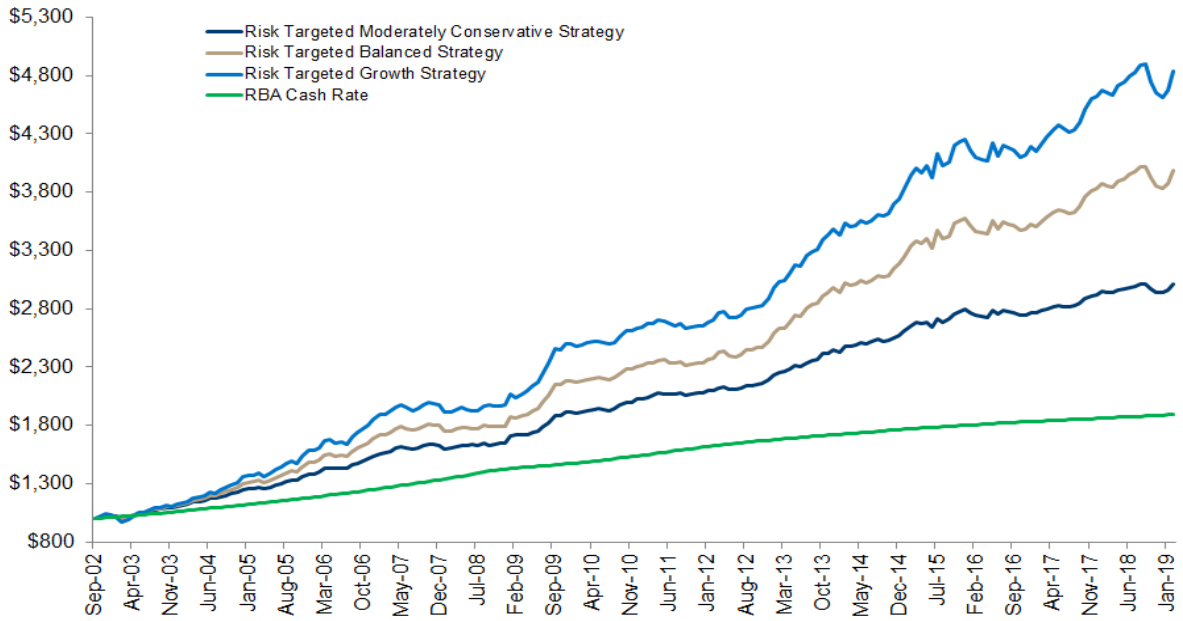
Fitzpatricks
Private Wealth

MDA RISK TARGETED STRATEGIES

February 2019

	Performance								Volatility	Inception
AS AT 28 FEBRUARY 2019	Since Inception p.a	10 Years p.a.	5 Years p.a.	3 Years p.a.	1 Year	6 Months	3 Months	1 Month	Since Inception p.a.	Date
Merged Performance Strategies[1]										
Risk Targeted Moderately Conservative Strategy	6.9%	5.7%	4.0%	3.1%	2.5%	0.1%	2.3%	1.8%	2.9%	30/09/02
Risk Targeted Balanced Strategy	8.8%	7.9%	5.7%	4.7%	3.4%	-0.7%	3.4%	2.8%	4.7%	30/09/02
Risk Targeted Growth Strategy	10.1%	9.0%	6.5%	5.7%	3.9%	-1.2%	4.0%	3.4%	5.4%	30/09/02
Morningstar Multisector Moderate	5.1%	6.0%	4.0%	4.3%	3.4%	0.7%	3.0%	1.6%	3.9%	30/09/02
Morningstar Multisector Balanced	6.0%	7.5%	5.3%	6.3%	3.9%	0.1%	4.1%	2.6%	5.7%	30/09/02
Morningstar Multisector Growth	6.5%	8.5%	6.0%	7.9%	4.2%	-0.7%	5.0%	3.3%	7.3%	30/09/02



Source: Atrium, Iress. Performance from 30 September 2002 to 28 February 2019. Performance is net of investment management fees, does not deduct portfolio administration fees and assumes reinvestment of all distributions. Past performance is not a reliable indicator of future performance.

