

Fund Monthly March 2024

Class A - Return Summary (To March 2024)

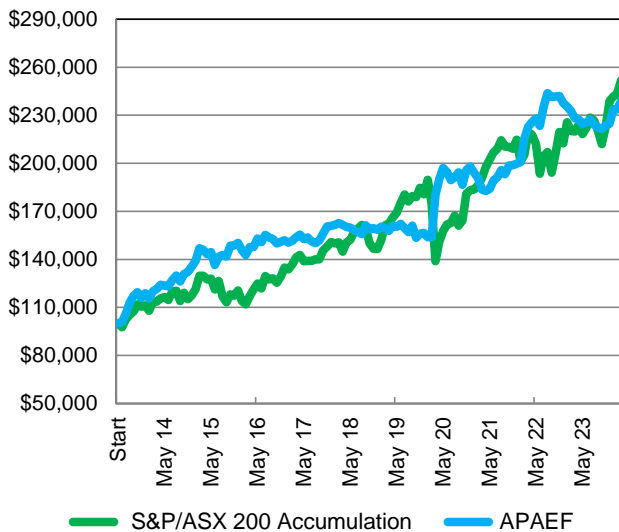
Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	2.19%	6.3%	7.4%	4.6%	9.2%	8.6%	138.8%	8.4%
S&P/ASX 200Acc.	3.27%	5.3%	14.2%	14.4%	9.6%	9.2%	151.6%	9.0%
Excess Return	-1.08%	0.9%	-6.8%	-9.8%	-0.5%	-0.5%	-12.8%	-0.5%

Class B - Return Summary (To March 2024)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	2.27%	6.6%	8.1%	4.3%	n/a	n/a	0.3%	0.2%
S&P/ASX 200Acc.	3.27%	5.3%	14.2%	14.4%	n/a	n/a	13.9%	10.4%
Excess Return	-1.00%	1.3%	-6.1%	-10.1%	n/a	n/a	-13.7%	-10.2%

Past performance is not indicative of future performance. Fund returns presented in this document are for both Class A Units and Class B Units. 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. Returns greater than one year are annualised.

Cumulative Returns of \$100k



Recent Highlights

- The Australian equity market continued to race higher in March 2024 with a last-minute push to close the quarter up 5.3% versus the Fund's Return of 6.3% (Class A), over the same period. Global bond gyrations continue to create effervescence much to our dislike. Nonetheless, the Fund is currently outperforming from stock selection.
- Mesoblast (MSB:ASX) has started to re-trace the falls of last year (one of the Fund's main detractors) after the US FDA has indicated a positive stance on one of their trials.
- Moved to overweight energy amongst rising oil prices. Karoon Energy (KAR:ASX) starting to perform again. Added Woodside Energy (WDS:ASX) near recent lows.

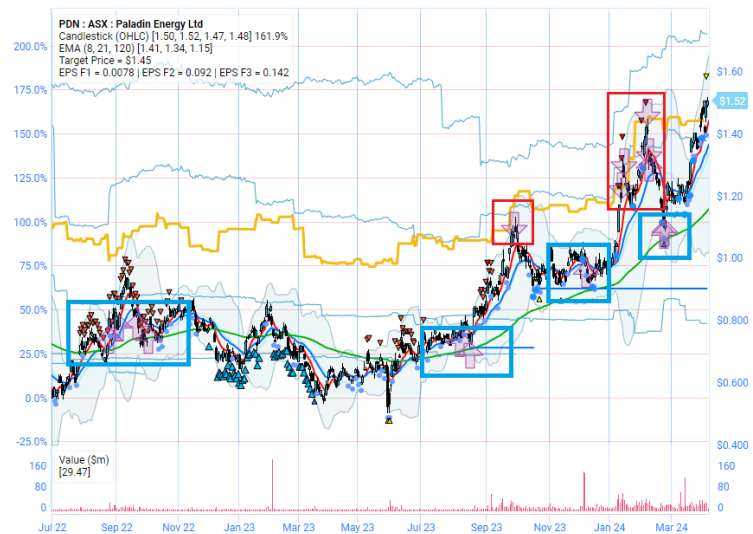
Portfolio Activity

Energy

Long

The Fund has been overweight various energy sectors over the past couple of years with generally very good timing. The energy space certainly has a lot of global noise associated with it and we have generally been attuned. In particular, performance in 2022 was dominated by our thermal coal exposure in Terracom (TER:ASX) which we have written plenty about over the years, including the position contributing to some of the negative performance over 2023.

