30 September 2021

INTEGRATED MAPS

MAPS ALTERNATIVES PORTFOLIO

INVESTMENT OBJECTIVE

To deliver positive absolute returns through a diversified portfolio of alternative investment strategies. The Portfolio Manager will seek to deliver these returns in a risk-controlled manner, targeting total expected portfolio risk of 4-6% p.a. The Investment Portfolio is designed to generate consistent positive returns that are independent of equity market returns while preserving capital over a long-term investment horizon.

PERFORMANCE	Since Inception	2 Yr p.a.	1 Year	6 Mths	3 Mths	1 Mth	Vol Since Inception p.a.	Sharpe Ratio
MAPS Alternatives Portfolio	5.6%	3.8%	9.1%	2.8%	0.1%	-0.6%	4.5%	1.1

KEY HIGHLIGHTS

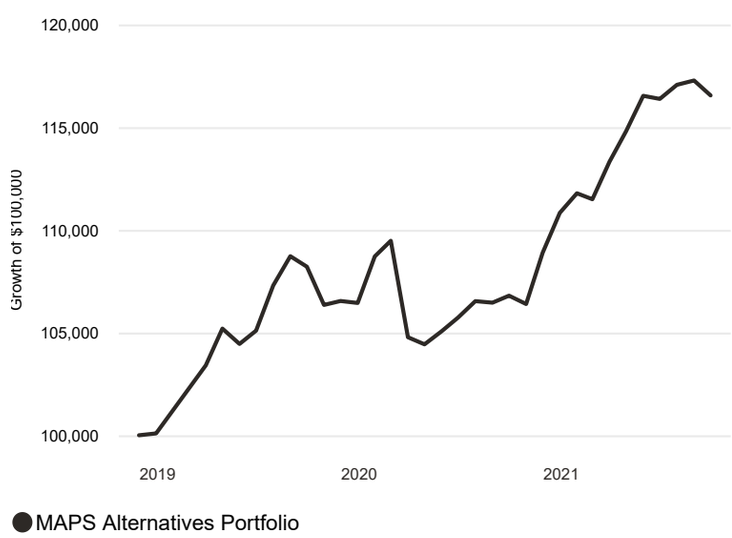
The MAPS Alternatives Portfolio delivered a relatively flat quarter after a period of mixed performance from a number of underlying managers. The Portfolio has returned a solid 9.1% over the last 12 months – well in excess of its cash plus objective.

The September quarter showed global bond yields fell early in the quarter and then rose to recent highs. This resulted in a stronger quarter for our systematic macro investors offsetting a muted return period for our discretionary equity managers such as Bennelong Long Short Equity Management and Zebedee Capital Partners

Amongst our systematic macro strategies, it was chiefly PE Investments assisted by a stronger US Dollar that drove positive returns over the quarter.

It is pleasing to note the continued positive contribution from our risk premia managers Man and Two Sigma, with both managers having provided positive quarters.

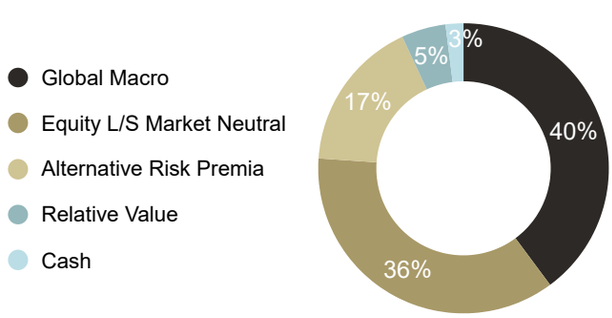
PERFORMANCE (SINCE INCEPTION)



Source: Atrium, HUB24. Allocations as at the date of this report.

Source: Atrium, 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. The performance figures do 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.

CATEGORY EXPOSURE



CATEGORY	NAME	WEIGHT %
Global Macro	Crown Diversified Trend Access Fund	24.65%
Equity L/S Market Neutral	Zebedee Long Short Equity Access Fund	20.70%
Alternative Risk Premia	Man Alternative Style Risk Premia Access Fund	16.98%
Equity L/S Market Neutral	Atrium Alternatives Fund	15.55%
Global Macro	P/E Global FX Alpha (AUD)	9.74%
Global Macro	GMO Systematic Global Macro Trust	5.45%
Relative Value	Ardea Global Alpha Plus Fund - Class I	4.94%
Cash	Cash	1.98%
Total		**100.00%**

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MARKET COMMENTARY

The September quarter was a generally firm period for risk assets, with equities making gains (and in many instances record highs), although the gloss was taken off in September as markets pulled back on a range of concerns (slower growth, higher inflation, Chinese property developers, the US debt ceiling, and withdrawal of central bank liquidity). Bond yields remained in recent ranges, and the Australian dollar fell, and markets focussed on a series of significant moves across commodity markets.

