

# Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

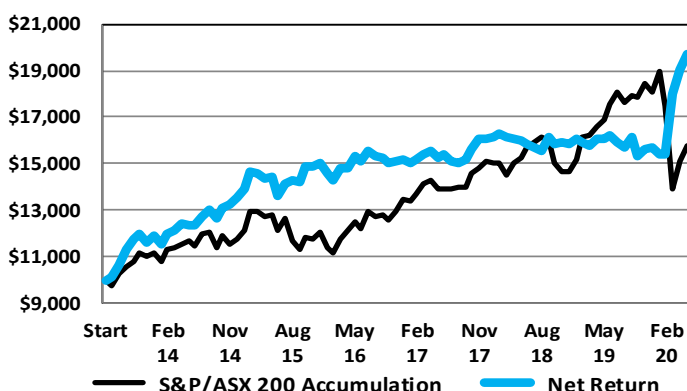
## Fund Monthly May 2020

### Return Summary (To May 2020)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	3.69%	28.1%	26.3%	22.9%	8.9%	6.4%	97.1%	10.1%
S&P/ASX200 Acc.	4.36%	-9.9%	-14.6%	-6.7%	4.3%	4.3%	57.7%	6.6%
Excess return	-0.67%	38.1%	40.9%	29.6%	4.5%	2.1%	39.4%	3.4%

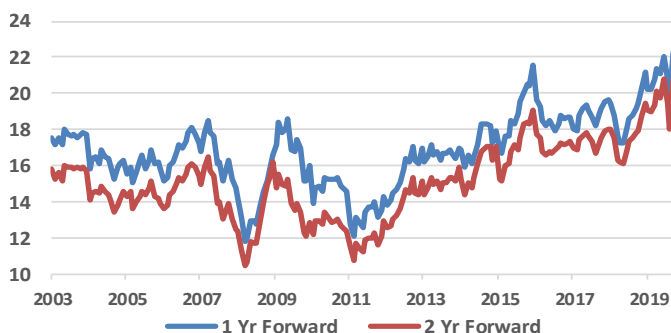
Fund Returns are prepared on a redemption unit price basis after management and performance fees inclusive of GST. Distributions are assumed to be re-invested at the mid unit price. Individual tax is not taken into account in deriving Fund Returns. In calculating the NTA, the Atlantic Pacific Australian 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

Do valuations matter looking more than a year ahead?  
HALO 200 Australia



### Portfolio Activity

Laggard Accumulations	Long	The volatility in markets continued with individual names moving upwards as participants factor in normalisation. In many cases, the normalisation is not warranted from a valuation perspective. Nonetheless, we have played a laggard strategy where it made sense. In particular, we were able to accumulate Boral (BLD) around \$2.50, an absolute cracking price considering the stock is now trading at \$3.50. Interestingly, Banks made a comeback this month which we were able to benefit from after accumulating Commonwealth Bank (CBA) around \$60. This price pattern has been associated with a global rally in banks with more recent price dynamics associated with rising bond yields as gallant optimism on normalisation is priced in. Another example was in McMillan Shakespeare (MMS). Most of the sector had rallied on no particular reason other than the fact some institutional investor has decided a price needed to be higher. MMS was clearly behind and by month end some of the pricing disparity had been reflected.
Weekend Hedging	Short	Opportunity as well as absolute cost related to weekend hedging was once again evident. Monday's seem to be the perfect day for institutional asset managers to let rip! We estimate this dampened Fund returns by around 2%. However, we remain able to generally keep up with markets through the volatility that remains in individual securities and will continue this feature of the strategy particularly as markets become overheated. We aren't out of the woods yet.

### Portfolio Positioning

Markets continued to bounce with small companies the main beneficiary. We are starting to see some lift from the Banking sector globally which will benefit the Australian market given the concentration of this sector. We are however mindful that equities are rallying on a bounce in economic data which they were always going to do post the lockdowns. It remains to be seen whether the data merely bounces a little or continues on a v-shaped recovery as everyone is hoping ie the data vacuum will persist for some time. Given the likelihood of corporates to shed labour as government assistance is removed, we believe that a v-shaped recovery has a lower probability of occurring than what is being priced into markets. Valuations are at all time highs even when looking at earnings into the future. This is not a healthy situation to be in when recession dynamics start to bite.

