

# Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

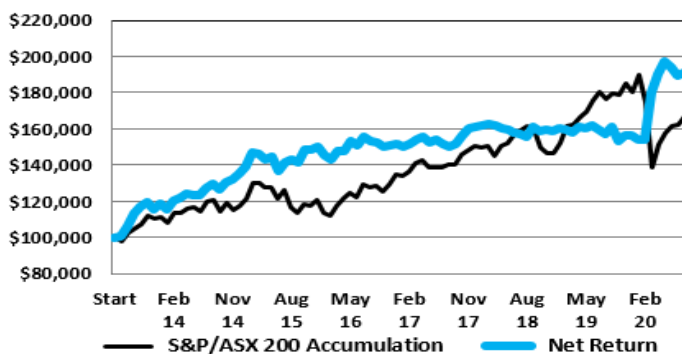
## Fund Monthly August 2020

### Return Summary (To August 2020)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	0.93%	-3.0%	24.4%	21.8%	8.4%	6.0%	91.3%	9.2%
S&P/ASX200 Acc.	2.83%	6.0%	-4.5%	-5.1%	6.1%	7.5%	67.3%	7.3%
Excess return	-1.90%	-9.0%	28.8%	26.9%	2.3%	-1.4%	24.0%	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 \$100,000



### Chart of the Month

Earnings Upgrades coming in Iron Prices...in the price?



### Portfolio Activity

For the most part, our tactical reporting season positions performed quite well. Many rallied into result and continued performing while some were laggards that performed once the "coast was clear" from management updates. Online retailers, supported by the general trend of online trading and JobKeeper/Seeker benefits, was one clear beneficiary from the recent pandemic. The Fund's positioning in this space included Adairs (ADH) and Harvey Norman (HVN). HVN was an easy bet riding on the coattails of JB Hi-Fi (JBH) who had reported prior. The Fund's position in Ooh!Media (OML) recovered from recent lows and in our view remains one of those companies that will be significantly re-priced over coming years once activity returns. Worley (WOR) also performed well with its global footprint and contract wins. While it remains heavily exposed to the energy sector, its Major Capital projects in this space is not as significant as it was a decade ago. This provides greater comfort with respect to structural changes in their underlying earnings which should mean that they become less sensitive to the overall oil price. Citadel Group (CGL) was entered into around \$3.06 in anticipation of upcoming contracts in the UK. The share price has rallied very strongly over the past 6-7 weeks in anticipation of this. Notwithstanding, their financial report showed a growing exposure to online software revenues which is what one should have expected. We remain invested as the upcoming contracts in the UK could catapult the company's revenues and hence profitability.

Reporting Season  
Candidates

Long

Mesoblast (MSB)

Long

Mesoblast was the star performer over the month with the approval of their first drug into the US for paediatric GvHD. There was certainly plenty of volatility in the share price with the pre-release of public disclosures by the USFDA. On the surface it looked negative but after reading through the tomes of information it became apparent they were referring to prior trials that really had no bearing. Even so, we chose not to upweight as we already carried a sizeable position. The future remains bright with 2 Phase 3 trials to drop imminently (chronic back-pain, advanced heart failure) as well as confirmation to proceed post the first readout for their first Phase 3 trial for COVID ARDS patients.

### Portfolio Positioning

At the time of writing, share prices of US Tech companies have started to correct with the NASDAQ down 10% from recent highs. Apple (AAPL:NAS), the largest listed company in the US, has fallen over 16% from peak 4 trading days ago. We are witnessing one of largest bubbles forming on valuations that we simply cannot accept. This is driven by a tailwind of global liquidity support by Central Banks which has nothing to do with fundamentals. We remain conservatively positioned with a continuation of weekend hedges. We think this is the best strategy given current prices and we await better prices to activate capital.

## 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 August 2020)

	Fund		S&P/ASX 200 AI	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	-1.4%	2.0%		
Downside Capture	4%	24%		
Standard Deviation	11.8%	10.1%	16.6%	13.8%
Sharpe ratio	0.5	0.8	0.5	0.5
Sortino		1.6		1.2
Largest Drawdown	-5.6%	-7.1%	-26.7%	-26.7%