US equities saw a positive quarter, generating 0.6%, although the month of September saw losses across all major sectors with the exception of Energy which bounced 9.4% for the month. Over the quarter, Financials was the strongest segment of the market, returning 2.7% and it was the more defensive sectors which outperformed. Utilities ground out a 1.8% return, followed by Telecommunications and Healthcare. Losses were seen in Materials (-3.5%) and Industrials (-4.2%) reflecting the ongoing uncertainty around economic growth, inflation and commodity prices. Large caps outperformed small caps. The European market performance (+0.7%) was in line with that of the US, although there was more interest in developments in Emerging Markets. The EM complex as a whole returned -6.7% in local currency terms, however there was significant dispersion within this. Russia performed strongly (+9.2%) as the oil price continued its rise. At the other end, Brazil was a standout (-12.5%) as the local central bank continued to tighten policy, as were a number of markets linked to China, which in turn declined 10.4% following the sharp June quarter decline. Local regulators continue to crack down on a number of sectors, and perhaps more importantly deal with the fallout from the hugely-indebted local property developer Evergrande which is teetering on default.

The Australian equity market saw further quarterly gains, returning 1.7%, despite the 1.9% decline in September. Unusually, both the leading and the lagging sectors were both part of the resources segment of the market. Energy was very strong, reflecting the substantial ongoing rise in oil prices (West Texas Intermediate oil rose 3.1% for the quarter, and is up 86.0% over 12 months), whilst the Materials index fell -9.9%, with the slide in iron ore prices being a major contributor leaving Fortescue and BHP materially lower over the period. As noted previously, the cessation of the dual listed structure for BHP also contributed to its substantial fall on the local market. Away from resources, the Financials were a standout, led by significant ongoing gains in Pinnacle (+31.3%) and Macquarie Group (+16.3%), and the 4 major banks were generally stronger. Small caps outperformed again, generating 3.4% for the quarter, although over 12 months large and small cap returns are broadly in line.

Bond markets stabilised as investors continued to take a stance that inflationary pressures are transitory, and thus likely to reverse or stabilise. Markets also watched closely for signals from the US Federal Reserve on the direction for policy, given how important quantitative easing has been in keeping bond yields low. The Fed is approaching a tapering of its monthly buying into year end, however the policy rate is unlikely to move in the next 12 months or more, limiting any rise in yields. Having said this yields reversed course in early August, rising into quarter end, and leaving the market broadly unchanged for the period as a whole. US 10-yr treasury yields were fractionally higher at 1.48%. Australian bond yields fell slightly over the quarter (-4 bps to 1.49%), as the Reserve Bank of Australia remains very cautious on its view for its policy rate which is expected to remain unchanged until at least 2024, and downplayed its role in managing the obvious implications for the local housing market.

The Australian dollar saw its third consecutive quarterly decline, falling 3.6% to 0.721 US dollars, despite the significant move higher in the coal price (+69.0%). Iron ore (-35.3%) on the other hand, fell very sharply on concerns about demand from China.

PORTFOLIO COMMENTARY

The MAPS Alternatives Portfolio delivered a relatively flat quarter after a period of mixed performance from a number of underlying managers. The Portfolio has returned a solid 9.1% over the last 12 months – well in excess of its cash plus objective.

In the last quarterly we wrote that movements in global bond yields had led to a shift in the main return drivers within the Alternatives Portfolio. The September quarter proved no different as bond yields fell early in the quarter and then rose to recent highs. A mid quarter pivot in the dominant market narrative from COVID-19 concerns and fleeting inflation through supply bottlenecks led to asset class and sector rotation. This resulted in a stronger quarter for our systematic macro investors offsetting a muted return period for our discretionary equity managers such as Bennelong Long Short Equity Management and Zebedee Capital Partners.

China's heavy-handed intervention in steel production plus concerns on its residential property sector had a material impact on the iron ore price over the quarter. This led to losses for Zebedee's investments in BHP and Rio Tinto. For Bennelong, a key detractor was the relative underperformance of Qantas relative to Flight Centre as investors navigate the re-opening of the Australian economy.

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PORTFOLIO COMMENTARY

Amongst our systematic macro strategies, it was chiefly PE investments assisted by a stronger US Dollar that drove positive returns over the quarter. Fixed income arbitrageur Episteme Capital (via the Crown Diversified Trend Access Fund) provided strong positive returns over the quarter as it was able to capture the volatility of bond yields.

It is also pleasing to note the continued positive contribution from our risk premia managers Man and Two Sigma. Despite the aforementioned oscillations in government bond yields driving market volatility, both managers have provided positive quarters. In 2020, Man conducted extensive research and re-structured the way it implemented its equity based risk premia strategies based on factors such as market capitalisation and value. This restructure continues to deliver positive returns as it was these equity strategies that delivered the bulk of the returns for the quarter. Interestingly for Two Sigma, the larger return contributions year to date and for the last quarter were generated from their momentum based macro strategies.

During the quarter we redeemed our entire holdings in the Regal Tasman Market Neutral Fund. We have been assessing the attributes of a range of managers and the attributes of some managers (whilst still high quality in our view) don't provide the profile of returns we believe are best suited to our portfolios. We have redeployed those allocations across existing managers, while we continue to research new manager opportunities.