

Monthly Newsletter – May 2010

ATRIUM AUSTRALIAN EQUITY MARKET NEUTRAL FUND

As at 31 May 2010

Last Month Return -1.03%

Financial YTD Return -3.59%

Unit Price ** \$0.964

** There is a 0.2% Buy/Sell Spread

Fund Description

The Atrium Australian Equity Market Neutral Fund (the Fund) is an actively managed absolute return fund that invests in listed equities and related derivatives in Australia. The product is designed to exhibit significantly lower annual volatility than the majority of Australian equity market products.

Fund Objective

To annually generate positive returns after fees in excess of the RBA Cash Rate regardless of equity market conditions.

Commentary

The Fund for May was down 1.03% compared to the ASX 200 which fell 7.86%. To a large extent the result was disappointing as we would view a volatile, declining stock market as generally favourable for our investment strategies. This is due to 2 key factors-

1. Stock selection. When markets are sold off aggressively in periods such as May (down 11% intra month) we would expect to see our long positions perform much better than the market due to their defensive nature (i.e. consistently profitable businesses with strong competitive positions). We also expect our short positions to sell off more than the market as investors question the outlook for those companies with weak fundamentals.
2. We consistently own downside protection for the portfolio in the form of put options. These options due to both the market fall and the rise in volatility perform very well in environments such as May.

Intra month the portfolio was performing very well both at the stock selection and hedging level with the Fund up around 1%. In the last 4 trading days of May the market recovered around 4% led by resources and consumer stocks (towards which we have a negative bias). Due to specific company news, we have closed / reduced some short positions (being Fosters Group and Centennial Coal) but generally we have not changed the portfolio (long financial shares / short discretionary retailers and bulk commodities). We continue to run a very low Nett Exposure to the market.

Financial shares have been underperforming the broader Australian stock market in recent weeks due to concerns related to the global macroeconomic environment (particularly European sovereign debt). Whilst we are cognisant of the related risks, we currently view Australian financial shares as undervalued and will look to profit from a rebound in these stocks over time. That said we continue to operate some hedging in the event that global fears continue to dominate market perceptions of Australian financial stocks.

Please email info@atriuminvest.com.au should you have any queries about this month's newsletter.

Performance After Fees (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009										(0.12%)	(2.08%)	1.04%	(1.16%)
2010	(0.65%)	(0.80%)	0.23%	(0.18%)	(1.03%)								(2.43%)



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Investment Manager - Atrium Investment Management Pty Ltd

Atrium's investment team has over 35 years' combined investment market experience encompassing investment research, portfolio management, and portfolio hedging, trading & risk management. The management team for this product has worked together for a period of 3 years, operating a similar portfolio for an offshore financial institution prior to joining Atrium.

Key Information

Responsible Entity	Perpetual Trust Services Ltd	Contribution Fee	Nil
Administrator	White Outsourcing	Withdrawal Fee	Nil
Custodian / Prime Broker	Goldman Sachs International	Management fee	1.283% of NAV of the fund
Applications	Monthly, 1 st Business Day of the month	Performance Fee	15.4% of performance in excess of the RBA cash rate, subject to high water mark
Minimum Investment	A\$50,000	Buy-sell Spread	0.20% both sides
Withdrawal	Monthly, 1 st Business Day of the month	Estimated Administration Costs	0.30% of NAV of the fund
Distributions	Bi-Annually	Published Unit Prices	www.atriuminvest.com.au
Unit Prices	Last Business day of the month	ARSN	139 108 508

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