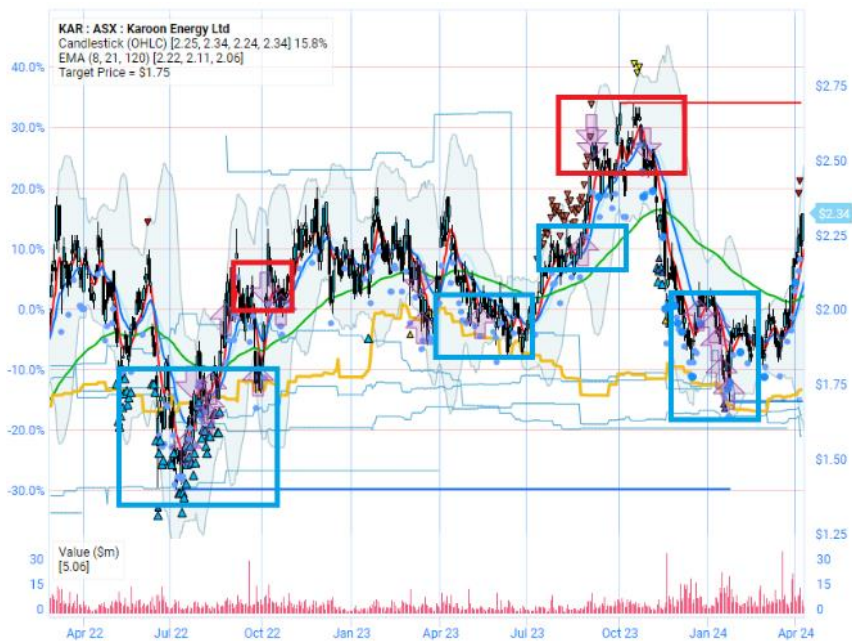
Similarly, our medium-term positioning in the Uranium space over the latter stages of 2022 and through 2023/2024, has been beneficial to fund returns. You can see how we have opportunistically scaled up and down the Fund's position in Paladin Energy (PDN:ASX), according to our proprietary trade signals. PDN remains our preferred large cap exposure despite the valuation gap relative to Boss Energy (BOE:ASX) closing of late for FY25/26.



Over February 2024, we de-risked our significant Uranium exposure by selling out of BOE, partly because prices had moved too quickly upwards and achieved some amazing exit prices. Further, we believe BOE carries greater risk in the commissioning phase per our analysis (relative to PDN) and would prefer to opportunistically wait on lower prices if possible. BOE has materially underperformed PDN year to date and over the month of March which we believe is

tied to some of the operational risks outlined above.

Elsewhere in energy we have opportunistically accumulated in the Oil & Gas space with Karoon Energy being the main focus given its superior relative growth profile to other large cap energy stocks in Australia. As one can see, there is plenty of up and down volatility to make use of despite the sector generally trading sideways, for many a year. More recently, against a backdrop of rising oil prices, there has been a “fundamental



arbitrage” in Woodside Energy Group (WDS). By this we mean, changes in earnings expectations should follow the upward change in oil prices. And in tandem, share prices should be correlated i.e. where the price of the equity is not following the commodity price, this presents as an arbitrage opportunity...this is Resources Investing 101 and applies to any resource company whether the underlying commodity price is easily observable or opaque.

Mesoblast (MSB)