[1] Atrium Investment Management managed certain investment strategies as managed portfolios on the Fitzpatricks Managed Discretionary Account (MDA) and, as part of the transition of the Fitzpatricks MDA, launched the same investment strategies as managed portfolios on the Integrated Managed Account Portfolio Service (MAPS). To give a longer term view of the performance of these strategies, an indicative historical performance has been produced by merging the performance of the relevant Fitzpatricks MDA portfolio from 30 September 2002 to 5 December 2018 and the corresponding MAPS portfolio from 6 December 2018 to present. The relevant MAPS portfolios have been operating since 6 December 2018 and had identical investments to the MDA portfolios as at 6 December 2018. Atrium Investment Management was established in 2009 and began management of the MDA portfolios at this point and is also the investment manager for the MAPS portfolios. Performance is net of fees and costs and assumes reinvestment of distributions.

February 2019

INTEGRATED MAPS

MAPS RISK TARGETED MODERATELY CONSERVATIVE PORTFOLIO

INVESTMENT OBJECTIVE

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

KEY HIGHLIGHTS

Global equity markets rallied in February as global Central Banks (particularly the U.S Federal Reserve) took a more dovish stance on any further rate hikes. Australian equities were the standout performer during the month.

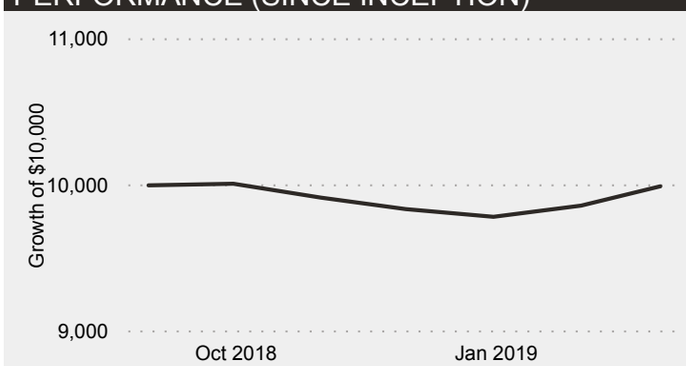
The portfolio returned 1.3% during the month, with strong returns from equities and alternatives exposures driving performance.

The portfolios are positioned across a spread of preserving, diversifying and growth assets, with a greater allocation to diversifying and preserving assets.

We maintain the view that we are towards the latter end of the economic cycle as we closely monitor the broader macro environment. A key focus is on risk management and downside protection over this investment cycle.

PERFORMANCE RETURNS

PERFORMANCE (SINCE INCEPTION)



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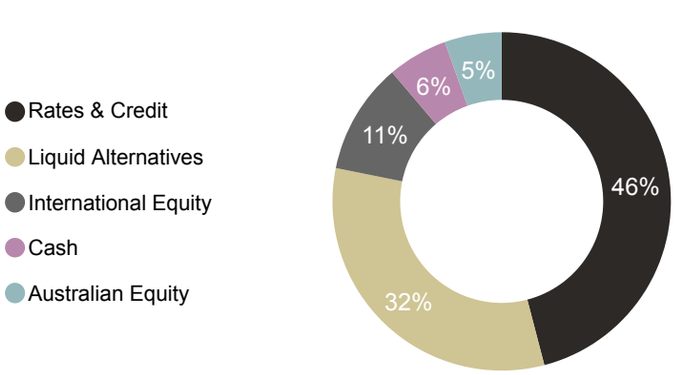
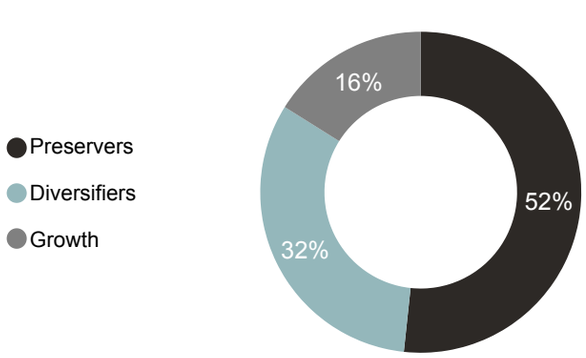
ASSET CLASS EXPOSURE



RISK EXPOSURE



Source: Atrium, HUB24. Allocations as at 28 February 2019.

