

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly April 2021

Return Summary (To April 2021)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	-0.50%	-5.8%	-2.1%	-3.9%	4.4%	4.3%	82.7%	7.8%
S&P/ASX200 Acc.	3.47%	7.5%	20.3%	30.8%	9.5%	10.3%	97.7%	8.9%
Excess return	-3.97%	-13.4%	-22.5%	-34.7%	-5.0%	-5.9%	-14.9%	-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

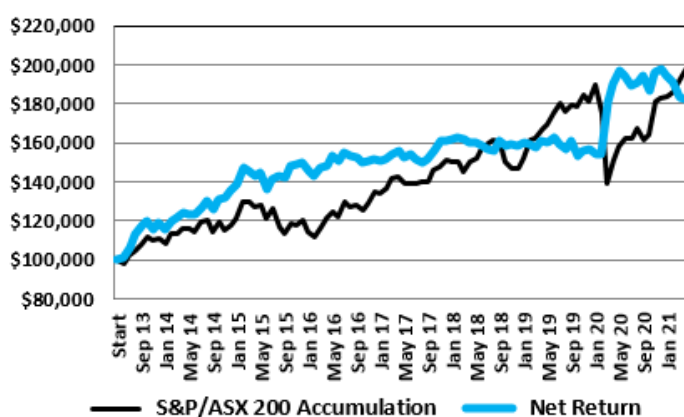


Chart of the Month

Terracom Resources (blue) vs Global Thermal Prices (Black)



Portfolio Activity

Aussie Energy	Long	As per our reflationary positioning, over the month of April 2021, our Oil exposure performed poorly. In fact it was very surprising given this sector was one of the strongest globally driven by rising oil prices. On the last day of the month, our position in Beach Petroleum (BPT:ASX) fell over 20% in reaction to a reduction in reserves in one of their greenfield projects. This alone was a cause for the further draw in the Fund's NAV for April 2021. As is always the case, we liquidated on day one as we have no appetite for price moves of this magnitude particularly when it isn't warranted.
Terracom Resources (TER:ASX)	Long	We have held this position for many years, partly as a result of our historical Universal Coal (UNV:ASX) position. UNV were subsequently taken over by TER. As with all commodity companies, prices of equities had reduced dramatically in the initial phase of COVID-19 as underlying prices fell. This was no different in the case of TER. However, as the "Chart of the Month" exposes, there has been no respective rise in the TER equity as thermal prices have rallied strongly (up 100% from covid lows) since around November 2020 when the first news of successful vaccine trials came to market. The reason for this has been quite simple...they have an outstanding debt refinance that has not been completed as yet. Management have indicated consistently through market announcements this year that this is almost complete and we expect a re-rating in the equity once this has been announced over the coming month. Importantly, the underlying business is running very well with the significant cost reduction at their Australian asset, Blair Athol, improving returns. Similarly, their South African assets are now trending to full capacity as the South African economy rebounds in addition to a newly formed export market route to deliver supply at even higher margins. This will improve returns and hence cashflow over coming months. Management have also taken operational control of the South African assets and believe there is significant opportunity to improve returns. We will await their review and actions over coming months. Currently, the company is printing \$10m EBITDA per month from their global operations which is likely to persist for the time being. As such, once the company has finalised the company's finance package (lower funding costs plus a longer term of 5yrs+), the company's equity is likely to trade on a higher multiple. If it is the case a similar multiple (compared to other resource equities) of around +3x EBITDA can be achieved, the shares should correspondingly be trading above 30c. We know deep-value opportunities can misfire from time to time as we witnessed in March 2021 (which we are still unsure why it happened), but once the perception of value shifts, these downdrafts can be ameliorated very quickly. We remain patient and expect much better performance from this equity over coming months post their refinance announcement.

Portfolio Positioning

Over the month of April 2021 and now into May 2021, we have seen some very perverse price moves which appear unwarranted. The high flyers of last year (which we generally are or were not exposed to) are repricing downwards 20-40% in a matter of weeks. This is very peculiar and spectacular price behaviour presenting trading opportunities from time to time. As we have said in the past, many of these equities had been ramped beyond fundamentals and now the repricing will continue for an extended period of time. For those companies that remain in an earnings per share downgrade cycle, valuations of +30x will soon be less than market. At the time of writing, Commonwealth Bank (CBA:ASX) is in an overbought state trading at Forward PEs of ~20x. This is not rational but alas this is the market we are in. As we enter the typical "Aussie Equity" selling season due to crystallisation of tax-losses, we are certain this will throw up mispriced opportunities which we will take advantage of.

