30 November 2021

INTEGRATED MAPS

MAPS DIVERSIFIED OPPORTUNITIES BALANCED PORTFOLIO

INVESTMENT OBJECTIVE

To provide long term returns through a mix of capital growth and regular income with a medium to high level of portfolio volatility

PERFORMANCE	Since Inception p.a.	3 Yr p.a.	2 Yr p.a.	1 Yr	6 Mths	3 Mths	1 Mth	Volatility SI	Sharpe Ratio
MAPS Diversified Opportunities Balanced Portfolio	6.4%	8.1%	5.1%	10.7%	4.4%	-1.1%	0.5%	7.2%	0.8

KEY HIGHLIGHTS

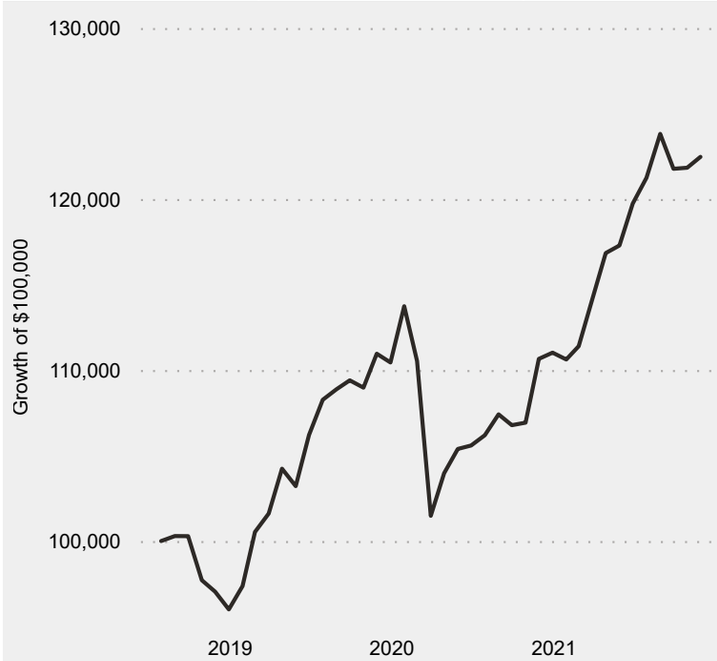
After a tumultuous period for bond markets in October, we continued to see market volatility in November as the Portfolio consolidated the strong returns over 2021.

Our allocation to Australian shares continues to outperform the benchmark, with contributions for the month driven by EML and James Hardie.

After managing the bond market sell off exceptionally well, our allocation to liquid alternatives was lower over November as choppy markets impacted some strategies.

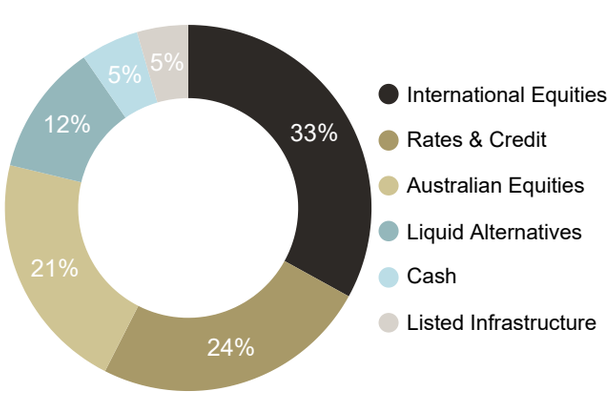
As we approach the end of 2021 and look at opportunities and risks in 2022, we remain positive on equities, but are conscious of the risks that rising inflation expectations and possible interest rate rises may bring. We remain focused on building a well-diversified portfolio to manage the range of outcomes.

PERFORMANCE (SINCE INCEPTION)

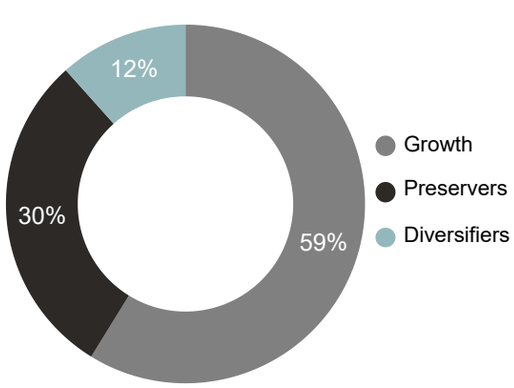


Source: Atrium, HUB24. Performance as at the date of this report. Inception date is 23 August 2018. Past performance is not a reliable indicator of future performance. Future performance and return of capital is not guaranteed. Performance figures relate to the model portfolios managed by Atrium. Individual 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.

