31 August 2021

ATRIUM SMA RISK MANAGED MODERATE 5

INVESTMENT OBJECTIVE

To maximise returns within the constraint of ensuring that portfolio risk, or volatility, does not exceed 5% over the investment time horizon.

PERFORMANCE	Since Inception	3 Yrs p.a.	2 Yrs p.a.	1 Yr	6 Mths	3 Mths	1 Mth	Vol Since Inception p.a.	3 Yr Volatility	Sharpe Ratio
Atrium SMA Risk Managed Moderate 5	3.5%	3.2%	2.5%	6.6%	4.2%	1.3%	0.8%	3.1%	3.8%	0.8
RBA Cash Plus 2.5%	3.4%	3.2%								

KEY HIGHLIGHTS

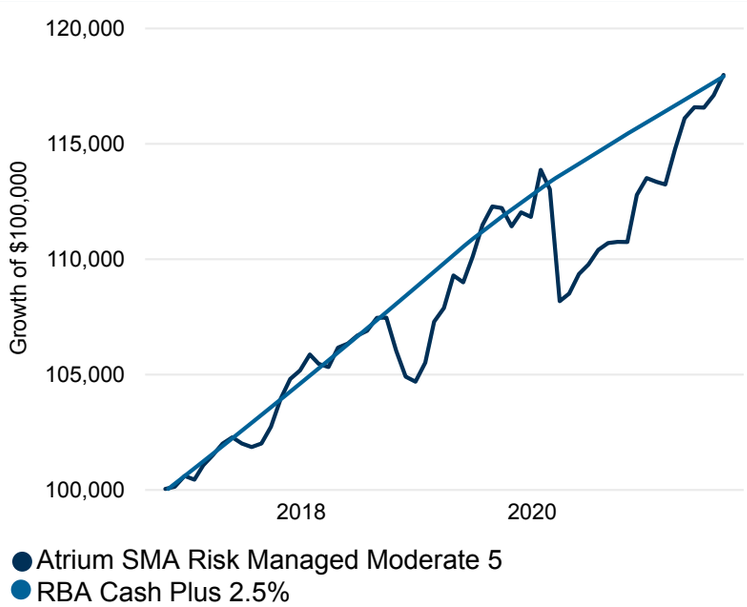
The Portfolio performed exceptionally well in August, driven by strong contributions relative to benchmarks from a number of our active managers.

Amongst our growth allocations, the direct equity allocation outperformed the index by over 2% for the month after a successful reporting season.

During the month we modestly increased our weighting to global equities by making an allocation to the Vanguard MSCI Index International Shares ETF funded from cash and liquid alternatives.

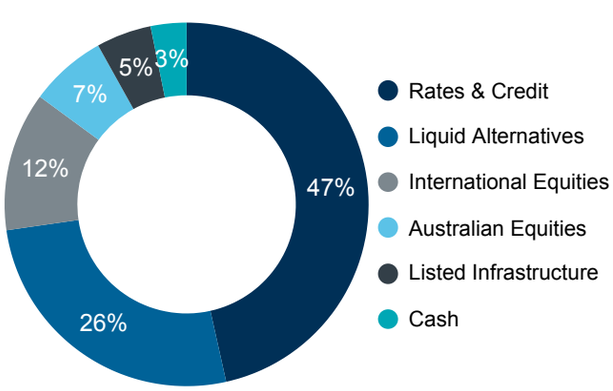
We remain cautiously optimistic on equity markets given the significant monetary and fiscal support but remain vigilant of the risks of inflation which we believe will be transitory rather than entrenched.

PERFORMANCE (SINCE INCEPTION)

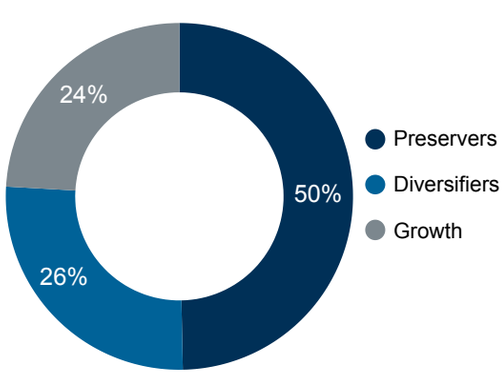


Source: Atrium, Iress. Allocations as at the date of this report.

ASSET CLASS EXPOSURE



RISK EXPOSURE



Source: Atrium, Iress. Allocations as at the date of this report.

Source: Atrium, Iress. Performance as at the date of this report. Inception date is 9 November 2016. 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 after fees and costs, assumes re-investment of all distributions, is calculated using the highest annual fee tier, and does not take into account some or all of the rebates you may receive.