February 2019

INTEGRATED MAPS

MAPS RISK TARGETED MODERATELY CONSERVATIVE PORTFOLIO

MARKET COMMENTARY

Equities rallied strongly during February, partly reflecting the supportive stance of a range of Central Banks, particularly the U.S Federal Reserve since the start of 2019. U.S equities returned 3.2% in February following a very strong January. Information Technology, the largest sector in the S&P 500 returned 6.9% over the month, (although remains lower over the 6-month period), reflecting the significant rotation away from I.T. since the December quarter. Industrials were also very strong returning 6.4% for the month, on the back of increasing signs that China and the U.S are on the cusp of resolving the trade and tariff tensions.

European markets rose 4.2% in February, with the German bourse rising 3.1% despite the continuance of overall weak economic data. Emerging Market (EM) equities lagged during the month, the MSCI Emerging Markets Index returning 1.1% (local terms), although a very strong recovery in the Chinese equity market boosted the EM index from recording a small loss.

Australian equities were the standout performers in February, the S&P/ASX 200 Accumulation Index returning 6.0%, led by a very strong banking sector. Financials rose 9.1% with the key contributor being a significant move higher by the banks following the release of the Royal Commission report. The initial view was that the report did not require a structural change around the advice businesses, which removed some downside pressures on earnings. Resources were also very strong, returning 6.9% for the month as Iron Ore and Coal prices continued to remain robust, a trend that continued in February. Listed property markets lagged partly reflecting the weak outlook for domestic property markets.

International bond markets were mixed in February, with U.S treasuries rising slightly in yield (prices fell), as 10-year yields rose 9 basis points (bps) to 2.72%. German bund yields rose slightly by 3 bps, although remain historically low at 0.18%. Australian bonds bucked this trend with yields falling a sharp 14bps to 2.10%, reflecting weaker domestic data, and associated expectations that the Reserve Bank (RBA) may be forced to cut rates from already record-low levels.

Credit markets performed very well in February (spreads against Government bonds tightened). U.S Investment Grade credit spreads were 9 bps tighter for the month, following on from a strong January and Australian Investment Grade credit also performed strongly, tightening 6 bps. The Australian Dollar fell further in February, down 2.4% to U.S 0.71 cents, as consumer and business confidence continued to slip. Weakening house prices, softer growth out of China coupled with weaker domestic growth have increased the likelihood that the next move by the RBA could be a cut to rates, weakening the outlook for Australian cash rates.

PORTFOLIO COMMENTARY

The Risk Targeted Portfolio returned 1.3%, as strong performances from our equity exposures continued to drive performance in 2019, while Liquid Alternatives exposure also significantly contributed positively to performance in February. All other asset classes also contributed positively to performance including our underlying exposure to US Dollars (via our global equity managers) which benefited from the fall in the Australian dollar in February.

Our Australian equity direct holdings posted a strong 8.9% return, benefiting from very strong returns from a number of positions such as Lovisa, Speedcast and Magellan. We were active during the month taking the opportunity to trim our Magellan and BHP positions post very strong performance, and we also exited our position in Rio Tinto given we view the iron ore price spike as transient. We added to our position in Treasury Wine Estates as our conviction grew after the latest earnings update. Our overall exposure in domestic equities remains orientated towards quality companies with growing earnings.

Our global equity managers continued their positive performance into 2019. The Magellan Global Fund returned 3.7%, led by positions in Visa, Microsoft and US hardware company Lowe's, while Kraft was the only major detractor after posting a large loss. The Antipodes Global Long Only returned 2.8%, led by its Financial and Technology sector exposures. Our small allocation to Global Emerging Market manager Northcape (+3.1%) was positive as they have continued to benefit from the global equity rebound. Our bias in this segment of the portfolio remains towards quality global companies at reasonable valuations.

Liquid Alternatives posted a very strong result in February, following on from a strong January. Our largest holding in MAN Alternative Risk Premia (ARP) returned 0.9%. Currency manager PE Investments continued to enjoy strong returns thanks to a negative outlook on the Australian dollar and the Euro, while our systematic macro managers benefited from owning Asian equity markets and short exposures to Wheat and Coffee. Our only detractor in the month was our trend following exposure via the Crown Diversified Trend Segregated Portfolio.