ASSET CLASS EXPOSURE



RISK EXPOSURE



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

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MAPS DIVERSIFIED OPPORTUNITIES BALANCED PORTFOLIO

MARKET COMMENTARY

November was a difficult month for equities, as investors were forced to deal with the new Omicron variant of COVID-19, and perhaps more importantly a sharp hawkish pivot (guidance of tighter monetary policy) by the US Federal Reserve which saw investors bring forward expectations of higher interest rates. The US equity market fell -0.7% for the month, and Australia's ASX200 fell a similar -0.5%. Bond yields fell (prices rising) and the Australian dollar collapsed -5.2% against its US counterpart. A sharp fall in oil prices (-19.8%) was also notable.

US equities fell slightly (-0.7%) over the month, most of which occurred in a small number of volatile sessions driven by the Coronavirus variant, and then comments from Federal Reserve Chairman Powell highlighting that inflation may not be as transitory as previously assumed. As yield curves flattened (falling long term and rising short term bond yields), bringing forward the assumed path for interest rates, this hurt the banks in particular, seeing Financials decline -5.7% for the month. Energy fell -5.1% as the oil price fell. On the flip side, Information Technology was the beneficiary on the fall in longer-dated bond yields seeing the largest sector in the S&P500 generate a 4.0% return for the month. Tesla was one notable stock which saw heavy selling on a sell-down by founder and CEO Elon Musk, although the stock recovered into month end leaving it +2.8% over the month. Elsewhere, European equities were weak, declining -2.5% with the largest market, Germany's Dax, pacing the losses with a -3.8% decline. The Hong Kong market fell -7.4%, continuing to underperform as investors deal with heightened regulatory uncertainty as to mainland China entities. The other notable performance in Emerging Markets (which declined -3.2% overall) was Turkey, up 19.2% despite the collapse in the currency to new lows as the central bank cut rates in a very unorthodox policy move given the acceleration in inflation.

Australian equities fell slightly with two standout sectors: Banks and Energy. The Bank sector fell -9.3% for the month, albeit after a strong run, as markets showed concerns with interest margins and costs particularly at Westpac. Westpac fell -20% for the month as investors showed disappointment on the full year earnings, and CBA declined -11%. The other majors were weak and investors honed in on the negative impact a flattening yield curve may have on future earnings. The Energy sector was also weak, falling -8.3%, in sympathy with the sharp decline in global oil prices. On the upside, Resources performed well, returning 4.0%, led by BHP (+7.6%). Telecommunications also performed well, as Telstra (+6.5%) received federal government funding to expand in the Asia-Pacific region.

Bond markets were volatile with notable moves in the US, where concerns linger around the rate of inflation, as the Federal Reserve may be required to push interest rates higher, sooner than the markets had anticipated. This places downward pressure on economic growth. Australian 10-yr bond yields fell 40 basis points to 1.69%, in the US the decline was much more muted. The bigger move in Australia reflects the outsized move the prior month in Australia when the Reserve Bank stepped away from some of its commitments to the bond market. Credit markets were weaker with spreads widening, a move which is consistent with weaker equities and higher market volatility.

The Australian dollar fell sharply, making 18-month lows. The currency fell -5.2% to 0.71 against the USD, driven a by a range of factors, key of which were general commodity price weakness, equity market volatility, and expectations for Australian cash rates relative to other major economies.

PORTFOLIO COMMENTARY

After a tumultuous period for bond markets in October and further market volatility in November, the MAPS Diversified Opportunities Balanced Portfolio continued to navigate the period and consolidate returns over the month and year.

Within our growth asset allocation, the direct Australian shares allocation outperformed the S&P ASX 200 Accumulation Index for the month with contributions driven by EML and James Hardie, while the large bank exposures were the major detractors. The direct shares allocation has steered through the COVID period exceptionally well with strong gains over the year. This was supported by the global shares allocation with the Northcape Global Equities Fund performing well with its focus on defensive companies outperforming over the month. Other managers in this segment also performed well with the Fairlight Global Small and Mid Cap Fund along with our global listed infrastructure mandate managed by Magellan outperforming their respective benchmarks.

After managing the bond market selloff exceptionally well, our allocation to liquid alternatives was lower over November, with Crown Diversified Trend Access Fund and MAN Alternative Style Risk Premia Access Fund lagging in an environment of choppy markets, with volatility and trend following strategies performing poorly.

Defensive allocations across the portfolio were marginally lower over the month, as domestic credit continues to navigate market uncertainty under a backdrop of shifting central bank policies. Laggards included both the Smarter Money Higher Income Fund and Daintree Core Income Trust, offset somewhat by positive returns by Metrics Credit Partners' MCP Wholesale Investments Trust.

As we approach the end of 2021 and look at opportunities and risks in 2022, we remain positive on equities and believe that cash rates remain supportive for riskier assets in general. While we believe there is an increasing possibility of interest rate rises next year domestically and in the US, we note inflation expectation remains well anchored in the face of recent spikes. As always, we believe in the benefits of a well diversified portfolio to manage the range of outcomes.

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