

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly February 2020

Return Summary (To February 2020)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	-0.05%	-1.4%	-2.0%	-3.6%	0.5%	1.2%	53.8%	6.5%
S&P/ASX200 Acc.	-7.69%	-5.2%	-0.6%	8.6%	8.6%	5.4%	75.1%	8.5%
Excess return	7.63%	3.7%	-1.4%	-12.2%	-8.1%	-4.3%	-21.3%	-2.0%

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

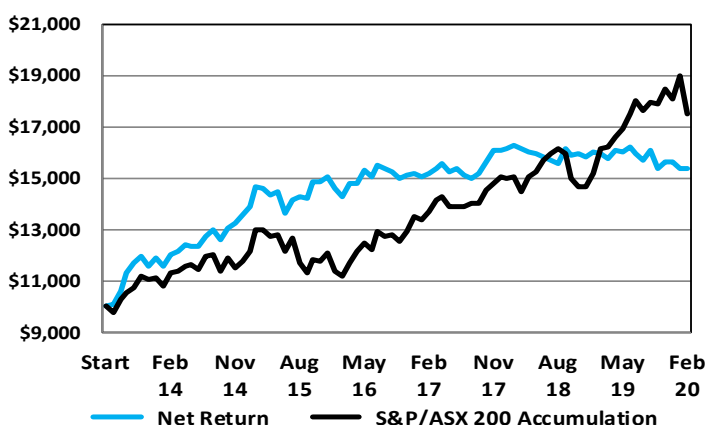


Chart of the Month

US valuations - Most expensive companies across the globe have not been downgraded enough??? Still too expensive?



Portfolio Activity

SPI Futures Trading	Short	Dominated the end of the month. COVID-19 was a sleeper towards the end of the month. As with most weekends, we implemented a full portfolio hedge. We had sensed that data would accelerate to the downside and we were not wrong. Our hedge was in place over the rest of the month and essentially have fortuitously escaped the downdraft that has proceeded. We remain fully hedged, spending alot of time in offshore market time-zones to make sure this decision is correct.
COVID-19 Shorts	Short	The thematic has been an easy one to pinpoint short exposure but SPI Futures trading has done the heavy lifting both in February and March 2020. Nonetheless, we have picked up good trading income from shorts in Qantas Airways (QAN), Sydney Airports (SYD), Cochlear (COH)
Other Expensive Defensives	Short	Breville Group (BRG) had one of the most ridiculous one day performances that we have seen for a long time. We shorted into this on day strength. Domain Holdings (DHG) also downgraded earnings with no apparent downward price action. Instead the sector was essentially bid up for a short period of time. We do wonder sometimes.

Portfolio Positioning

As at 16 March 2020, the Fund continues to have full protection with the market now down 18%+ in mid March 2020 on top of the 7.7% downdraft in February 2020. No amount of monetary or fiscal stimulus that we have seen to date will solve this issue. Every other day, a new country is closing its borders and yet the enemy lies within. We will do our utmost to protect capital...we have been here before. We look forward to the next couple of months when distressed assets become our hunting ground.

We are extremely pleased to have protected investors capital at a time where almost all other funds are losing significant amounts of capital. We are very confident of being able to keep protecting your capital going forward.

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 February 2020)

	Fund		Index	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	-4.3%	-2.0%		
Downside Capture	48%	50%		
Standard Deviation	5.7%	7.9%	10.1%	11.2%
Sharpe ratio	-0.1	0.6	0.5	0.6
Sortino		1.0		1.4
Largest Drawdown	-7.1%	-7.1%	-13.7%	-13.7%

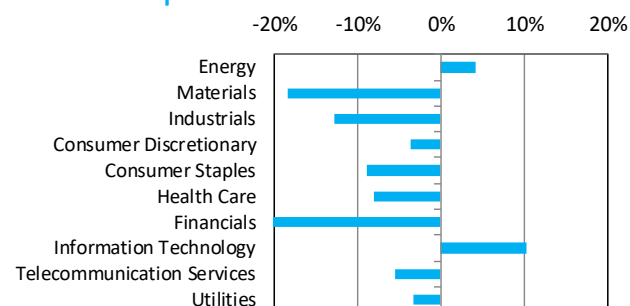
Exposure

	Long	Short	Net	Gross
Equity	61%	-2%	59%	63%
Index Futures	0%	-54%	-54%	54%
Net	61%	-55%	5%	116%
Cash			95%	

