

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly June 2020

Return Summary (To June 2020)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	-1.35%	7.9%	24.1%	19.8%	8.2%	7.3%	94.5%	9.7%
S&P/ASX200 Acc.	2.61%	16.5%	-10.4%	-7.7%	5.2%	6.0%	61.9%	6.9%
Excess return	-3.96%	-8.6%	34.6%	27.5%	3.0%	1.4%	32.6%	2.8%

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 \$100,000

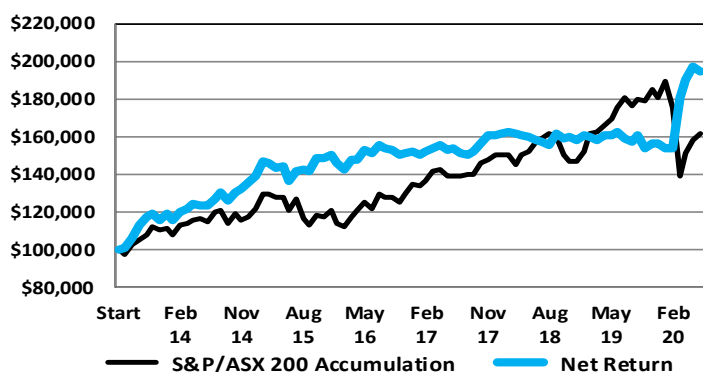
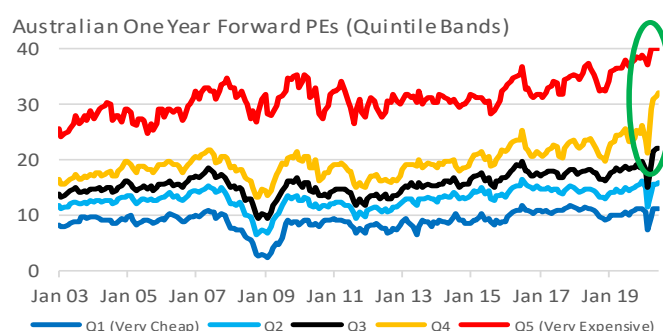


Chart of the Month

Expensive stocks keep on getting **MORE** expensive



Portfolio Activity

Despite tax loss selling into the last week of the month, some of the previously accumulated laggards continued to perform through June 2020. Boral (BLD) started the month up strongly after what appeared to be a raid on the last trading day of May 2020. We soon found out within days that indeed this was the case with Seven Group Holdings taking a 10% stake. The Fund remains a holder of this company.

Laggard Accumulations Long Stockland (SGP) also continued its upward trajectory although we decided to tip out once the share price entered into an overbought state around \$3.80. At the time of writing, SGP is trading around \$3.20 highlighting how an active strategy focussed on price formation can improve returns. There were other companies that offset this performance to some extent including Ooh!Media (OML) and Ardent Leisure (ALG). In these instances, we need to look forward a year which we believe will bring some quite handsome returns.

Mesoblast (MSB) Long MSB was the main contributor to underperformance with the stock falling near 20%. Given the volatility generally exhibited in bio-pharma stocks, we expect this underperformance from time to time. We have been happily accumulating further stock below \$3.40 given how we view the near term horizon. From an event perspective, we cannot think of another stock in the Australian market which has as much "big-bang" news coming in the next quarter. On the COVID therapy front, they are one of few that are targeting the condition of Acute Respiratory Distress Syndrome (ARDS) in moderate to severe cases. These are the cases that generally lead to loss of life. They are expected to update the market on their Phase 3 trial over coming weeks to months. This will in of itself be a company maker. They are also applying for access to the US Market for acute GVHD in paediatrics. This drug alone supports the current share price in our view particularly if other indications (eg adults) are included. And then on top of this, Phase 3 trial read outs for Chronic Back Pain and Advanced Heart Failure are likely to be released this quarter. All up, we are hopeful our homework will come to fruition for unitholders.

Portfolio Positioning

The reporting season is nearly upon us. Early indications in some companies indicate domestic fiscal support has supported profitability despite revenues falling in some cases. This is quite a perverse outcome and we will need to be careful moving through this next period. We are more likely to latch onto ex-event trades this time around given the overall level of uncertainty. Suffice to say, we remain neutral to bearish on equities given the uncertainty of earnings coupled with excessive valuations.

