

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly April 2020

Return Summary (To April 2020)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	5.46%	23.5%	23.8%	18.1%	6.9%	5.8%	90.1%	9.6%
S&P/ASX200 Acc.	8.78%	-20.3%	-15.5%	-9.1%	1.9%	3.5%	51.2%	6.1%
Excess return	-3.32%	43.8%	39.3%	27.1%	5.0%	2.4%	39.0%	3.5%

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

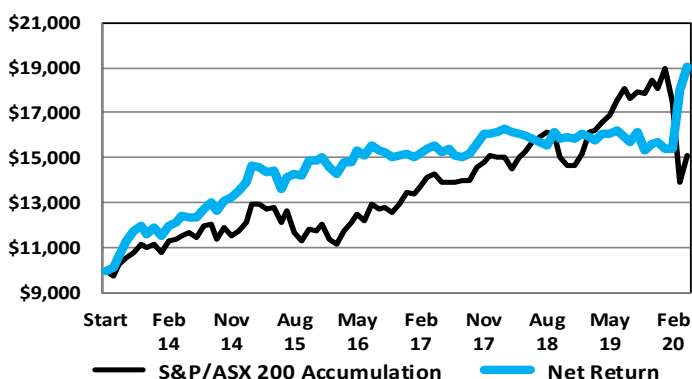
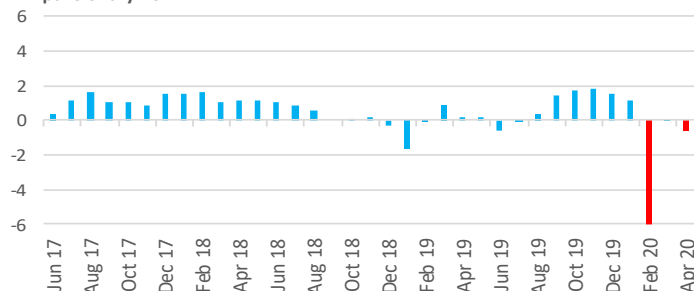


Chart of the Month

The subtlety of data: Recovery or volatility ahead?

Caixin Manufacturing PMI (Normalised)

Expansionary > 0



Portfolio Activity

Accumulations **Long**

The volatility in markets continued with individual names moving quite wildly. This provided ample opportunity for us to accumulate in various names we have an inclination towards. EML was a classic case in point where prices rose 20%, fell 20% and then rallied 20%. We were able to use this volatility in prices to scale up the position near the month's lows. LYC was another accumulation that led to strong returns. MSB was the standout performer in terms of absolute positive return in the All Ordinaries rising 140%+. However this masked the fact that the stock was up 221% at the high. Given we have seen this sort of volatility in the stock before we took the decision to liquidate half the position around \$3.90 and are now accumulating around \$3.00-3.20. In general price discovery is still quite manic and we are hopeful this continues for the benefit of unitholders.

Sell downs on last day **Long**

Given the overall frothiness of prices in the last three days and in particular the last hurrah ramp on the last day, we liquidated a few positions while also reducing some as well. JHX and SCG were completely removed from the portfolio. In the case of JHX we will wait for better levels. CGF was trimmed materially as well which we have re-bought in May almost 10% lower. The volatility is still enormous at a single stock level so we would expect to increase our appetite to trade to improve entry prices.

Portfolio Positioning

Markets rebounded strongly over the month with large and small caps up over 8% and 14% respectively. In particular, towards month end it certainly looked like an attempt by long-only managers to ramp stocks in an attempt to cover disastrous results from the prior two. Accordingly, on the first day of May 2020 the market fell 5% after all buying had been exhausted. No wonder! In the Fund's case, given that we have continued to hedge fully over weekends and not really having any predisposition for direction on the first day of the week, we have probably given up 4-5% in opportunity cost this month. But that is what we have said we would do and we will not deviate at this juncture. We believe there is now a vacuum of data post the lockdown onslaught with what appears to have transcended a rally on the basis that it can't get any worse than it already is. This is probably fair for the time being. However, the trajectory of short run economic data, where now the persistent real economy effects are to become apparent, will dictate the future direction of markets. We remain generally conservative in the Fund's positioning and are focussing on the nuances of activity data to lead us out of this stance. There are great companies to buy out there but it is always in the timing in our view.