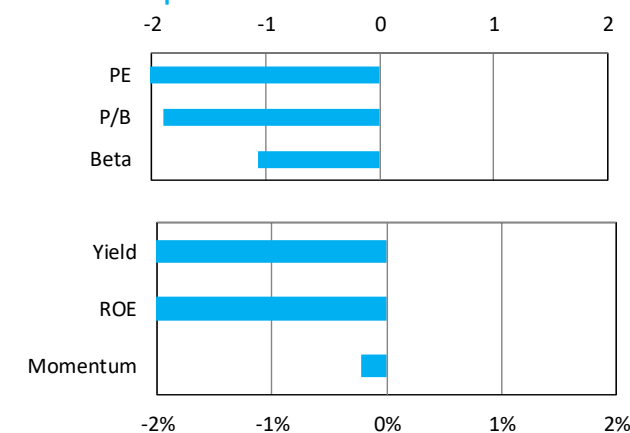
Contribution

Positive	Negative
Cohclear (Short)	Clinuvel Pharmaceutical (Long)
Norwood Systems (Long)	Mesoblast (Long)
Qantas Airways (Short)	Santos (Long)
Treasury Wine (Long)	Universal Coal (Long)

Sector Exposure

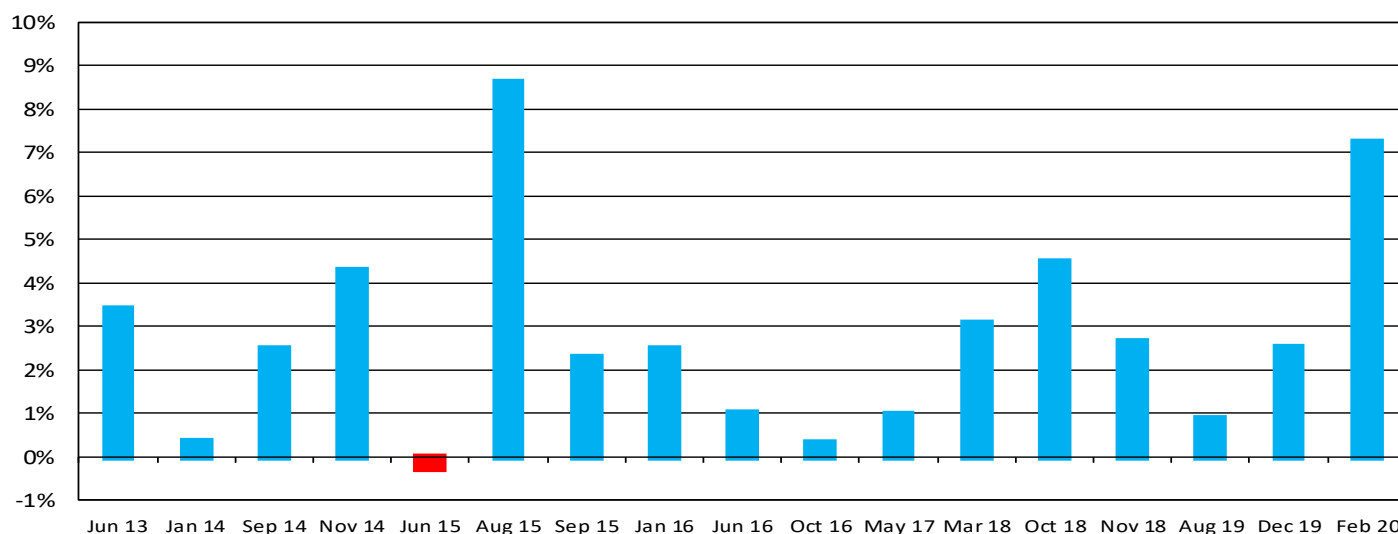


Factor Exposure



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 February 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	1.1166	Application Price	1.1177
		Redemption Price	1.1155

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Important information

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