABAH SHORT TERM INCOME FUND	14.46%	Rates & credit
ARDEA REAL OUTCOME FUND CLASS A	10.22%	Rates & credit
JPMORGAN GLOBAL STRATEGIC BOND FUND	9.72%	Rates & credit
CASH POSITION	5.43%	Cash
ROC PRIVATE CREDIT FUND	3.77%	Private credit
KKR GLOBAL CREDIT OPPORTUNITIES FUND (AUD) CLASS A	3.29%	Traded loans and high yield
CQS CREDIT MULTI ASSET FUND CLASS I4 AUD	2.69%	Traded loans and high yield
CQS CREDIT MULTI ASSET FUND CLASS I2 AUD	1.78%	Traded loans and high yield

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. Holdings are based on input data available as at the date of this report.

Market update

Equities rose in the December quarter, the fifth consecutive quarterly gain, to close out a strong year. The US market outperformed, helped by ongoing strong returns in Information Technology. Australian equities actually fell slightly over the quarter. Government bond yields rose sharply in major markets in December. The Australian dollar fell sharply, and the gold price slid slightly from record highs earlier in the quarter.

US equities gained 2.4% in the quarter with notable contributions from:
• Automobile stocks led the market for the quarter, with Tesla gaining 54%, partly reflecting Elon Musk's involvement in the Trump political campaign.

• Energy and the Banking Sector were also supported by the election result. Although the exact policy stance is unclear, both stand to benefit from a deregulation focus under Republicans.
• Gold and Copper-related stocks were hit hard, partly reflecting the strong US dollar, and falling commodity prices.

The Australian market underperformed the US market in December and over the quarter.
• Significant weakness was seen in Real Estate, which continues to suffer under higher funding rates, and in particular the Materials Sector, where market leader BHP fell by almost 14% over the quarter, driven by commodity prices, and uncertainty as to whether Chinese authorities have done enough to support their economy and property sector.
• Gains were seen in the Financial Sector, although the major Banks were mixed over the quarter.

US 10-year bond yields rose over the quarter. The rise commenced following the Federal Reserve's rate cut in September, and this continued through October. The US election result saw some further selling pressure in early November, pushing yields higher, before a further push higher in yields through December as the markets started to factor in some possibility that the Fed may need to hike rates, rather than cutting further as previously assumed. Australian bond yields rose, generally moving in line with the much larger US market.

As bond yields rose, one notable victim was the Australian dollar which fell very sharply in December (-5.2%), leaving it almost 11% lower over the quarter.

Performance

In the December quarter the Atrium Enhanced Fixed Income Fund (Atrium Fund) delivered an attractive return as credit markets remained buoyant, consistent with firm equity markets. Returns were primarily driven by investment grade corporate bond exposure, which represents the bulk of the Atrium Fund's exposure. Bond yields rose, a headwind to the duration exposure. Higher yielding strategies continued to perform well, with the high yield market and the floating rate loan books delivering positive risk-adjusted results. The manager returns were somewhat offset by a loss on government bond futures in the portfolio, which fell as bond yields rose over the quarter.

The Kapstream Absolute Return Income Fund, the largest exposure in the Fund, delivered an attractive return of 1.56% for the quarter, as credit markets remain supportive. The Kapstream portfolio closed out the quarter with a still-attractive 5.9% running yield, with a relatively low duration of circa 1 year. (Duration is a measure of a bond's / portfolio's sensitivity to changes in bond yields). The Kapstream portfolio has a spread duration of 2.1 years, almost entirely made up of investment grade exposures. The manager was unable to generate any additional return (or alpha) through trading various relative value and curve markets in the quarter.

The Daintree Core Income Trust also performed well in the quarter at 1.84%, with a broadly similar average credit rating compared to Kapstream. The manager retains a favourable view towards securitised markets, and this is reflected in a higher running yield at 6.4%. Offsetting this, the manager holds a minimum of 15% Cash, Government Bonds, and Senior Bank Paper, which tends to be most liquid in times of market stress.

The Smarter Money Higher Income Fund benefitted from its Australian bank credit market exposure generating 1.5%. Approximately 75% of the fund is exposed to Australian Major bank debt, two thirds of which is senior unsecured, with the balance being subordinated.

The Ardea Real Outcome Fund (Ardea Fund) saw day-to-day performance volatility this quarter although we believe the fund will remain uncorrelated to other markets, providing good diversification benefits. The Ardea Fund has had a more difficult period, with declining volatility and unstable inflation expectations, and late in the September quarter the Atrium Fund reduced its exposure to this Ardea Fund by half, adding to existing managers. We continue to hold some exposure, as there is typically a positive impact on our portfolio in periods of volatility, as the Ardea portfolio tends to move very differently from rates and credit markets.

The CQS Credit Multi Asset Fund gained in excess of 2% for the quarter. The KKR (High Yield and Loan) and ROC (Loan) portfolios also added to returns for the quarter.

Portfolio changes

Late in the September quarter the Atrium Fund reduced its exposure to Ardea by half, adding to the Kapstream and Smarter Money Higher Income Funds. We continue to hold some exposure to Ardea, as there is typically a positive impact on our portfolio in periods of volatility, as the Ardea strategy tends to move independently of rates and credit markets.

The fund retains a tactical exposure to a decline in interest rates via a mix of Australian and US Government bond futures. This provides the potential to enhance portfolio returns should yields decline from current levels.

Outlook

The Portfolio is positioned conservatively and designed to navigate the prevailing volatility and uncertainty in rates and credit markets. Given the ambiguous economic outlook and heightened market instability, we have incorporated some duration, which will provide a return benefit in the event of bond yield declines. As we noted recently, rate cuts appeared closer in the US than Australia, and our duration is skewed to the US. The US Federal Reserve indeed cut rates by a significant 50 basis points in September and cut twice in the December quarter, whilst the Reserve Bank of Australia continues to push back on the idea of near-term cuts.

We maintain flexibility to add to our exposure to high yield bonds and bank loans should opportunities arise. Managing credit portfolios during such conditions hinges on our commitment to maintaining a liquid portfolio and diversification. Consequently, we currently hold illiquid investments at less than 5% of the portfolio, emphasising a preference for more liquid, highly rated debt that can be readily sold should better opportunities emerge.

For more information

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