30 November 2020

# ATRIUM EVOLUTION SERIES - DIVERSIFIED FUND AEF 9

## MARKET COMMENTARY

November was a very strong month for equities and credit markets, as investors looked through the noisy US election result and shifted focus to positive COVID vaccine news. Bond yields were mixed, gold fell, and the Australian dollar rose over the month as the US dollar weakened.

US equities, represented by the S&P 500 index, had an extremely strong month returning 10.9%, and continuing the rebound from the pandemic induced lows seen in March. The Energy sector moved 28.0% higher for the month, supported by a sharp rally in the oil price, which in turn was driven by OPEC trying to avoid market oversupply at a time of growing optimism around economic growth for 2021. Financials were strong (+16.9%) as markets sought valuation-based opportunities which often do well in an environment where growth improves, and bond yields drift higher as a result. Information Technology, the largest sector in the US market, returned 11.4%, despite a move away from stocks which had benefited the most from the new work-from-home regime. Away from the US, Europe, which is typically seen as providing more of a 'value' type exposure, returned 18.1% with the largest market, Germany's DAX, returning 15.0%. Spain rose an incredible 26.1% for the month. Emerging markets performed well, partly reflecting US-dollar weakness, and capital flows into these markets were supportive.

Australian equities were strong in November returning 10.2%; the best monthly return in at least 30 years. The month was notable for the switch from quality and growth companies into those which offer perceived value. The banks returned an incredible 18.3% for the month, with insurers (+14.9%) and resources (+10.4%) also being notable performers often associated with a value-based investment style. Small caps performed broadly in line with the larger stocks. As would be expected given the rotation, more defensive sectors (Health and Consumer Staples) were the laggards.

Bond markets were mixed during November, although the moves were not particularly large, and the overall yields remain extremely low. Australian Government bond yields rose 6.9 basis points (bps) to 0.90%, and German yields rose 5.6 bps but remain significantly below zero. US bond yields fell 3.5 bps to 0.84%, perhaps surprising given the significant move higher in equities, and the news of a second fiscal stimulus package. Consistent with the move in equities, credit (corporate bond) markets were very strong in November, with lower quality bonds performing the best.

The Australian dollar rose on the back of general US dollar weakness. A strong rise in iron ore prices (+11.2%) and other commodities was generally supportive for the Australian currency, as was the significant decline in equity market volatility.

## PORTFOLIO COMMENTARY

The Atrium Evolution Series – Diversified Fund (AEF 9 Units) performed strongly over the month as global equity markets rallied on the back of a rebounding global economy and positive news of a possible COVID-19 vaccine.

Our global equities allocation was positive for the month, with our more "value" orientated manager Antipodes in particular performing well, as cyclical companies in Europe and Asia saw a rebound following a period of relatively weaker performance. Domestically, the quality focused Atrium Equity Opportunities Fund pleasingly kept up with the strongly performing S&P/ASX 200 index which was led by the banks and more volatile energy stocks.

Diversifiers were a strong contributor to performance with the standout performer being our UK based global long/short manager Zebedee Capital Partners which returned 12.9% for the month; an exceptional result for an active stockpicking fund. The manager has a specific focus in European financials and materials companies, which outperformed the broader market indices over the month.

Global markets remain supported by loose monetary policy and government-led fiscal measures, with the RBA announcing Australia's own quantitative easing program during the month. With a strong rebound in global economic fundamentals, we have increased confidence that equity markets remain poised to continue to perform strongly in a low rate environment. Accordingly, we have modestly increased our exposure to global equities in the portfolio to take advantage of this opportunity.