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 June 2020)

	Fund		S&P/ASX 200 AI	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	1.4%	2.8%		
Downside Capture	3%	24%		
Standard Deviation	11.7%	10.2%	16.5%	14.0%
Sharpe ratio	0.6	0.8	0.4	0.4
Sortino		1.7		1.1
Largest Drawdown	-5.6%	-7.1%	-26.7%	-26.7%

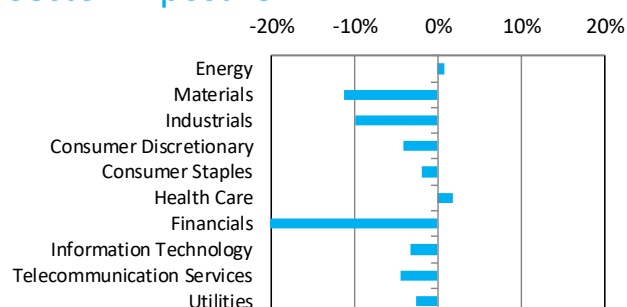
Exposure

	Long	Short	Net	Gross
Equity	61%	-14%	47%	76%
Index Futures	0%	-25%	-25%	25%
Net	61%	-39%	22%	101%
Cash			78%	

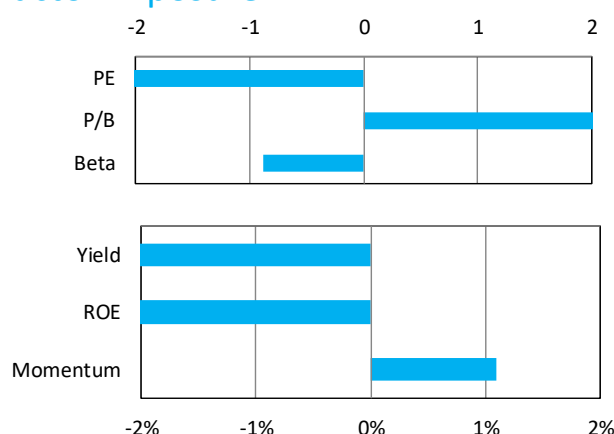
Contribution

Positive	Negative
Boral (Long)	Ardent Leisure Group (Long)
CSR (Short)	Brambles (Long)
Stockland (Long)	Mesoblast (Long)
Terracom (Long)	Ooh!Media (Long)

Sector Exposure



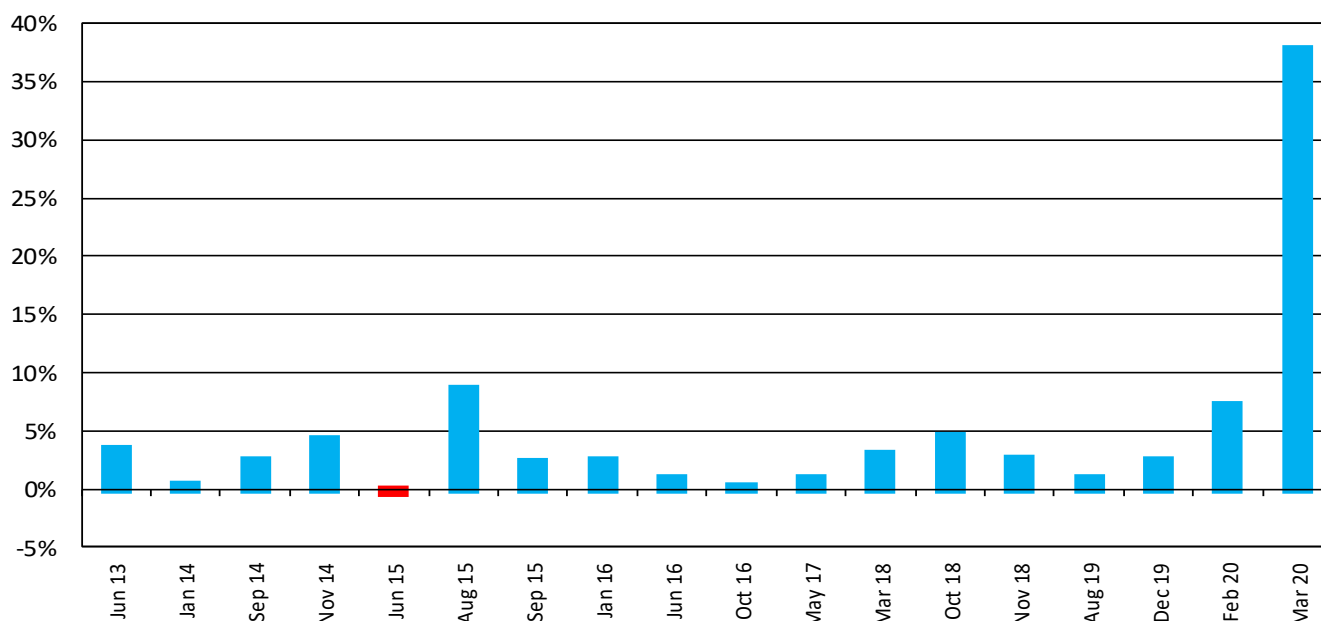
Factor Exposure



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 June 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	1.2467	Application Price	1.2479
		Redemption Price	1.2455

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Important information

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