

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly March 2021

Return Summary (To March 2021)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	-3.78%	-7.3%	-5.5%	1.9%	4.4%	4.5%	83.6%	8.0%
S&P/ASX200 Acc.	2.44%	4.3%	18.5%	37.5%	9.7%	10.2%	91.0%	8.5%
Excess return	-6.22%	-11.5%	-24.1%	-35.6%	-5.3%	-5.8%	-7.4%	-0.5%

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 \$100,000

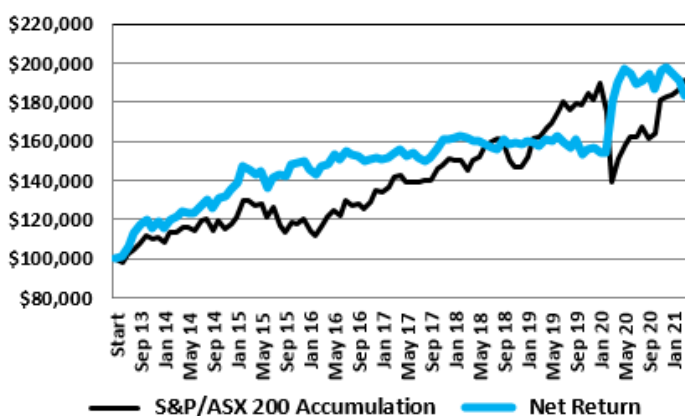
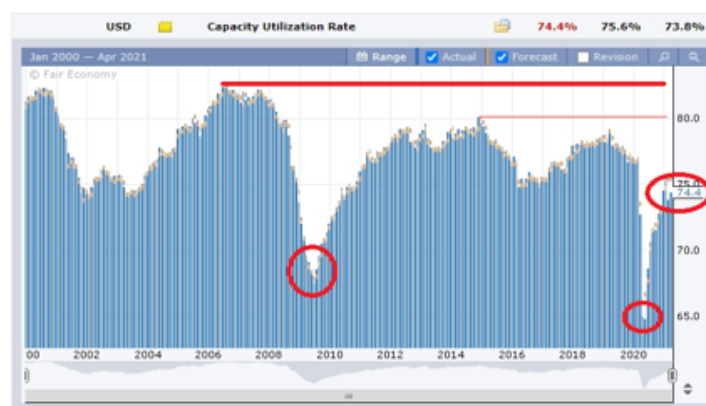


Chart of the Month

Is Inflation possible with Capacity Utilisation still recovering?



Portfolio Activity

Aussie Commodities	Long	These companies, as discussed previously, are a core holding moving through a global reflationary period. As we continue to witness (eg Iron Ore, Thermal Coal to Copper), the underlying commodity prices continue to firm. However, over the past quarter, the Fund's positioning in Australian commodity names has not been as we had expected dragging significantly on performance. This alone was the major detractor to Fund returns over the quarter. While the prices have been increasing since the beginning of the year in USD terms, the underlying equities have been retracing since the 2nd week of January 2021. This has been quite perplexing to say the least however we are starting to see a reversion in prices again during April 2021. Major detractors up to the end of March 2021 have included Beach Petroleum (BPT:ASX - Oil), Deterra Royalties (DRR:ASX - Iron Ore) and Terracom (TER:ASX - Thermal Coal). In the case of Terracom, the share price was hit ~40% over the month of March 2021 due to not finalising their debt funding. While the company has indicated they have it in hand with two announcements to that affect, we suspect some investors were not pleased. We remain of the view that the company will finalise their announced term sheets which will extend their debt profile out 5-7 years and at a much reduced interest rate. This will bode well over the coming months with thermal prices now almost doubling from COVID levels. The analogy we take from these opportunities is similar in vein to what we witness in other commodity sectors that have been beaten up during COVID but have now rallied 200-300% (for example, Bluescope Steel, Sims Metals, Galaxy Resources, to name a few) ie we believe these companies will earn super normal profits at current pricing levels and will revert upwards accordingly on confirmation.
Long Bond Yields	Long	Our exposure to benefit from this thematic has included exposure in Australian banks and Computershare (CPU:ASX). Pretty much all global banks have been rising at a break-neck speed and Australian banks have had that tailwind of investor support. This is the first time in a long time that the Fund has indeed been long the Banks and this is despite the apparent nose-bleed valuations on offer. However, despite this, the deceleration in the provision cycle is now likely to be more permanent and is likely to be reduced much faster than people expect. This is likely to improve valuations (ie reduce) faster than the market expects. Conversely, our weekend hedging (via SPI which is overweight the Banks) has cost the fund. This is a "necessary evil" though which it not something we can control outside of not hedging at all which we won't entertain.

Portfolio Positioning

Without sounding like a broken record, valuations remain elevated and we should be considering this in light of the rising bond environment. Central Banks are being very coy about changing expectations even though global bond markets are telling them so. Capacity Utilisation (CU) in the US could explain this in part. CU has not recovered to prior highs since the GFC. Over the past, quarter the performance of the Fund has been contrarian (ie negative correlation with major market aggregates). Breadth generally has been quite weak over the quarter and stock selection has clearly let Fund Investors down. We don't see the strategy of the Fund as a "market mirror" as was witnessed last year. Instead we see the Fund as a satellite portfolio to smooth out returns over the long run. We have seen downdrafts like this in the past and we expect to "iron" them out over the coming year.