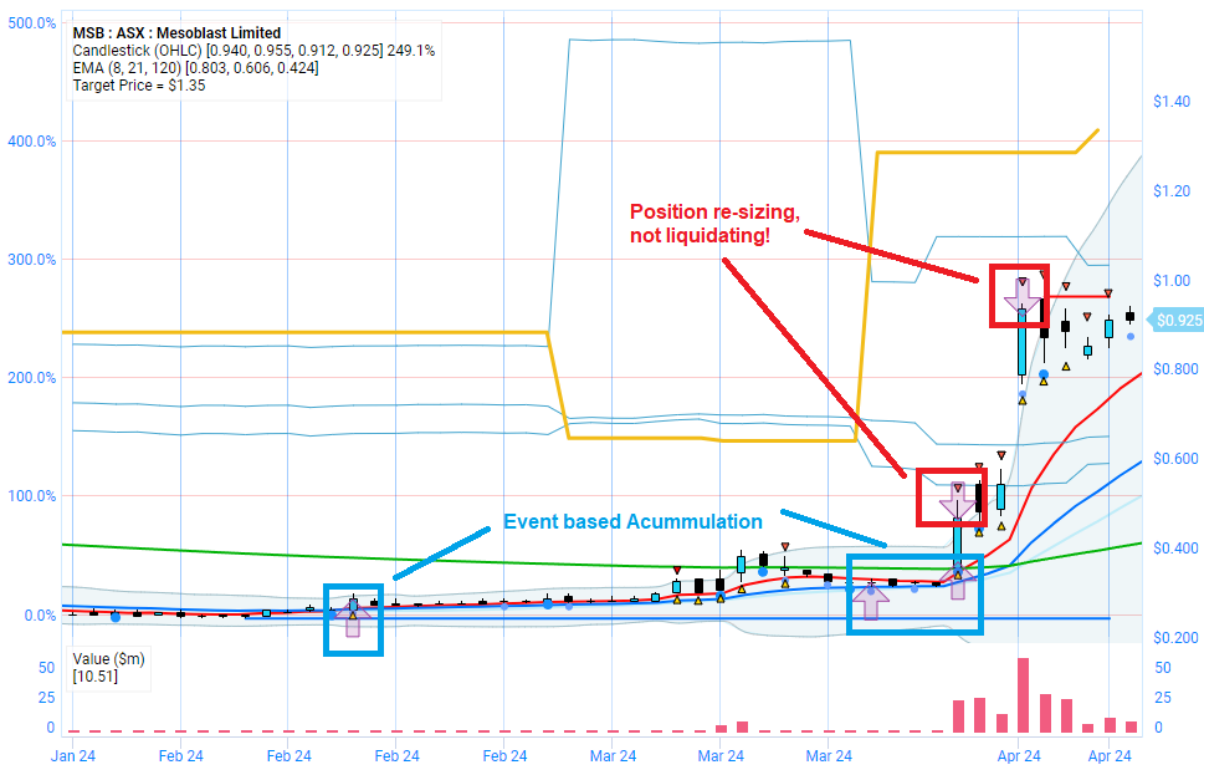
Long

The company has been a thorn in the Fund’s side over 2023 being one of the main detractors in performance of close to 3% cumulatively. The share price impairment originally came about in August 2023 whereby the US Food and Drug Administration (FDA) required further data to support a marketing licence for their drug which treated paediatric steroid-refractory acute graft versus host disease (SR-aGVHD). This, at the time, came as a surprise as the FDA had provided guidance, they had no issue with the manufacturing processes which had been an issue in the past. Instead, the rejection of the biologics license was predicated on whether the different “batches” of Remestemcel-L over time could be viewed consistently through the many years of various studies.

The events subsequent to this primary negative event over the back end of 2023 and into 2024 includes:

1. Initiation of an Adult Study for those with the highest mortality risk of SR-aGVHD – The company had a choice as to whether they would re-do the paediatric study but have followed this path as they were looking to complete this anyway. Opening up both markets (paediatric and adult) is a multi-billion dollar opportunity. It is expected that many of the data issues would be resolved with this study.
2. Dec 23 - Capital raising was completed at what would be considered deeply discounted prices. But with a dwindling Fund position, an opportunity to re-enter in size was potentially on the horizon.

3. Jan 24 - FDA grants designation of REVASCOR (Rexlemestrocel-L) for children with rare congenital heart disease. REVASCOR is in development for the treatment of chronic low back pain and advanced chronic heart failure.
4. Feb 24 - FDA grants orphan-drug designation for REVASCOR. These cumulative statuses (rare and orphan) achieved by the company means studies are funded partially by the FDA and provide exclusivity when a marketing licence is granted. We bought following this event.
5. 11 Mar 24 – Accelerated approval pathway for REVASCOR in end stage heart failure patients with a left ventricular assist device (in other words, a heart pump). As one can see from the share price, this is the start of something that is now exciting investors. We bought some time after the froth came out of the share price.
6. 26 Mar 24 – Objections with data consistency of Remstemcel-L by the FDA had been resolved which allows for MSB to refile the biologics licence approval for SR-aGVHD. On this day we continued to re-size the position substantially (while trading the volatility) and believed the price should be closer to 60c (from lows 30s). As it stands at the time of writing, the company's shares are trading near 90c.



Over the month of March 2024, the MSB position has added near 1.4% to gross returns. At the time of writing, the position has added another 2% to gross returns for April 2024. The fund will remain invested into emerging events over the coming quarter.