Amongst our rates and credit holdings, Kapstream performed strongly during the month reflecting participation in the strong credit market rally. JPM Global Strategic Bond Fund also performed well benefiting from the strong move in US High Yield and Investment Grade Credit. Daintree Core Income Trust returned 0.3% as domestic credit continued its strong recovery. The portfolio commenced the reduction in lower yielding listed fixed income during the month, to be replaced by investments in the manager portfolios noted above.

We continue to position the portfolios relatively evenly across a spread of diversifying, preserving and growth assets. Given our view that we are towards the latter end of the economic/market cycle our equity weights remain towards the middle of their range. We continue to maintain our key focus on risk management and downside protection over the investment cycle and are closely monitoring the broader macro environment.

February 2019

MAPS RISK TARGETED BALANCED PORTFOLIO

INVESTMENT OBJECTIVE

To maximise returns within the constraint of ensuring that portfolio risk, or volatility, does not exceed 7% over the investment time horizon.

KEY HIGHLIGHTS

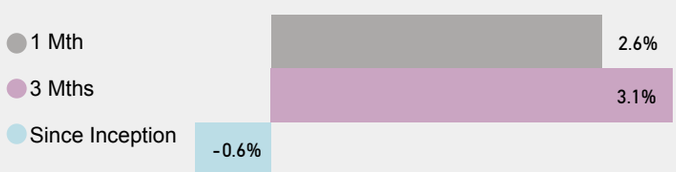
Global equity markets rallied in February as global Central Banks (particularly the U.S Federal Reserve) took a more dovish stance on any further rate hikes. Australian equities were the standout performer during the month.

The portfolio returned 2.6% during the month, with strong returns from equities and alternatives exposures driving performance.

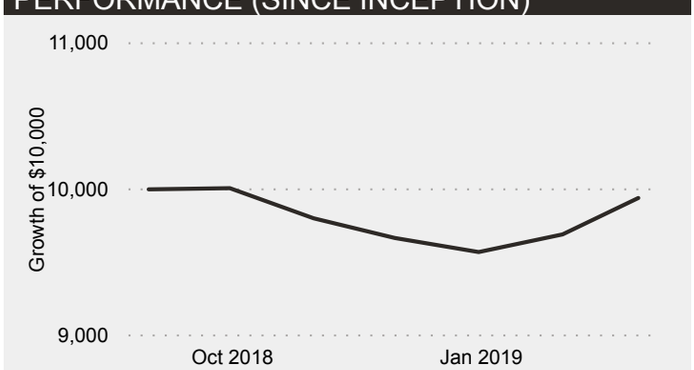
The portfolios are positioned across a spread of preserving, diversifying and growth assets, with a greater allocation to diversifying and growth assets.

We maintain the view that we are towards the latter end of the economic cycle as we closely monitor the broader macro environment. A key focus is on risk management and downside protection over this investment cycle.

PERFORMANCE RETURNS



PERFORMANCE (SINCE INCEPTION)



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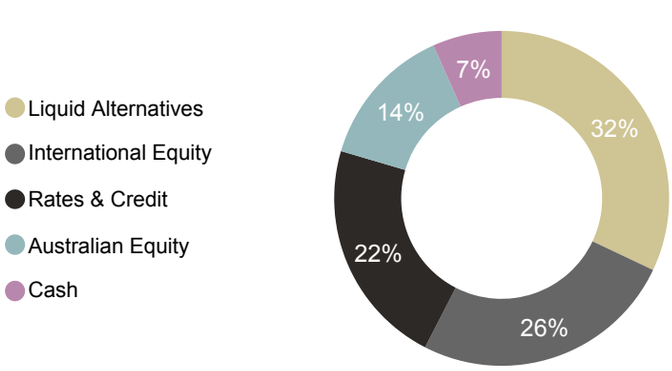
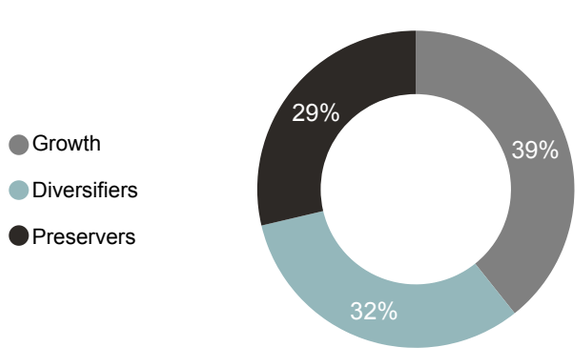
ASSET CLASS EXPOSURE



RISK EXPOSURE



Source: Atrium, HUB24. Allocations as at 28 February 2019.

