

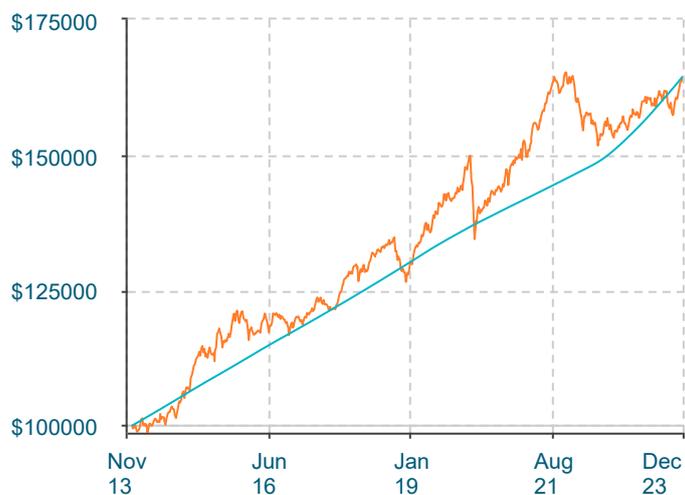
Atrium Evolution Series – Diversified Fund

AEF 7



31 December 2023

Growth of \$100,000 over 10 years



● Fund ● Objective

Performance

	Fund	Objective
Since inception (% p.a.)	6.15%	5.48%
10 Years (%p.a.)	5.08%	5.10%
7 Years (%p.a.)	4.57%	4.88%
5 Years (%p.a.)	5.07%	4.84%
3 Years (%p.a.)	3.18%	
1 Year	6.15%	
6 Months	2.25%	
3 Months	3.18%	
1 Month	1.96%	

Objective refers to the Return objective as stated in the Key Facts table.

Source: Atrium Investment Management. Performance shown as at the date of this report. Inception date is 24 June 2011. Past performance is not a reliable indicator of future performance. Future performance and return of capital is not guaranteed. Performance is after fees and costs and assumes re-investment of all distributions.



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

Investment objective

To maximise returns while ensuring portfolio risk, or volatility, does not exceed 7% over a rolling three (3) year time period.

Investment strategy

The Fund has a Risk Targeted, multi asset investment strategy.

Atrium uses a dynamic, unconstrained approach to asset allocation providing flexibility to take full advantage of opportunities in the market and to mitigate downside risk.

The Fund may be invested in a broad universe of assets across multiple asset classes.

Atrium may also use derivatives to gain exposure to assets or asset classes more efficiently, for currency management, and to mitigate downside risk.

Key facts

Inception date	24 June 2011
Product code	COL0030AU
Investment strategy	Diversified - Risk Targeted
Volatility limit (p.a.)	7.00%
Return objective	RBA Cash + 3.5%
Investment horizon	5 years
Pricing	Weekly
Platform availability	Various

Volatility & Sharpe Ratio

	10 Years	7 Years	5 Years	3 Years
Volatility (% p.a.)	5.05	4.77	5.17	4.70
Sharpe Ratio	0.70	0.70	0.77	0.45

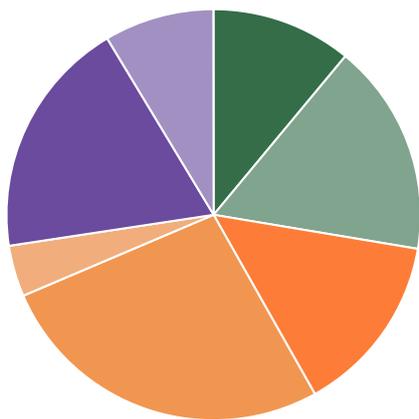
What is volatility?

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	10.98%
● Cash	16.68%
● Australian equities	14.21%
● International equities	26.68%
● Listed infrastructure	4.03%
● Liquid alternatives	18.82%
● Private markets	8.58%

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	9.77%	Cash
ANTIPODES GLOBAL FUND LONG UCITS CLASS S	7.31%	Equities
SMARTER MONEY FUND - ASSISTED INVESTOR	6.91%	Cash
ATRIUM GLOBAL EQUITIES MANDATE NO.1 (MANAGED BY MAGELLAN)	5.54%	Equities
GLOBAL LISTED INFRASTRUCTURE MANDATE NO. 1 (MANAGED BY MAGELLAN)	4.03%	Equities
HYPERION GLOBAL GROWTH COMPANIES FUND CLASS C	4.00%	Equities
NORTHCAPES CAPITAL GLOBAL EQUITIES FUND	3.96%	Equities
FAIRLIGHT GLOBAL SMALL AND MID CAP (SMID) FUND - FOUNDATION CLASS	3.81%	Equities
CROWN ATRIUM SEGREGATED PORTFOLIO SERIES 1 USD	3.56%	Liquid alternatives
SGH ICE PROFESSIONAL INVESTOR FUND	3.49%	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

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 had a strong quarter with both bond and equity markets rallying on hopes of significant interest rate cuts in both the US and Australia over 2024.