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 2024

	Fund		S&P/ASX 200 AI	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	-0.5%	-0.5%		
Downside Capture	-7%	26%		
Standard Deviation	10.9%	9.5%	16.3%	13.7%
Sharpe ratio	0.7	0.7	0.5	0.6
Sortino		1.4		1.5
Largest Drawdown	-8.5%	-8.5%	-26.7%	-26.7%
Correlation	-17%	13%	100%	100%

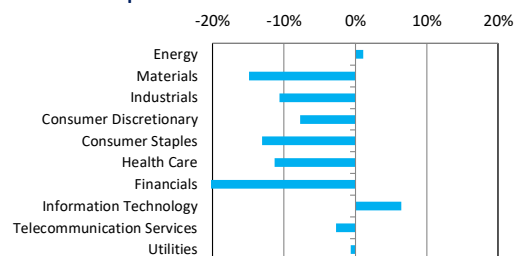
Exposure

	Long	Short	Net	Gross
Equity	50.8%	-9.9%	40.9%	60.7%
Index Futures	0.0%	-32.3%	-32.3%	32.3%
Net	50.8%	-42.2%	8.6%	93.0%
Implied Cash			91.4%	

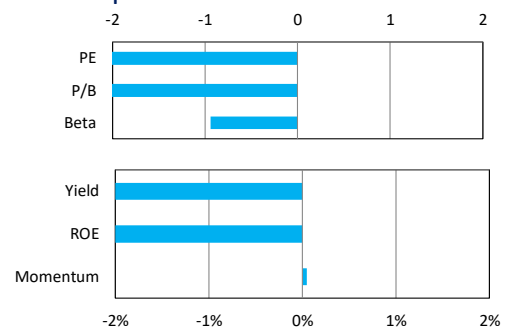
Largest Positions

Long	Short
BHP Group	Commonwealth Bank
Karoon Energy	CSL
Norwood Systems	JB Hifi
Paladin Energy	SPI Futures

Sector Exposure



Factor Exposure



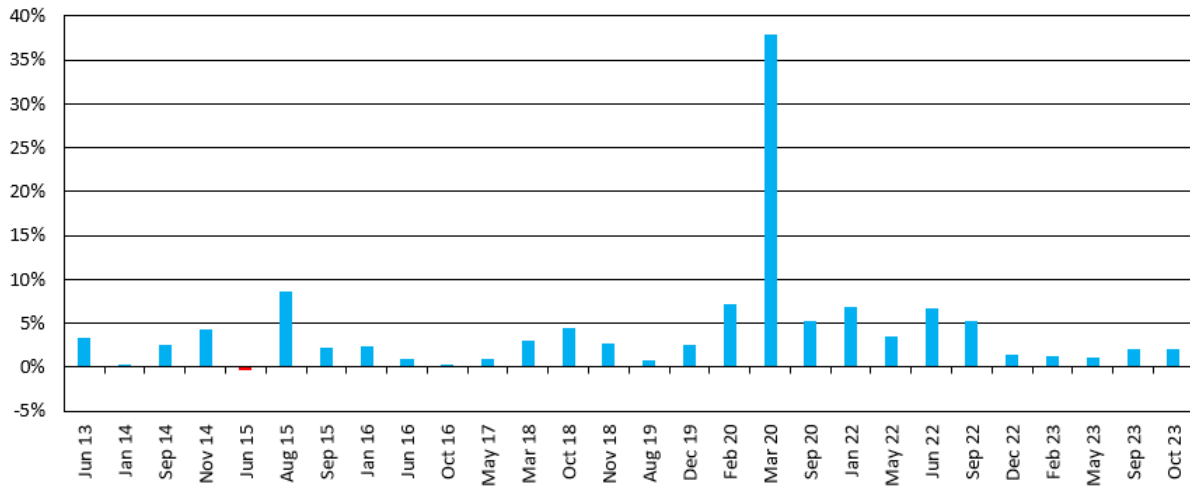
Source: APSEC Funds Management

Downside Performance

APAEF Relative Returns (From Inception)

When the S&P/ASX200 AI is down more than -2%

Source: APSEC Funds Management



General Information

Class A - Fund Information (As at 28 March 2024)

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	2.2% pa	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 (Class A)	1.2774	Application Price (Class A)	1.2787
		Redemption Price (Class A)	1.2761

Class B - Fund Information (As at 28 March 2024)

APIR Code	ETL1038AU	Responsible Entity	Equity Trustees Ltd
Inception	5 December 2022	Investment Manager	APSEC Funds Management
Minimum Investment	\$250,000	Administrator	Apex Group Ltd
Application/Redemption	Daily	Custodian	Apex Group Ltd
Management Fee	0.95% pa	Prime Broker	Interactive Brokers LLC
Benchmark	S&P/ASX200 Accumulation	Auditor	PriceWaterhouseCoopers
Performance Fee	Subject to a high water mark		
Mid Unit Price (Class B)	0.9453	Application Price (Class B)	0.9462
		Redemption Price (Class B)	0.9444

Contact Information

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Online Applications (Olivia123)	Click here	Unit Registry	1300 133 451

Important Information

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<https://awards.withintelligence.com/hfmasianperformanceawards2023/en/page/2022-roll-of-honor>