February 2019

INTEGRATED MAPS

MAPS RISK TARGETED BALANCED PORTFOLIO

MARKET COMMENTARY

Equities rallied strongly during February, partly reflecting the supportive stance of a range of Central Banks, particularly the U.S Federal Reserve since the start of 2019. U.S equities returned 3.2% in February following a very strong January. Information Technology, the largest sector in the S&P 500 returned 6.9% over the month, (although remains lower over the 6-month period), reflecting the significant rotation away from I.T. since the December quarter. Industrials were also very strong returning 6.4% for the month, on the back of increasing signs that China and the U.S are on the cusp of resolving the trade and tariff tensions.

European markets rose 4.2% in February, with the German bourse rising 3.1% despite the continuance of overall weak economic data. Emerging Market (EM) equities lagged during the month, the MSCI Emerging Markets Index returning 1.1% (local terms), although a very strong recovery in the Chinese equity market boosted the EM index from recording a small loss.

Australian equities were the standout performers in February, the S&P/ASX 200 Accumulation Index returning 6.0%, led by a very strong banking sector. Financials rose 9.1% with the key contributor being a significant move higher by the banks following the release of the Royal Commission report. The initial view was that the report did not require a structural change around the advice businesses, which removed some downside pressures on earnings. Resources were also very strong, returning 6.9% for the month as Iron Ore and Coal prices continued to remain robust, a trend that continued in February. Listed property markets lagged partly reflecting the weak outlook for domestic property markets.

International bond markets were mixed in February, with U.S treasuries rising slightly in yield (prices fell), as 10-year yields rose 9 basis points (bps) to 2.72%. German bund yields rose slightly by 3 bps, although remain historically low at 0.18%. Australian bonds bucked this trend with yields falling a sharp 14bps to 2.10%, reflecting weaker domestic data, and associated expectations that the Reserve Bank (RBA) may be forced to cut rates from already record-low levels.

Credit markets performed very well in February (spreads against Government bonds tightened). U.S Investment Grade credit spreads were 9 bps tighter for the month, following on from a strong January and Australian Investment Grade credit also performed strongly, tightening 6 bps. The Australian Dollar fell further in February, down 2.4% to U.S 0.71 cents, as consumer and business confidence continued to slip. Weakening house prices, softer growth out of China coupled with weaker domestic growth have increased the likelihood that the next move by the RBA could be a cut to rates, weakening the outlook for Australian cash rates.

PORTFOLIO COMMENTARY

The Risk Targeted Portfolio returned 2.6%, as strong performances from our equity exposures continued to drive performance in 2019 while our Liquid Alternatives exposure also notably contributed positively to performance in February. All other asset classes also contributed positively to performance including our underlying exposure to US Dollars (via our global equity managers) which benefited from the fall in the Australian dollar in February.

Our Australian equity direct holdings posted a strong 8.9% return, benefiting from very strong returns from a number of positions such as Lovisa, Speedcast and Magellan. We were active during the month taking the opportunity to trim our Magellan and BHP positions post very strong performance, and we also exited our position in Rio Tinto given we view the iron ore price spike as transient. We added to our position in Treasury Wine Estates as our conviction grew after the latest earnings update. Our overall exposure in domestic equities remains orientated towards quality companies with growing earnings.

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Liquid Alternatives posted a very strong result in February, following on from a strong January. Our largest holding in MAN Alternative Risk Premia (ARP) returned 0.9%. Currency manager PE Investments continued to enjoy strong returns thanks to a negative outlook on the Australian dollar and the Euro, while our systematic macro managers benefited from owning Asian equity markets and short exposures to Wheat and Coffee. Our only detractor in the month was our trend following exposure via the Crown Diversified Trend Segregated Portfolio.