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 March 2021)

	Fund		S&P/ASX 200 AI	
	3 Year	Inception	5 Year	Inception
Alpha (%pa)	-5.3%	-0.5%		
Downside Capture	-11%	21%		
Standard Deviation	12.6%	10.2%	17.6%	13.9%
Sharpe ratio	0.4	0.7	0.7	0.6
Sortino		1.3		1.4
Largest Drawdown	-7.3%	-7.3%	-26.7%	-26.7%

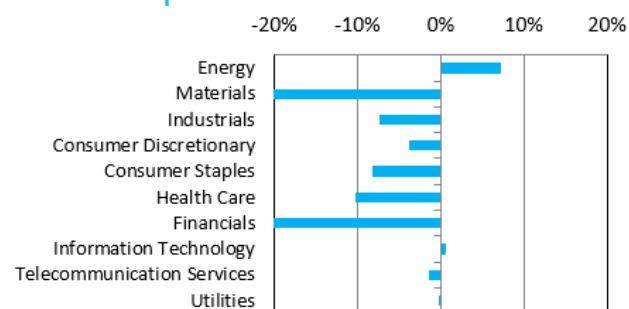
Exposure

	Long	Short	Net	Gross
Equity	54.4%	-4.7%	49.8%	59.1%
Index Futures	0.0%	-32.8%	-32.8%	32.8%
Net	54.4%	-37.4%	17.0%	91.8%
Cash			83.0%	

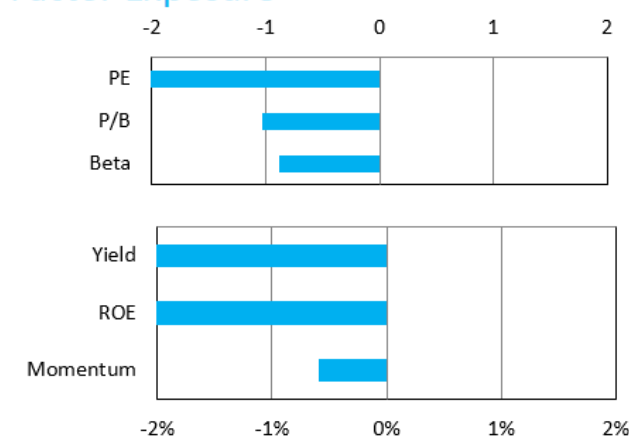
Contribution

Positive	Negative
Computershare (Long)	Mesoblast (Long)
Sonic Healthcare (Long)	Norwood Systems (Long)
Telstra (Long)	SPI Futures (Short)
Whitehaven Coal (Long)	Terracom (Long)

Sector Exposure



Factor Exposure

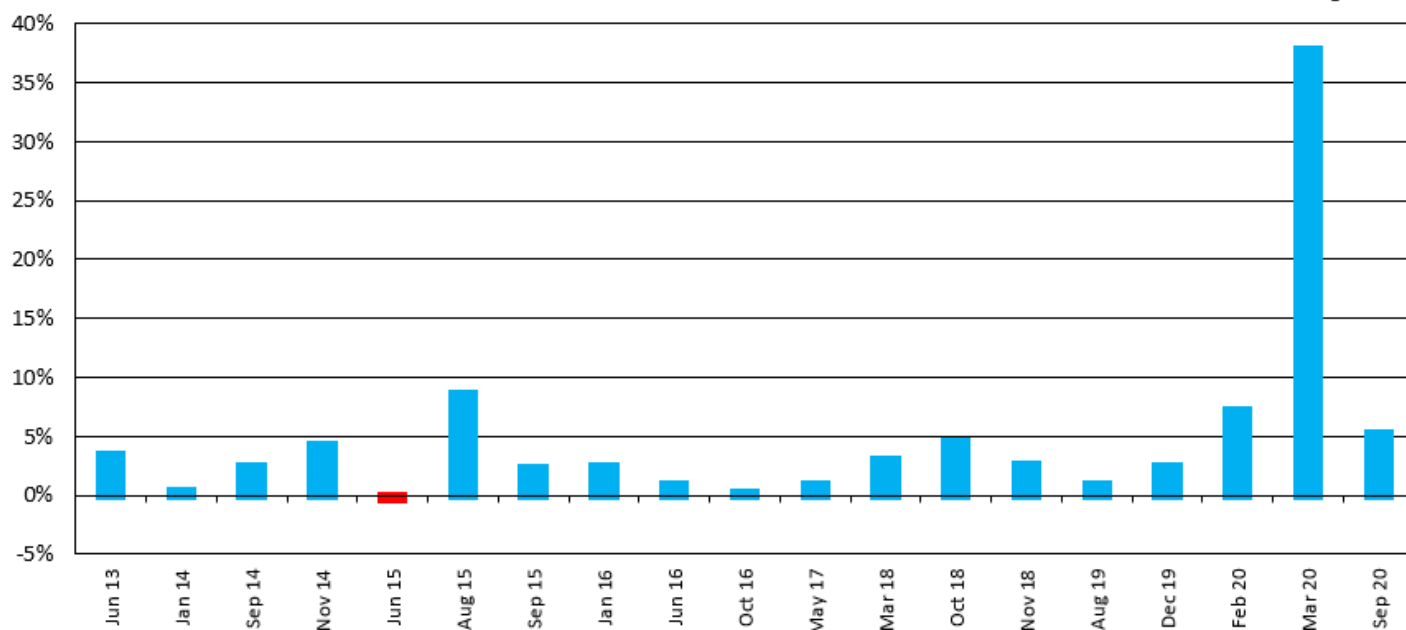


Source: APSEC Funds Management

APAEF Relative Returns (From Inception)

When the market is down more than -2%

Source: APSEC Funds Management



Fund Information (As at March 2021)

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	1.1773	Application Price	1.1785
		Redemption Price	1.1761

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Important information

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