

# Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

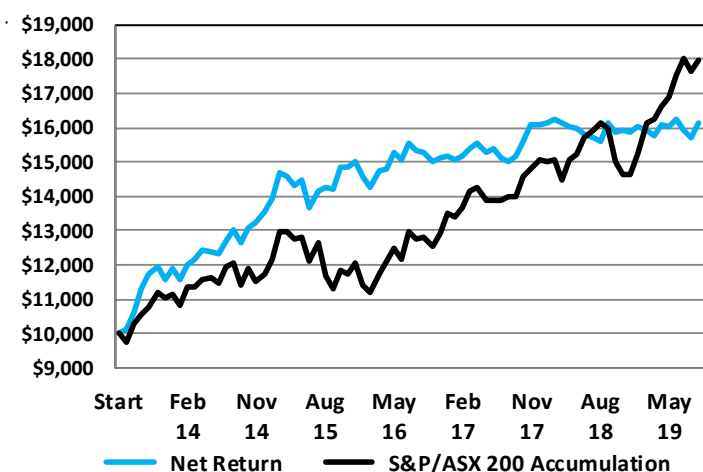
## Fund Monthly September 2019

### Return Summary (To September 2019)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	2.62%	-0.7%	2.1%	-0.1%	1.8%	5.3%	61.1%	7.7%
S&P/ASX200 Acc.	1.84%	2.4%	10.5%	12.5%	11.9%	7.2%	79.5%	9.5%
Excess return	0.78%	-3.1%	-8.5%	-12.6%	-10.1%	-2.0%	-18.3%	-1.8%

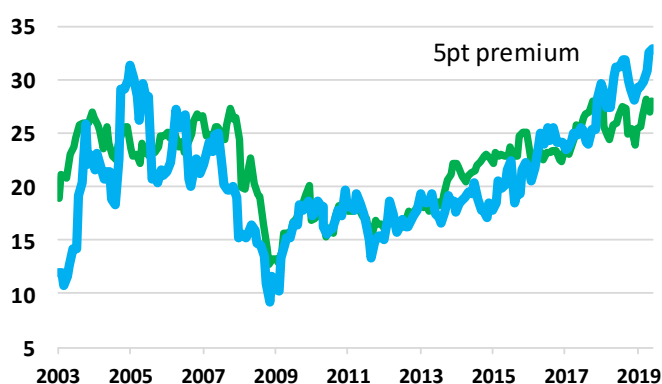
Fund Returns are prepared on a redemption unit price basis after management and performance fees inclusive of GST. Distributions are assumed to be re-invested at the mid unit price. Individual tax is not taken into account in deriving Fund Returns. In calculating the NTA, the Atlantic Pacific Australian Equity Fund ("Fund") asset values have been calculated using unaudited price and income estimates for the month being reported. Past performance is not indicative of future performance.

### Cumulative Returns of \$10,000



### Chart of the Month

Australian vs US Technology Valuations: Forward PE



### Portfolio Activity

Mesoblast (MSB:ASX)	Long	Rose 49% contributing 1.5% to returns due to a deal with a global pharmaceutical distributor, Grunenthal. This deal relates to a chronic low back pain product which is nearing the end of a Phase 3 trial. There is more to come for MSB, in our view, and the Fund will remain exposed to the future dynamics as they present. The position added ~1.9% to Fund returns.
Fortescue Metals (FMG:ASX)	Long	Rose 10% over the month, correlated with a general uplift in Chinese Iron Ore prices. There also appears to be an change in sentiment related to Trade Wars although one never knows given the "Trump Twitter storms".
Universal Coal (UNV.ASX)	Long	Continued to drag down on performance contributing -0.60% to Fund Performance. We still find it quite extraordinary that a company which is likely to churn out at least \$70m EBITDA over the coming years trades on an EV/EBITDA multiple of around 2x.

### Macro Events

RBA Conundrum	Upside potentially	Reduction in rates and premature talk of Quantitative Easing (QE) in Australia clearly could benefit risk assets in anticipation. Why is the RBA so bearish?
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### Portfolio Positioning

Given the potential for near term expectation on QE rising, one would think most of the expensive companies will be able to perform. We struggle with valuations in the Tech space but occasionally opportunities will present themselves.

## Fund Strategy

The Fund is a long-bias equity market product which typically buys or short sells Australian listed securities and derivatives. Net and Gross market exposure is maintained within a range of 0-100% and 0-200%, respectively. The Investment manager employs its Quadruple Alpha Investment Strategy which focuses on outperforming overall market cycles by capturing upside returns while minimising downside risk. The objective of the Fund is to outperform the benchmark after fees and expenses over a 5-7 year time frame.

## Risk Statistics (As at September 2019)

	Fund		Index	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	-2.0%	-1.8%		
Downside Capture	42%	49%		
Standard Deviation	4.9%	7.8%	8.7%	10.8%
Sharpe ratio	0.5	0.8	0.7	0.7
Sortino		1.3		1.7
Largest Drawdown	-7.1%	-7.1%	-13.7%	-13.7%

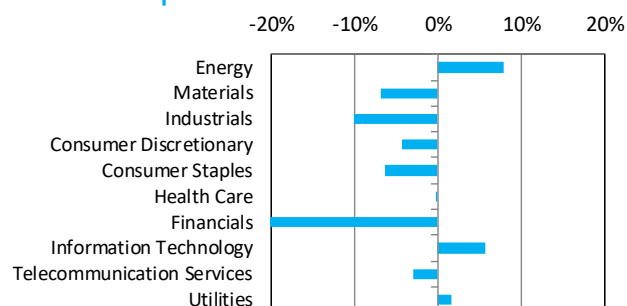
## Exposure

	Long	Short	Net	Gross
Equity	44%	-10%	35%	54%
Index Futures	17%	0%	17%	17%
Net	61%	-10%	52%	71%
Cash			48%	

