

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly October 2021

Return Summary (To October 2021)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	2.86%	3.9%	8.7%	6.4%	7.7%	5.8%	98.7%	8.4%
S&P/ASX200 Acc.	-0.10%	0.5%	6.3%	28.0%	11.9%	10.9%	110.2%	9.1%
Excess return	2.95%	3.4%	2.4%	-21.5%	-4.2%	-5.1%	-11.5%	-0.7%

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

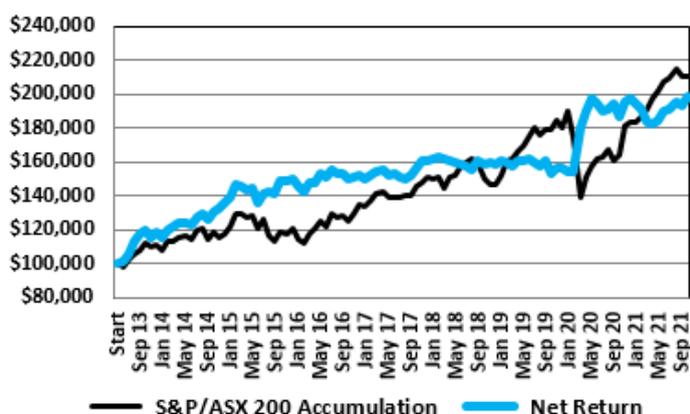
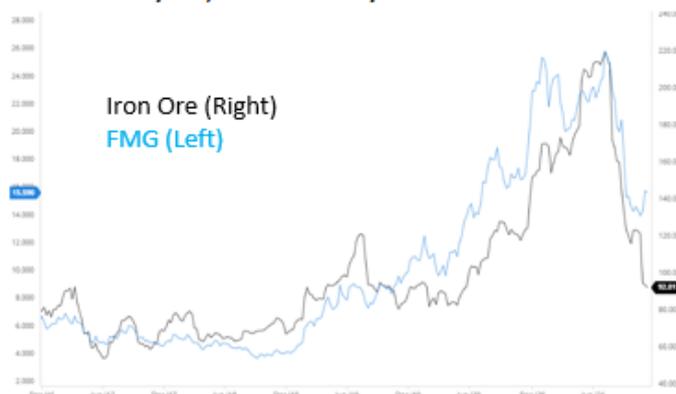


Chart of the Month

The faster they rise, the harder they fall!



Portfolio Activity

Iron Ore	Long	After having predicted a washout in Iron Ore equities with dividend chasers effectively holding up prices in the short term, we are now looking to accumulate in various equities across the Iron ore complex now that prices have reverted significantly. This is against a backdrop of Iron Ore prices reverting back to long run price levels but with forward looking indicators likely to support and increase prices over time. This includes US infrastructure spend and the Chinese government looking to support via Fiscal policy which generally means construction of some sort despite the issues with the Chinese property sector. In the case of Fortescue Metals (FMG), we have started to dip our toes not solely due to the company having significant leverage to Iron Prices but also the emergence of their "Green Energy" business. While long duration, this could setup a significant new revenue stream which is yet to be priced in. We have also accumulated a position in BHP (BHP:ASX) to round out exposure in Iron Ore but also as a cheap option on Woodside (WPL:ASX) once the oil business merger takes place.
Terracom (TER:ASX)	Long	Terracom (and historically Universal Resources (UNV:ASX) prior to being taken over by TER), has been a long duration investment of the Fund for over 5 years. We have seen ebbs and flows in the share price but are now in substantial profit over the life of the investment. We took the decision during October 2021 to lighten somewhat our position in the company post extraordinary earnings contributions occurring in the thermal coal space. The company has an improving fiscal position with debt levels likely to be re-paid substantially by year end. We expect the company to be still able to extend term and repay at a more leisurely pace with a consequent re-rating to take place. While our price objective on the company has not been met to date, we expect the company's shares to rise materially from current levels over the coming year and remain positively disposed.

Portfolio Positioning

Turnover of the portfolio remained low for the month of October 2021. We are continuing to let our winners run with a few contributing significantly through November 2021. Markets generally have been flat-lining for the current half with a recent pullback in bank shares post weak results contributing significantly to this. Given the uncertain outlook for Banking income, we suspect the "Santa rally" this year will not have as strong legs as has been the case in the past. Even so, in other sectors and stock specific opportunities, an end of year ramp is likely. Our view on markets in general, particular those negatively affected by expectations of higher rates, will continue to re-rate downwards over next year. Without a doubt, monitoring and predicting where inflation is going over the medium term is our number one job. And while many will think there is a no relationship to Australian equities when our inflation remains somewhat benign, if the US sneezes Australia will catch a cold. In other words, it will be global flows emanating from the US that we must be wary of. Consequently, our overall exposure remains low and this will not change any time soon. The Fund team are in the process of updating the PDS. We expect to be releasing the new PDS with the key benefits of daily unit pricing, higher frequency distributions, and alternate payment mechanisms. The daily unit pricing in particular will enable you to explicitly identify any large downward movements in markets and how the Fund fares through these episodes. We look forward to providing you further updates on these important changes to the PDS.