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 April 2020)

	Fund		S&P/ASX 200 AI	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	2.4%	3.5%		
Downside Capture	12%	24%		
Standard Deviation	11.6%	10.2%	16.4%	14.1%
Sharpe ratio	0.4	0.8	0.2	0.4
Sortino		1.6		0.9
Largest Drawdown	-7.1%	-7.1%	-26.7%	-26.7%

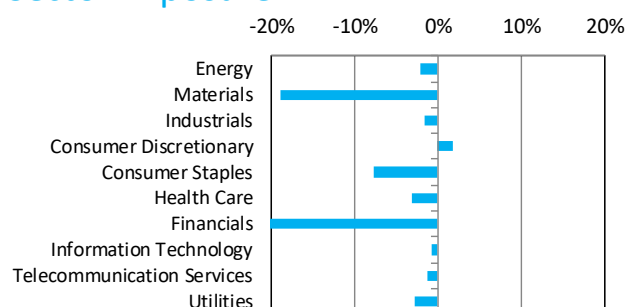
Exposure

	Long	Short	Net	Gross
Equity	63%	-4%	59%	67%
Index Futures	0%	-27%	-27%	27%
Net	63%	-31%	31%	94%
Cash			69%	

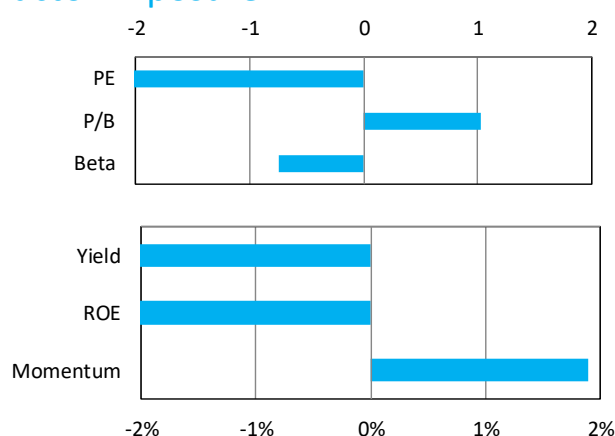
Contribution

Positive	Negative
Challenger Financial (Long)	Insurance Australia (Long)
EML Payments (Long)	Rio Tinto (Long)
Lynas Corporation (Long)	BHP Group (Long)
Mesoblast (Long)	Liquefied Natural Gas (Long)

Sector Exposure



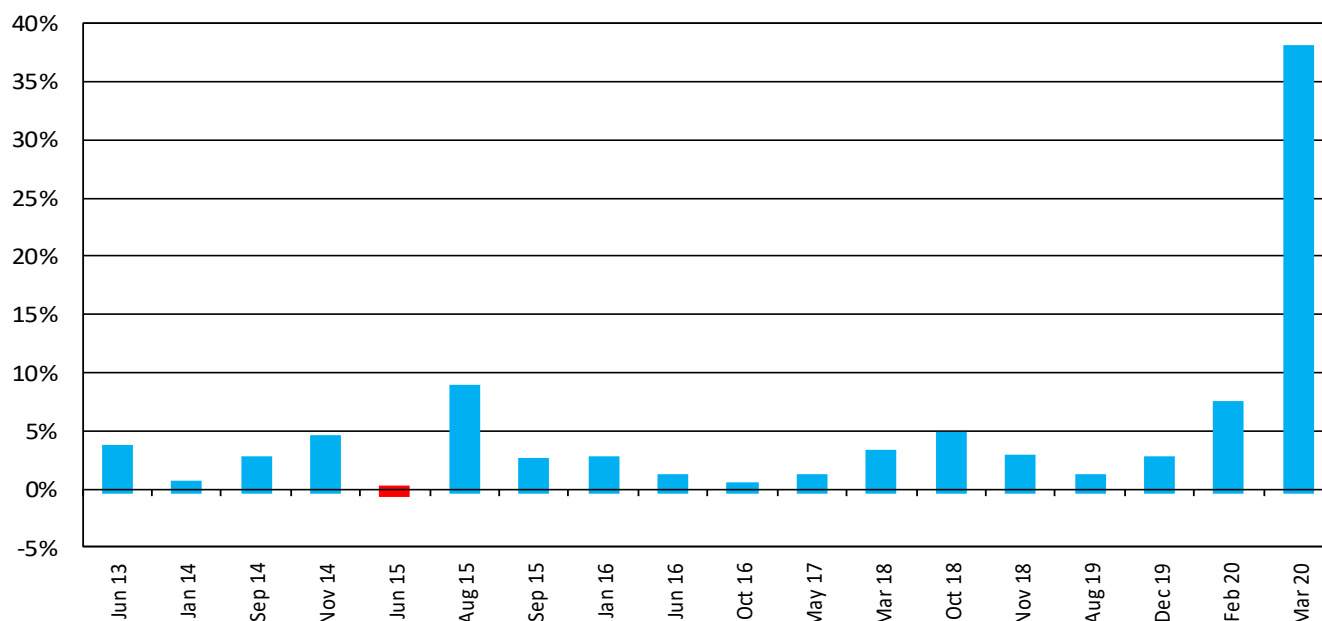
Factor Exposure



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 April 2020)

APIR Code	OMF0003AU	Responsible Entity	Equity Trustees Ltd
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	1.3800	Application Price	1.3814
		Redemption Price	1.3786

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Important information

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