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 April 2021)

	Fund		S&P/ASX 200 AI	
	3 Year	Inception	5 Year	Inception
Alpha (%pa)	-5.0%	-1.1%		
Downside Capture	-11%	21%		
Standard Deviation	12.6%	10.2%	17.4%	13.8%
Sharpe ratio	0.4	0.7	0.7	0.6
Sortino		1.3		1.5
Largest Drawdown	-7.7%	-7.7%	-26.7%	-26.7%

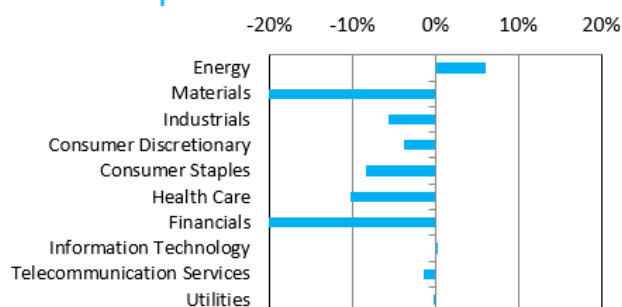
Exposure

	Long	Short	Net	Gross
Equity	47.0%	-4.3%	42.7%	51.3%
Index Futures	0.0%	-33.8%	-33.8%	33.8%
Net	47.0%	-38.1%	9.0%	85.1%
Cash			91.0%	

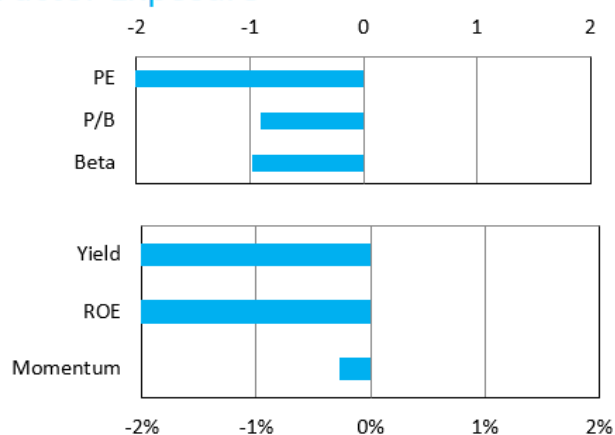
Contribution

Positive	Negative
Cleanaway Waste Mgt (Long)	Beach Energy (Long)
Commonwealth Bank (Long)	Mesoblast (Long)
Deterra Royalties (Long)	Origin Energy (Long)
Terracom (Long)	Whitehaven Coal (Long)

Sector Exposure



Factor Exposure

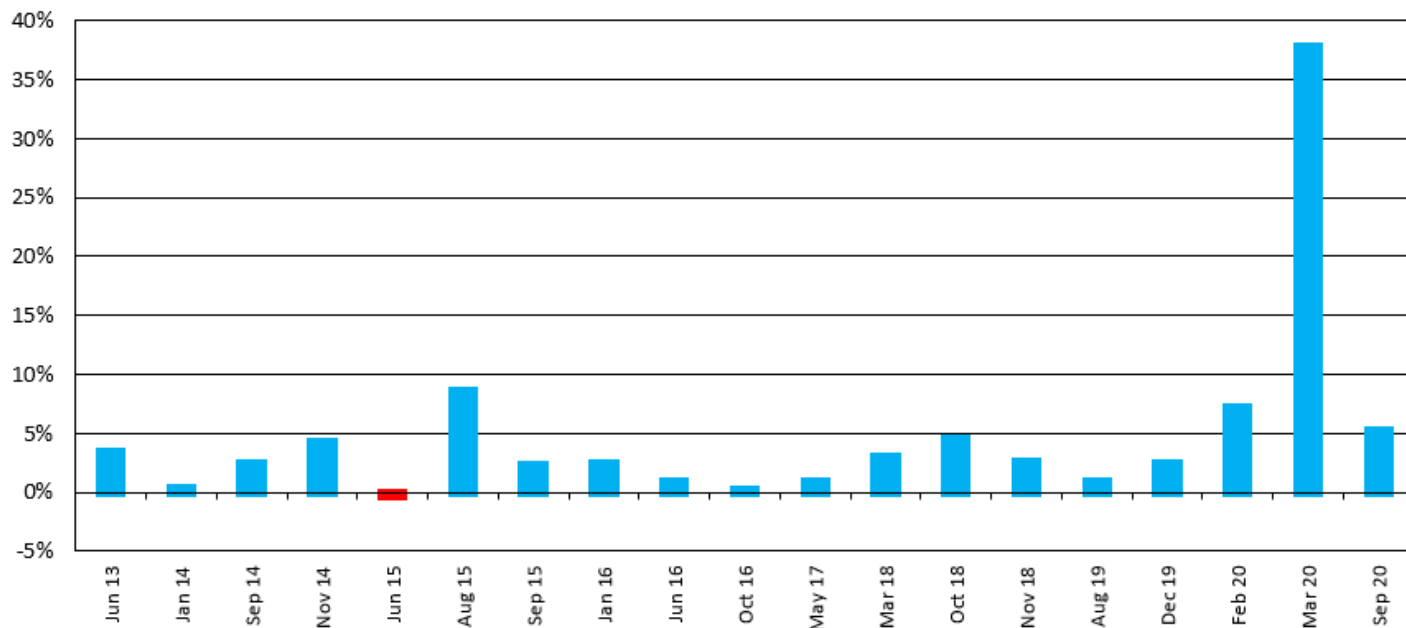


Source: APSEC Funds Management

APAEF Relative Returns (From Inception)

When the market is down more than -2%

Source: APSEC Funds Management



Fund Information (As at April 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	1.1714	Application Price	1.1726
		Redemption Price	1.1702

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Important information

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