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 October 2021)

	Fund		S&P/ASX 200 AI	
	3 Year	Inception	5 Year	Inception
Alpha (%pa)	-4.2%	-0.7%		
Downside Capture	-26%	19%		
Standard Deviation	12.6%	10.0%	17.4%	13.5%
Sharpe ratio	0.5	0.7	0.7	0.6
Sortino		1.4		1.6
Largest Drawdown	-7.7%	-7.7%	-26.7%	-26.7%
Correlation	-42%	6%	100%	100%

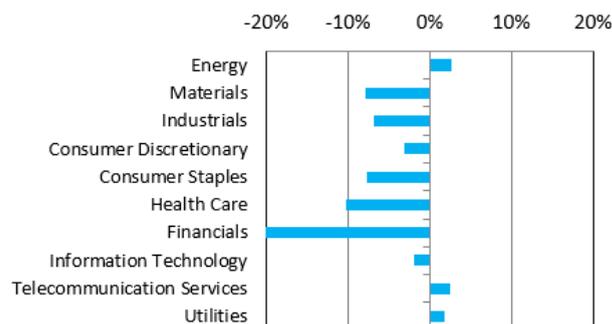
Exposure

	Long	Short	Net	Gross
Equity	49.9%	-1.6%	48.4%	51.5%
Index Futures	0.0%	-22.7%	-22.7%	22.7%
Net	49.9%	-24.3%	25.6%	74.3%
Implied Cash			74.4%	

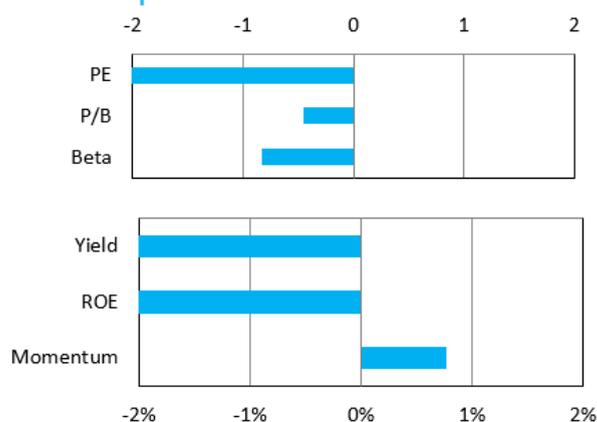
Contribution

Positive	Negative
Norwood Systems (Long)	Fortescue Metals (Long)
OZ Minerals (Long)	Inghams Group (Long)
Seven West Media (Long)	Mesoblast (Long)
Terracom (Long)	Telstra (Long)

Sector Exposure



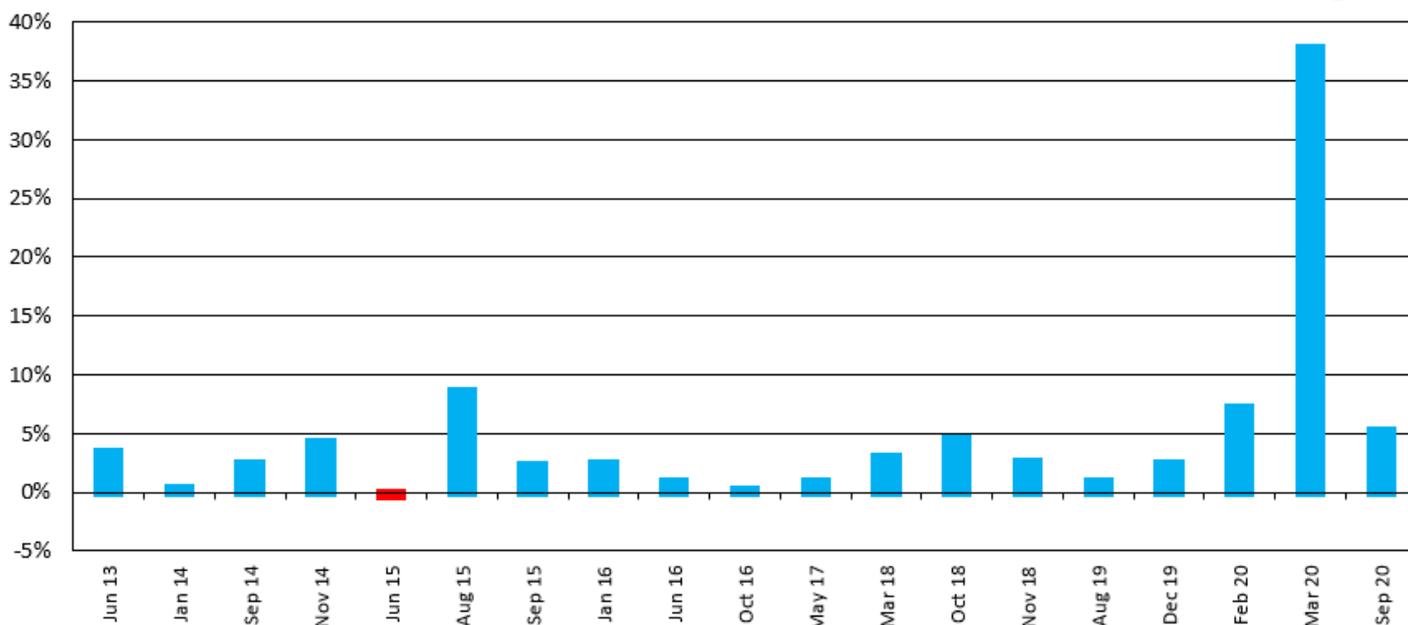
Factor Exposure



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 October 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	1.2729	Application Price	1.2742
		Redemption Price	1.2716

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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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