Amongst our rates and credit holdings, Kapstream performed strongly during the month reflecting participation in the strong credit market rally. JPM Global Strategic Bond Fund also performed well benefiting from the strong move in US High Yield and Investment Grade Credit. Daintree Core Income Trust returned 0.3% as domestic credit continued its strong recovery. The portfolio commenced the reduction in lower yielding listed fixed income during the month, to be replaced by investments in the manager portfolios noted above.

We continue to position the portfolios relatively evenly across a spread of diversifying, preserving and growth assets. Given our view that we are towards the latter end of the economic/market cycle our equity weights remain towards the middle of their range. We continue to maintain our key focus on risk management and downside protection over the investment cycle and are closely monitoring the broader macro environment.

February 2019

MAPS RISK TARGETED GROWTH PORTFOLIO

INVESTMENT OBJECTIVE

To maximise returns within the constraint of ensuring that portfolio risk, or volatility, does not exceed 9% over the investment time horizon.

KEY HIGHLIGHTS

Global equity markets rallied in February as global Central Banks (particularly the U.S Federal Reserve) took a more dovish stance on any further rate hikes. Australian equities were the standout performer during the month.

The portfolio returned 3.2% during the month, with strong returns from equities and alternatives exposures driving performance.

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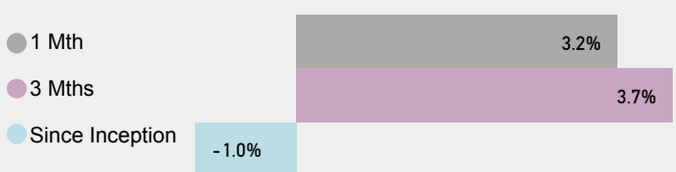
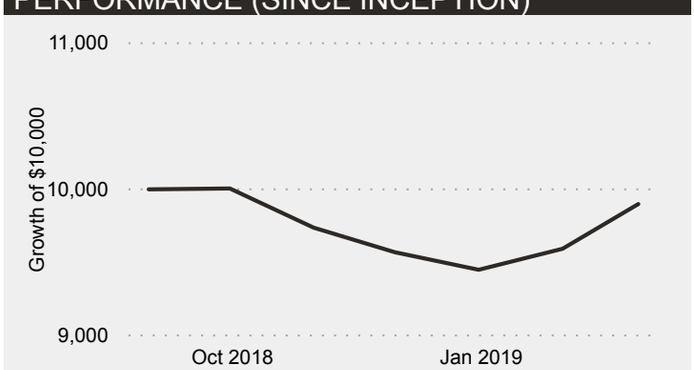
PERFORMANCE RETURNS



PERFORMANCE (SINCE INCEPTION)



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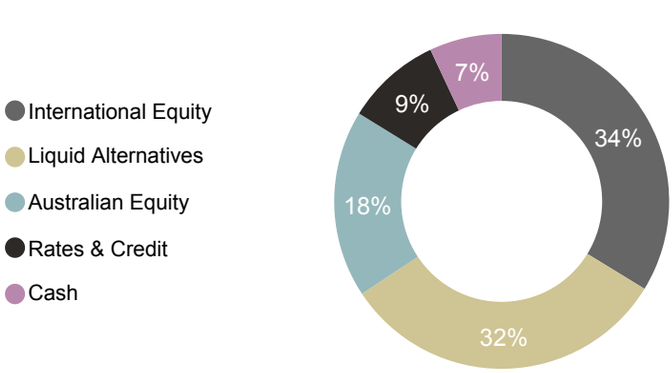
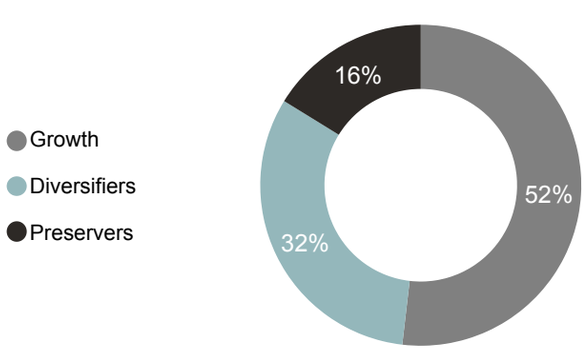


RISK EXPOSURE



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February 2019

INTEGRATED MAPS

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