

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly June 2022

Return Summary (To June 2022: Cum Distribution)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	-2.03%	0.2%	11.8%	17.9%	11.2%	7.8%	123.4%	9.2%
S&P/ASX200 Acc.	-8.77%	-11.9%	-9.9%	-6.5%	3.3%	6.8%	93.5%	7.5%
Excess return	6.74%	12.1%	21.7%	24.4%	7.9%	0.9%	29.9%	1.7%

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

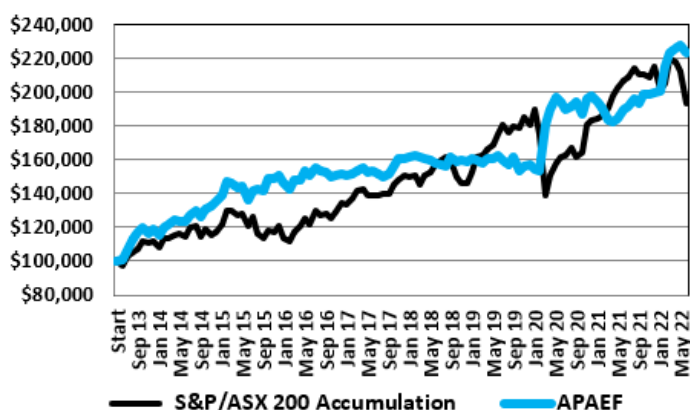


Chart of the Month: Trade of the Year



Portfolio Activity

Short Covering	Short	All shorts that had been in place whether tactically or from an over valuation perspective were covered in and around the 17th June 2022. This date was essentially the low point of the recent market sell-down. Short covering occurred in Amcor (AMC:ASX - Short term trade), Cochlear (COH:ASX - Long term short), Sonic Healthcare (SHL:ASX - Long term short) and ResMed (RMD:ASX - Long term short) and SPI futures. Most of the individual company shorts we had placed tied into our anti-thesis of "Quality-at-any-price". Some of our shorts have returned very well but compared to the decimation of various companies over the year they in no way compared to the 50-80% downdraft in some small cap sectors. It has been a harrowing experience for some long only small cap managers who are now down 30-50% over the fiscal year.
Tax Loss selling	Long Sales	As with all portfolios, it has been hard to diffuse negative share price performance outside of our ability to have overweight positions in energy over the past 6 months and usage of SPI futures to hedge out market risk. Therefore, a lot of activity was focussed on managing the tax position of the Fund to offset gains over the past year. This is a normal course of action for all Fund Managers and investors alike. Companies of note include the Fund's resource exposures including OZ Minerals (OZL:ASX), Rio Tinto (RIO:ASX) and South32 (S32:ASX). Each of these names reverted strongly during the month due to global recession fears and lingering uncertainty of Covid lockdowns in China. We don't subscribe to the view of a prolonged recession and remain on the lookout for deeper value opportunities as we have done for many years. The interesting point now is that more and more companies are now potentially fitting this profile which we welcome after an extended period of frothy prices.
Mean Reversion Portfolio Basket	Long Buys	Our focus on price formation, particularly after extreme market moves to the downside, allows us to buy companies when the rest of the market are selling positions ie "the tide is about to go out, and we are fully clothed". This was particularly evident in June 2022 due to the coincident effect of tax-loss selling. This mean reversion focus allowed the Fund to navigate the COVID-19 period as it is a mainstay of how we react to market conditions like this. As with COVID-19, we were able to pick the bottom once again on the 17th June 2022 via a portfolio basket of severely oversold companies. We liken this price formation to a rubber band being stretched to its limit and then being released. We have seen various companies move 10-30% from the bottom significantly outperforming the market. Companies within the basket included Ansell (ANN:ASX), ANZ (ANZ:ASX), McMillan Shakespeare (MMS:ASX) and Seven West Media (SWM:ASX). SWM, as per the Chart of the Month, highlights our discipline of understanding the fundamentals of a company, sentiment at various times during the year and valuation and price formation. This relates to 3 parts of the Quadruple Alpha methodology that has been in place since inception. Without all the pieces working in unison, we would not be able to craft the return profile of the Fund that is clearly unique in the Australian market.

Portfolio Positioning

Markets have been quite awkward this calendar year with rising bond rates re-pricing frothy valuations of yesteryear, the Ukraine invasion causing significant energy security concerns in Europe and North Asia as well as lingering effects of supply chain dynamics across the globe. In some cases we have predicted outcomes while at other times we have had to react to new dynamics. This is all part of the our process and will continue for another nine years.

Currently, there is a focus on inflation and what it means for bond rates and how hawkish central banks will become in order to contain it. This has included a global recession narrative which we don't necessarily agree with but nonetheless need to adapt to. We have come from a recent narrative of normalisation to now a global recession. It makes no sense to us.

We ended the year with zero shorts as we had thought markets had become too oversold. The rebound has played out to some extent but we remain vigilante on ascertaining whether high frequency economic activity data is falling over. At this juncture, only sentiment has been knocked down as have prices. We look forward to the next reporting season which is upon us to assess whether companies are truly under pressure.

