

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly September 2021

Return Summary (To September 2021)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	-1.37%	2.0%	5.2%	-0.6%	6.2%	4.8%	93.2%	8.1%
S&P/ASX200 Acc.	-1.85%	1.7%	10.1%	30.6%	9.7%	10.4%	110.4%	9.2%
Excess return	0.48%	0.3%	-5.0%	-31.2%	-3.5%	-5.6%	-17.2%	-1.1%

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

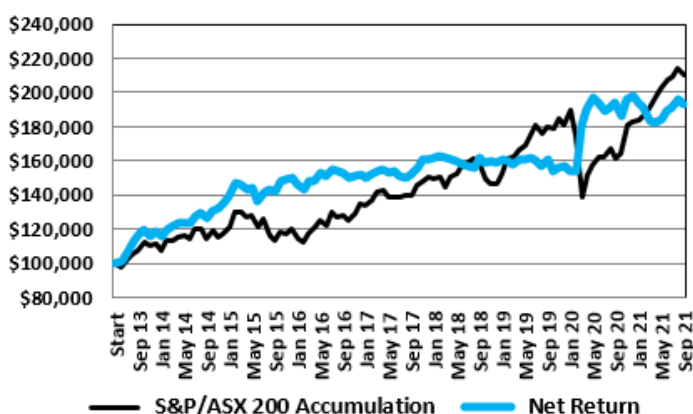


Chart of the Month

Post Reporting Season Re-cap: Revisions are neutral now



Portfolio Activity

Woodside Petroleum (WPL:ASX)	Long	We liquidated our position in Woodside Petroleum into an overbought state towards the end of the month. There has finally been a relative catch-up in the performance of energy stocks in Australia in light of very strong LNG (Liquified Natural Gas) prices and a general firming in oil prices as the world reflates. For many a month, we had been disappointed with the performance of our energy portfolio given its been our core overweight, including Terracom Resources (TER:ASX), however we are now starting to see the fruits of our patience. More importantly in the case of WPL, it is highly likely the combination of the BHP Petroleum assets will take place whereby BHP will own 48% of the "new" WPL. Given the relative share prices and valuations of each, we believe BHP is actually a cheap option on owning WPL post combination and we will instead accumulate and remain long BHP. We believe iron ore prices are priced into BHP and with a spinoff together with firming copper prices over coming years, holding BHP now is expected to be a strong contributor to the Fund's returns.
NetWealth (NWL:ASX)	Short	NWL was an opportunistic short in late June 2021 @ \$16.64. The underlying thesis related to an excessive overbought state. We use these signals quite often to time entry accurately into shorts. Typically share price formation like this highlights euphoria which never lasts. In the case of NWL, it underwent two extreme overbought states in a matter of 20 trading days. This is very unusual but is generally a low-risk/high reward trade. We would typically hold the position for 5-20days but in this case, given the likely underperformance in Sep 2021, due to seasonality in markets, we held for much longer. We covered @ \$14.46 towards the end of September 2021 realising 13%. At the time of writing, the shares look like an even better short where nothing has changed materially in terms of earnings forecasts for the coming year.

Portfolio Positioning

Once again, portfolio turnover has been quite low during September 2021. Not many companies look attractive from a price formation, valuation nor revision perspective within our framework of analysis. It would be fair to say we are tending to look for more shorts while we assess the Australian AGM season and while bond rates are rallying strongly. There are opportunities if you are able to widen your investment time-horizon but generally we don't think having significant market exposure is prudent. The backdrop to this statement relates to a closely followed "euphoria" index measure constructed by Global Investment Strategists. We have been students of these indexes for many decades as they are able to quantify elevated risk in markets based on multi-asset classes which is often not contemplated by equity analysts per se, nor the general public. While they are not completely bearish at this point in time, the number of coincident measures that make up these "indices" are suggesting quite a high probability of negative returns over the coming 12 months. One particular global strategist is suggesting this probability to be as high as 90%. To put this in context, when these measures do flash red (currently amber), they herald poor future returns. In our view, it is extraordinary how well they have predicted such events like the Tech Bubble, GFC and COVID. Something always comes unexpectedly in markets but rest assured we have navigated environments like these many times before. Ultimately, it is your capital and it should be protected.

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 September 2021)

	Fund		S&P/ASX 200 AI	
	3 Year	Inception	5 Year	Inception
Alpha (%pa)	-3.5%	-1.1%		
Downside Capture	-14%	23%		
Standard Deviation	12.6%	10.0%	17.4%	13.5%
Sharpe ratio	0.4	0.7	0.7	0.6
Sortino		1.4		1.6
Largest Drawdown	-7.7%	-7.7%	-26.7%	-26.7%
Correlation	-38%	6%	100%	100%