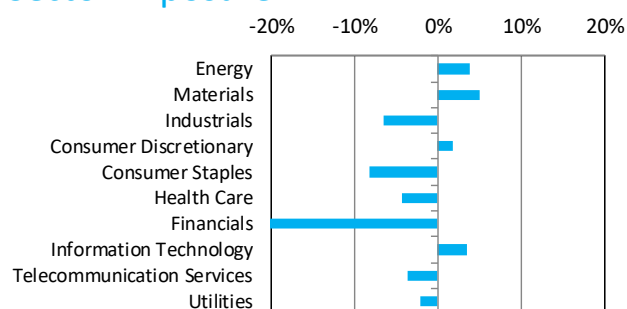
## Exposure

	Long	Short	Net	Gross
Equity	64%	-1%	63%	64%
Index Futures	0%	0%	0%	0%
Net	64%	-1%	63%	64%
Cash			37%	

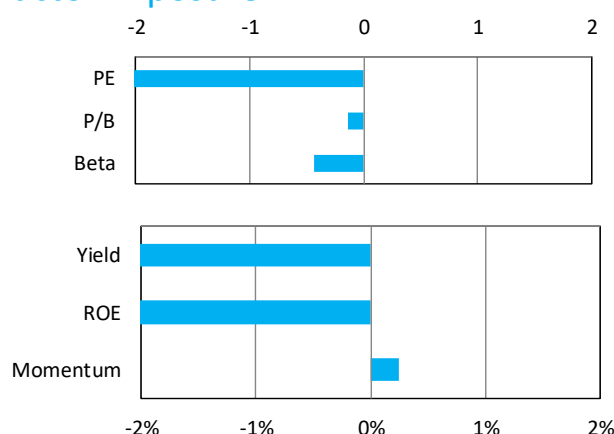
## Contribution

Positive	Negative
Adairs (Long)	A2 Milk (Long)
Citadel Group (Long)	Altium (Short)
Mesoblast (Long)	Resmed (Long)
Ooh Media (Long)	Terracom (Long)

## Sector Exposure



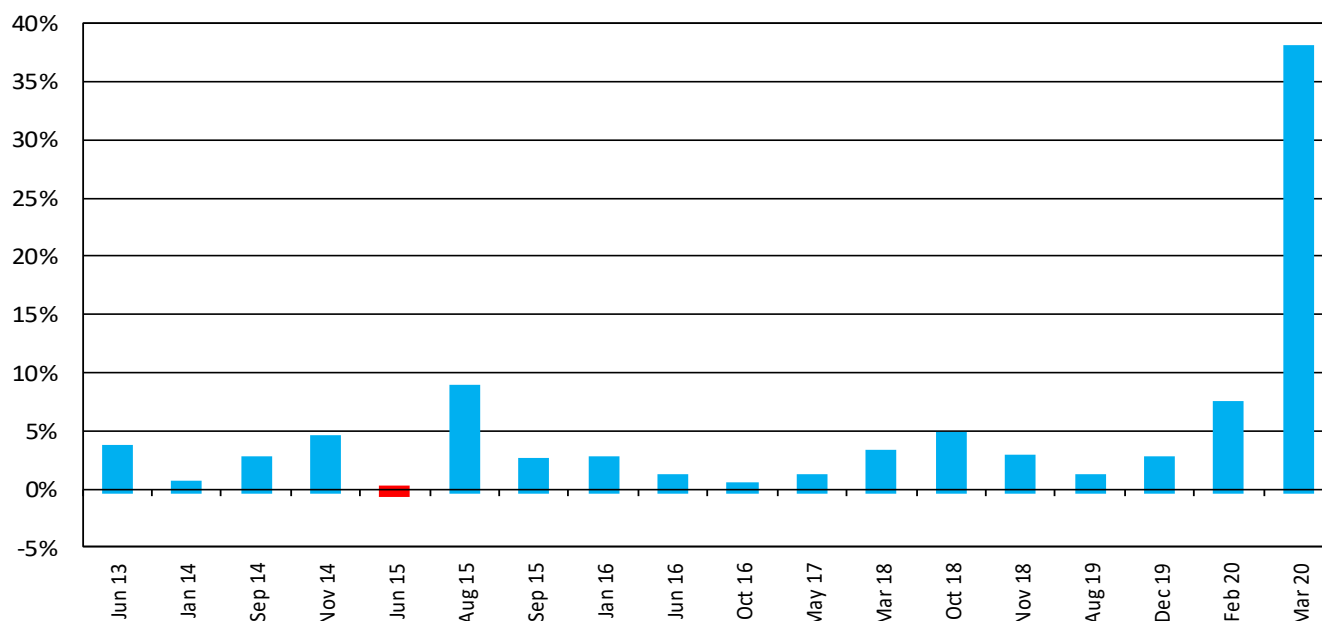
## Factor Exposure



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 August 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	1.2265	Application Price	1.2277
		Redemption Price	1.2253

## 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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