Within our growth allocation, global equities were the key contributor to performance, with the majority of our managers outperforming their respective indices, this despite the extreme concentration of the US equity market leadership in the "magnificent 7" stocks (Apple, Microsoft, Google parent Alphabet, Amazon.com, Nvidia, Meta Platforms and Tesla). Standout performers included the Fairlight Global Small and Mid Cap Fund and Hyperion Global Growth Companies, with the only laggard being the Antipodes Global Fund – Long Only, which was hurt by an underweight to the US and overweight to Chinese and energy companies.

Our global listed infrastructure mandate (managed by Magellan) also delivered a solid return over the quarter and outperformed its benchmark, as a sharp fall in real interest rates provided a tailwind to performance along with the underweight to the poorly performing energy sector.

Domestic equities also had a strong quarter as bond yields fell from their recent highs and the market began to price multiple cash rate cuts by the RBA over 2024. Key positive contributors for the Atrium Equity Opportunities Fund included BHP (a recently increased allocation), CSL and gold miner Northern Star. Detractors included Bapcor and resource company IGO Ltd.

Rates & credit was a positive contributor, led by our high yield bond and loan exposures via the CQS Credit Multi Asset Fund and KKR Global Credit Opportunities Fund. Our recently increased interest rate duration exposure has proven to be a strong contributor over the quarter as bond prices rose aggressively on hopes of the RBA reducing interest rates over 2024.

Other diversifying allocations had a more challenging period as global bond and equity markets changed course dramatically on news of a "dovish pivot" from US Federal Reserve, which negatively impacted many of our momentum based strategies, which can typically take time to change positioning. Key detractors included the Crown Diversified Macro Fund and P/E Global FX Alpha Fund, with the latter in particular being adversely impacted by the sharp drop in the US dollar. On the positive side of the ledger, risk premia strategies managed by Man and Two Sigma have continued to perform well.

Performance in our private markets portfolio has been steady. We have seen distributions compressed in our property equity investments, due to increased funding costs, offset by increased yields in our floating rate private credit allocations.

Portfolio changes

Over the month we trimmed some of our stronger performing global equity managers, such as Fairlight and Hyperion which have delivered very strong outperformance over the period and have been major beneficiaries of the recent equity market rally.

Within the Atrium Equity Opportunities Fund we reduced our position in Macquarie Bank, after a very strong rally, while also increasing our position in BHP (after a positive research trip to China by our team) as well as adding WiseTech Global with its market leading freight forwarding platform.

Within Private Markets, no new allocations have been made in the December quarter while several of our co-investment loans have repaid. Our research program is continuing to unearth quality opportunities for deployment into 2024. Our existing investments continue to progress well with several projects nearing key milestones, such as the completion of the Sydney Wavepark in early 2024.

The investment team completed a research trip to the US and UK over the quarter and expect to have a number of new managers and strategies for due diligence review in early 2024.

Outlook

2023 has confounded many market participants and reinforces the folly of forecasting both the economy and stock market over a short period of time. Our view remains that a US recession is likely to occur, but timing as always is difficult, especially considering the long lags of monetary policy. We believe the market has become overly optimistic and shifted decisively towards the “soft landing” scenario which in our opinion remains extremely difficult to navigate for central banks.

As we look into 2024, the same risks we faced in 2023 remain evident, albeit the inflation backdrop has improved. We remain positioned towards the lower end of our equity range given our views on valuations, while our dynamic approach allows us the flexibility to quickly alter positioning as opportunities will undoubtedly emerge in the year ahead.

For more information

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

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The rating issued 04/2023 Atrium Evolution Series – Diversified Fund AEF 5, 04/2023 Atrium Evolution Series – Diversified Fund AEF 7, 04/2023 Atrium Evolution Series – Diversified Fund AEF 7 P Units, 04/2023 Atrium Evolution Series – Diversified Fund AEF 9, 04/2023 Atrium Evolution Series – Diversified Fund AEF 9 P Units are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit www.lonsec.com.au for ratings information and to access the full report. © 2023 Lonsec. All rights reserved.