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ATRIUM INVESTMENT MANAGEMENT

ATRIUM SMA RISK MANAGED MODERATE 5

MARKET COMMENTARY

Equity markets were again strong in August, despite lower volumes as the northern hemisphere summer holidays kicked in. US equities returned 3.0%, with the Australian market gaining a similar 2.5%, as both markets attained new record highs during the month. Bond yields were mixed, as US Treasury yields rose almost 9 basis points, while Australian yields remain very low, sliding slightly over the month. The Australian dollar fell slightly over the month.

US equities had another firm month, with the market returning 3.0%. Information Technology (+3.6%), was again strongly supported by the recent decline in bond yields which has emboldened investors to take additional risk. Even though the bond yield decline reversed in August, yields remain extremely low and supportive of longer dated earnings and growth. Financials also performed strongly, returning 5.1%. On the negative side, Energy declined 2% as the oil price moved lower, before bouncing into month end as Hurricane Ida approached Louisiana. Emerging markets were firm, although there remains considerable diversion within the index. Markets such as Mexico, Indonesia and India all performed very strongly, although China again fell as local authorities ramped up the regulatory crack-down. The Chinese market lost a further 1.6%, leaving it down 18% on a 6-month basis, a period in which major developed markets have performed very strongly to record highs in a number of instances, so the crack-down in China – at a time when their economic data is already starting to roll over - has certainly weighed on the local market. Europe rose 2.0% for the month.

The Australian equity market generated 2.5% for the month to be up 17.0% since the start of the year. The main driver, after the general direction of global equities, was the results season as most corporates reported in August. Overall, it is difficult to gain a clean read on the economy and prospect for earnings given the COVID-19 lockdowns in New South Wales, but certain sectors performed strongly. Information Technology performed very strongly, generating 17% for the month, with WiseTech leading (+57.0%) followed by Afterpay (+39.2%) as it received a bid from US-based Square. Insurance as a sector performed well (+9.4%) over earnings season, and Diversified Financials (+7.2%) also did well. On the negative side, Resources stood out, declining -8.8% as commodity prices slid. The largest contributor to the sector was BHP, which announced an end to its dual listing structure. As the Australian equity had traded at a premium relative to the UK-listed entity (reflecting a number of factors including franking credits), a number of investors took the opposite trade assuming the valuation differential would collapse, as it did. BHP declined 14.7% on the ASX, and only 2.9% in London over the month. Small company stocks significantly outperformed the broader market returning 5.0%for the month, mainly attributable to earnings season.

The US bond market was weaker during the month as yields rose (bond prices decline as yields rise). Markets remain focussed on 2 key, inter-linked issues. First the extent to which the recent pick-up in inflation is transitory, and therefore likely to reverse in the coming year, and second, whether this will force the US Federal Reserve and other major central banks to reverse the huge monetary stimulus provided over the past year. A number of emerging market central banks have already started to tighten policy given this pick-up in inflation, and so far the US Federal Reserve remains at pains to highlight it will be very cautious in its policy moves. 10-yr US treasury yields rose 9 basis points (bps) during the month, although Australian bond yields fell 2.5 bps. Credit spreads widened slightly, and this is something other markets are watching closely, as credit is often thought to lead other markets.

The Australian dollar fell 0.4%, closing at 0.732 against the USD, however had been significantly weaker approaching 0.71, only to recover into month end. Weak commodity prices and continued very low bond yields reduced demand for the Australian unit. Gold was little changed over the month.

PORTFOLIO COMMENTARY

The Portfolio performed exceptionally well in August, driven by strong contributions relative to benchmarks from a number of our active managers.

The preserver allocations were modestly lower over the month, with the Smarter Money Higher Income Fund falling on the back of positions in NSW Government bonds which were weaker due to the impact of the COVID lockdown in the state. The CQS Credit Multi Asset Fund was a standout performer as global credit markets continue to perform well.

Our diversifiers were positive in aggregate, despite some mixed performances. Some of the key contributors to performance included long/short equity manager Zebedee Capital Partners (via the Crown Atrium Segregated Portfolio), while GMO Systematic Global Macro Trust and the Crown Diversified Macro Segregated Portfolio were laggards, with notable losses from commodity exposures, particularly in energy and the fixed income space.

Amongst our growth allocations, the direct equity allocation outperformed the index by over 2% for the month after a successful reporting season. Key contributors to return included Dominos, Lovisa, EML Payments, James Hardie, City Chic, Lifestyle Communities and ResMed which all delivered double digit returns over the month following positive market updates.

Amongst our global equity managers, the Hyperion Global Growth Companies Fund continues to perform well on the back of solid returns from both Tesla and Square, while the Fairlight Global Small & Mid Cap Fund and Northcape Capital Global Equities Fund outperformed their respective benchmarks during the month, as investors reverted back to quality stocks.

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PORTFOLIO COMMENTARY

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We remain cautiously optimistic on equity markets given the significant monetary and fiscal support but remain vigilant of the risks of inflation which we believe will be transitory rather than entrenched. Domestically we look to have turned a corner with regard vaccinations and the gradual re-opening of the economy, which should provide a tailwind to economic growth and confidence.