## 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 May 2020)

	Fund		S&P/ASX 200 AI	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	2.1%	3.4%		
Downside Capture	12%	24%		
Standard Deviation	11.7%	10.2%	16.6%	14.0%
Sharpe ratio	0.5	0.8	0.3	0.4
Sortino		1.8		1.1
Largest Drawdown	-7.1%	-7.1%	-26.7%	-26.7%

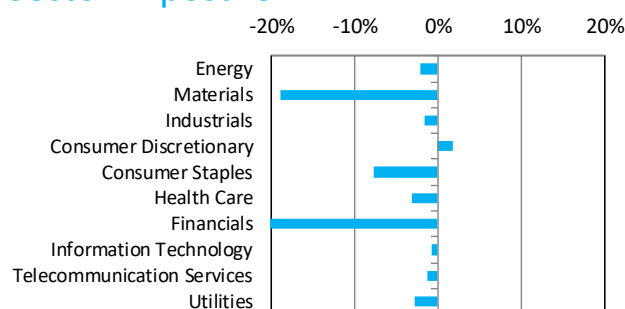
## Exposure

	Long	Short	Net	Gross
Equity	60%	-12%	48%	72%
Index Futures	0%	-39%	-39%	39%
Net	60%	-51%	9%	111%
Cash			91%	

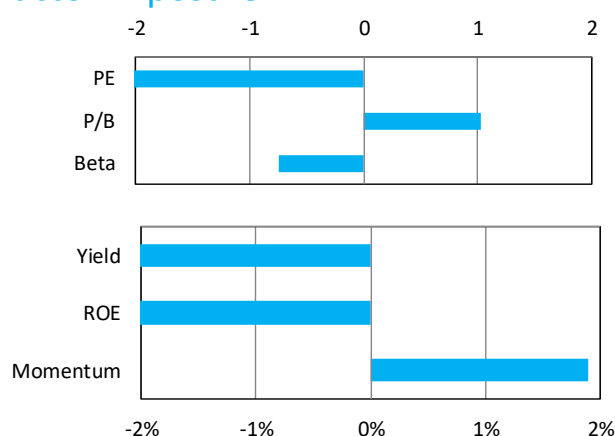
## Contribution

Positive	Negative
EML Payments (Long)	Austral (Long)
Boral (Long)	CSL (Long)
Mesoblast (Long)	Norwood Systems (Long)
Webjet (Long)	Qantas (Long)

## Sector Exposure



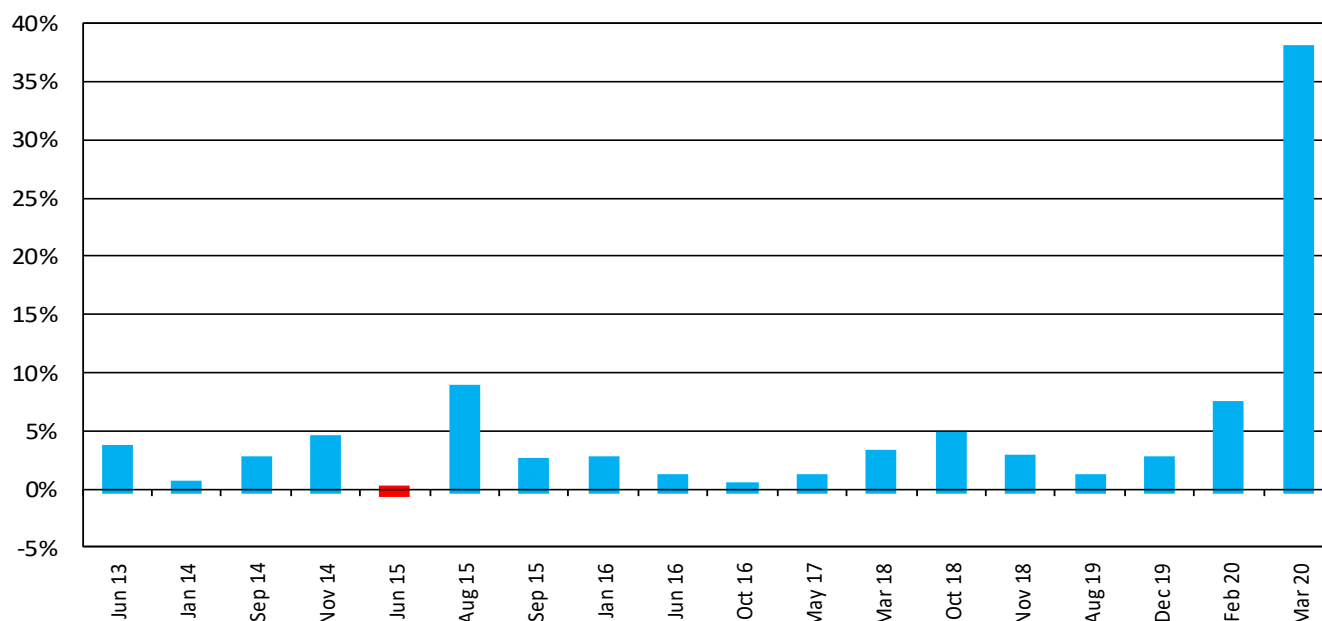
## Factor Exposure



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 May 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	1.4626	Application Price	1.4641
		Redemption Price	1.4612

## Contact Information

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Website	<a href="http://www.apsec.com.au">www.apsec.com.au</a>	Unit Registry	1300 133 451

## Important information

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