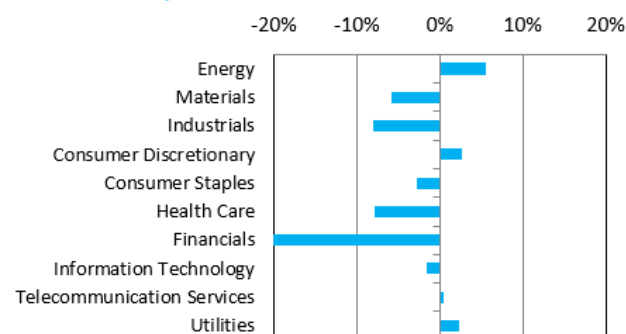
Exposure

	Long	Short	Net	Gross
Equity	57.1%	-2.2%	54.9%	59.4%
Index Futures	0.0%	0.0%	0.0%	0.0%
Net	57.1%	-2.2%	54.9%	59.4%
Implied Cash			45.1%	

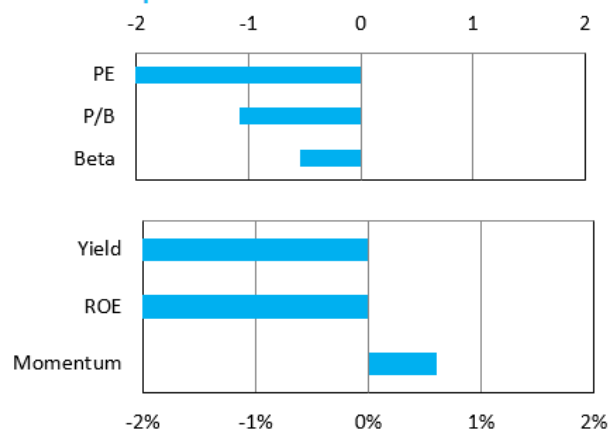
Contribution

Positive	Negative
Netwealth Group (Short)	AGL Energy (Long)
News Corporation (Long)	BHP Group (Long)
Norwood Systems (Long)	Seven West Media (Long)
Woodside Petroleum (Long)	Terracom (Long)

Sector Exposure



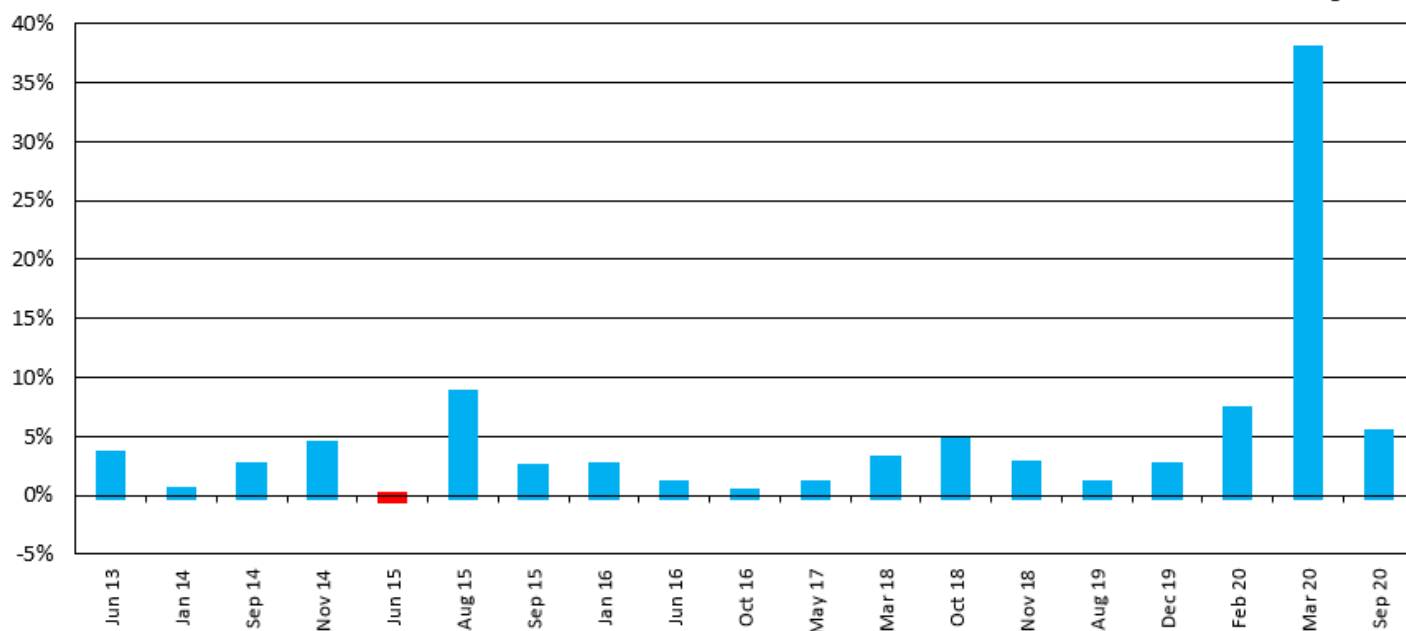
Factor Exposure



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 September 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	1.2375	Application Price	1.2387
		Redemption Price	1.2363

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Important information

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Atlantic Pacific Australian Equity Fund's Target Market Determination is available here – <https://www.eqt.com.au/insto/>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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