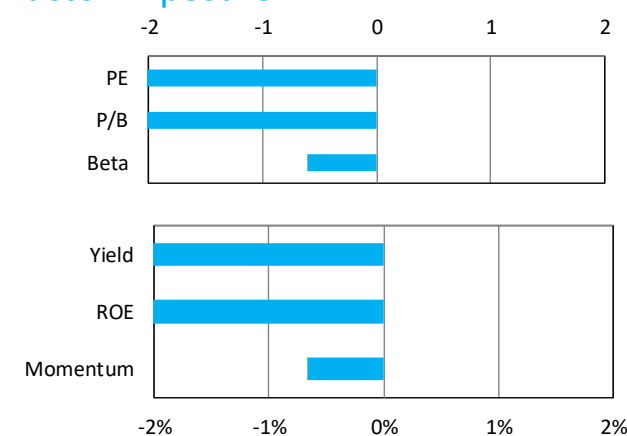
## Contribution

Positive	Negative
Fortescue Metals (Long)	Appen (Long)
Iluka Resources (Long)	Brookside Energy (Long)
Mesoblast (Long)	The GO2 People (Long)
Norwood Systems (Long)	Universal Coal (Long)

## Sector Exposure

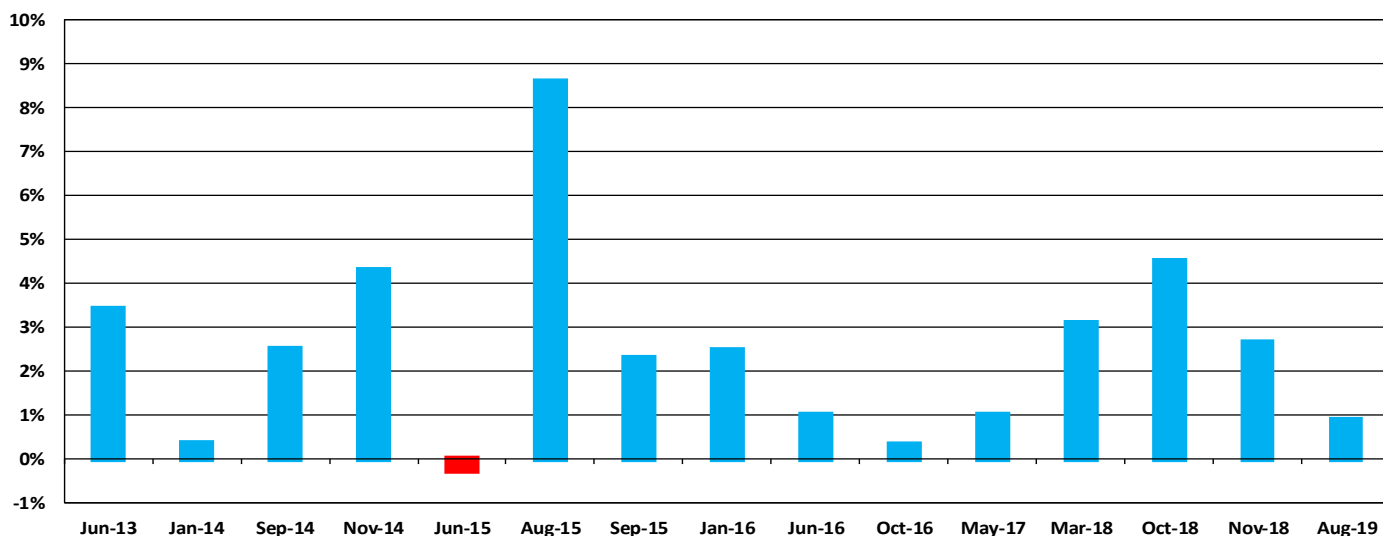


## Factor Exposure



Source: APSEC Funds Management

## APAEF Relative Returns (From Inception) When the market is down more than -2%



Source: APSEC Funds Management

## Fund Information (As at September 2019)

APIR Code	OMF0003AU	Responsible Entity	Equity Trustees Limited
Inception	1 June 2013	Investment Manager	APSEC Funds Management
Minimum Investment	\$10,000	Administrator	Mainstream Group Holdings Ltd
Application/Redemption	Monthly	Custodian	Mainstream Group Holdings Ltd
Management Fee	2.0%	Prime Broker	Interactive Brokers LLC
Benchmark	S&P/ASX200 Accumulation	Auditor	PriceWaterhouseCoopers
Performance Fee	15% above S&P/ASX 200 Accumulation + 3%pa subject to a high water mark		
Mid Unit Price	1.1698	Application Price	1.1710
		Redemption Price	1.1686

## Contact Information

Felix Trong	<a href="mailto:f.trong@apsec.com.au">f.trong@apsec.com.au</a>	Investment Manager	1300 379 307
Habib Chebli	<a href="mailto:h.chebli@apsec.com.au">h.chebli@apsec.com.au</a>	Responsible Entity	1300 555 378
Website	<a href="http://www.apsec.com.au">www.apsec.com.au</a>	Unit Registry	1300 133 451

## Important information

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