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 2022)

	Fund		S&P/ASX 200 AI	
	3 Year	Inception	3 Year	Inception
Alpha (%pa)	7.9%	1.7%		
Downside Capture	-30%	17%		
Standard Deviation	13.1%	9.9%	18.3%	13.8%
Sharpe ratio	0.7	0.8	0.5	0.5
Sortino		1.6		1.3
Largest Drawdown	-7.7%	-7.7%	-26.7%	-26.7%
Correlation	-30%	10%	100%	100%

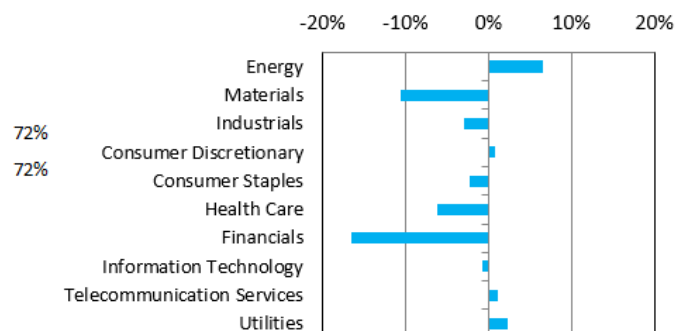
Exposure

	Long	Short	Net	Gross
Equity	61.3%	0.0%	61.3%	61.3%
Index Futures	9.9%	0.0%	9.9%	9.9%
Net	71.2%	0.0%	71.2%	71.2%
Implied Cash			28.8%	

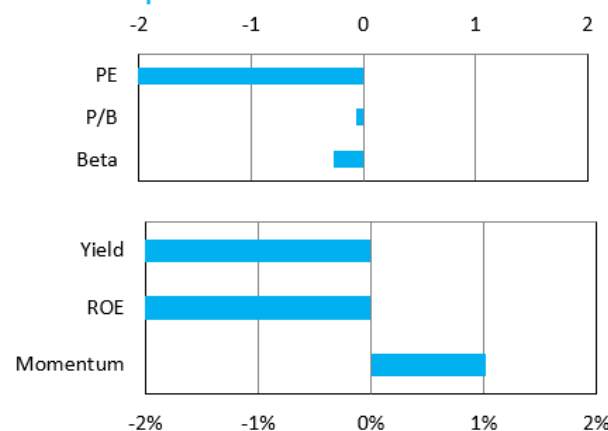
Largest Positions

Long	Short
AGL Energy	Nil
Pendal Group	
Telstra Corporation	
Terracom Resources	

Sector Exposure



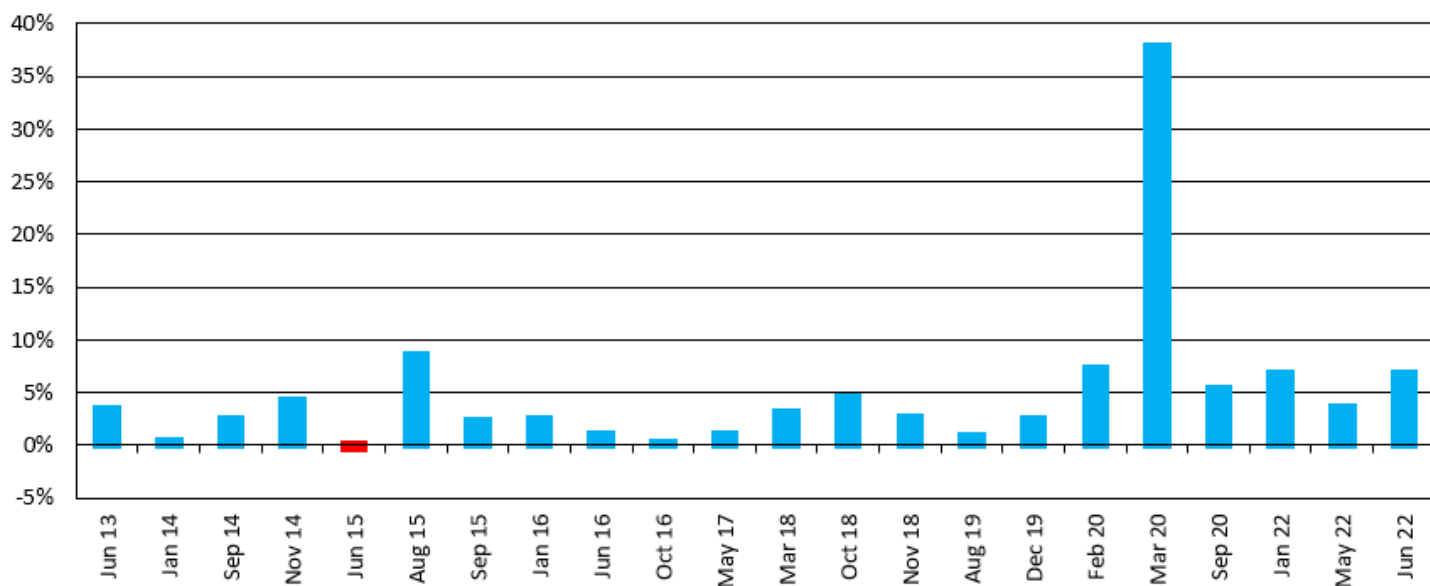
Factor Exposure



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 2022)

APIR Code	OMF0003AU	Responsible Entity	Equity Trustees Ltd
Inception	1 June 2013	Investment Manager	APSEC Funds Management
Minimum Investment	\$20,000	Administrator	Apex Group Ltd
Application/Redemption	Daily	Custodian	Apex Group 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 (Cum Distribution)	1.4313	Application Price (Cum Distribution)	1.4327
		Redemption Price (Cum Distribution)	1.4299

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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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