

## Fund Monthly March 2026

### Class A - Return Summary (To 31 March 2026)

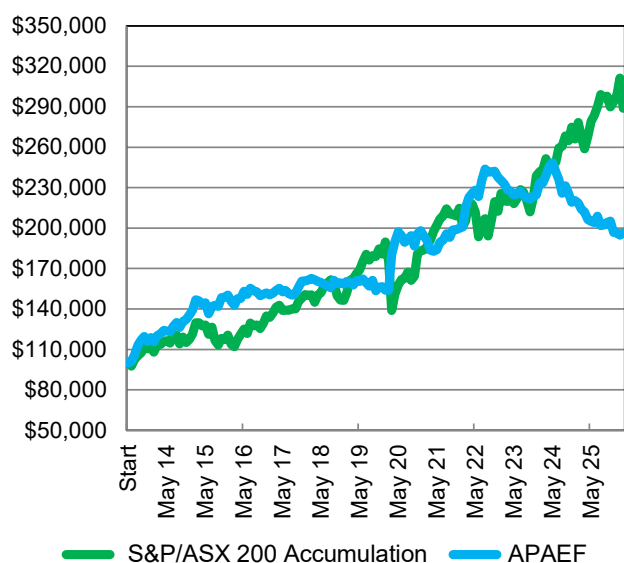
Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	0.86%	-0.2%	-2.9%	-7.2%	-4.9%	1.4%	96.5%	5.4%
S&P/ASX 200Acc.	-7.15%	-1.6%	-2.6%	11.7%	9.5%	8.6%	188.9%	8.7%
Excess Return	8.00%	1.4%	-0.3%	-18.9%	-14.4%	-7.3%	-92.5%	-3.2%

### Class B - Return Summary (To 31 March 2026)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	0.97%	0.2%	-2.8%	-6.0%	n/a	n/a	-16.0%	-5.1%
S&P/ASX 200Acc.	-7.15%	-1.6%	-2.6%	11.7%	n/a	n/a	30.9%	8.4%
Excess Return	8.12%	1.9%	-0.2%	-17.7%	n/a	n/a	-46.9%	-13.6%

**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

- Major geopolitical upheaval led to an 8% outperformance relative to the market.
- Current dislocation in markets has been relatively easy to manage. Next day implementation and then wait for perceived bottoms. Our generic runbook since inception.
- High conviction names should perform over the rest of the year. Greater confidence has emerged for some the companies the Fund owns.

## Current Portfolio Positioning

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March 2026 represented a meaningful inflection point in market structure globally. What initially began as a correction driven by valuation fatigue and elevated positioning evolved into a materially more macro-driven environment as geopolitical tensions intensified through the Middle East and energy markets repriced aggressively.

The portfolio was positioned increasingly defensively through the period. We expanded energy-linked exposure selectively through positions including Karoon Energy Ltd (KAR:ASX), TerraCom Limited (TER:ASX) and Woodside Energy Group (WDS:ASX), while maintaining a structurally cautious stance toward economically sensitive sectors within the Australian market.

Importantly, the rationale for this positioning was not simply directional oil exposure. Rather, we viewed the market as underestimating the second-order effects associated with a supply-driven energy shock. Higher energy costs feed directly into inflation expectations, reduce discretionary spending power and place pressure on corporate margins at a time where economic growth was already slowing globally.

During March, global equity markets experienced a sharp increase in volatility. Australian equities were not immune. Small Ordinaries, Information Technology and Consumer Discretionary exposures were particularly weak, reflecting a broad de-risking process rather than purely company-specific deterioration. Materials were too but they had ramped the month prior.

Against this backdrop, we maintained and expanded short exposure through SPI futures alongside existing short positions in Banks and selected Retail exposures. These positions were intended both as portfolio protection and as an expression of our broader view that passive-flow-supported sectors were becoming increasingly disconnected from underlying economic reality.

While Australian Banks continued to exhibit relative resilience versus broader cyclical sectors, we continue to view this primarily as a function of index concentration and persistent passive capital flows rather than improving fundamentals. Credit growth remains weak, funding conditions remain restrictive and consumer balance sheets continue to deteriorate incrementally beneath the surface.

We continue to believe the market is underestimating the fragility embedded within highly concentrated index structures. Over recent years, passive capital and narrow leadership (i.e. large capitalisation company concentration) compressed volatility and suppressed dispersion across sectors. During March, signs of this beginning to unwind became increasingly visible.

Within the portfolio, core idiosyncratic positions including Norwood Systems Limited (NOR:ASX) and Mesoblast Limited (MSB:ASX) remained in place. While these positions can contribute to short-term volatility, they remain differentiated from the broader macro positioning and continue to be driven predominantly by company-specific catalysts.

## Historical Performance and Attribution

March was characterised by broad-based weakness across Australian equities, particularly in smaller capitalisation and higher beta sectors, mostly explained by geopolitical tensions.

Portfolio performance during the month was supported primarily through:

- Short exposure via SPI futures;
- Relative weakness in Banks and economically sensitive sectors;
- Strong performance from selected energy-linked exposures;
- Reduced net market exposure during periods of heightened volatility.

Energy-linked positions, particularly KAR:ASX and TER:ASX, contributed positively as markets repriced geopolitical supply risks and energy security concerns. These positions acted as both return generators and partial macro hedges against inflationary supply shocks.

Conversely, several long-duration and small-cap exposures remained under pressure as liquidity conditions tightened and broader market risk appetite deteriorated. This included continued weakness across speculative growth and healthcare-related exposures.

The broader backdrop remains important to contextualise. The Australian market continues to exhibit unusually high concentration in Banks and large-cap defensive exposures, while significant portions of the broader market have already entered meaningful drawdowns.

In our view, this divergence reflects a delayed transmission mechanism rather than resilience. Markets remain heavily influenced by passive flows and benchmark construction effects, particularly within domestic superannuation allocation frameworks.

However, as macro conditions deteriorate further and earnings expectations begin adjusting downward, we expect increased dispersion and greater differentiation between fundamentally supported businesses and sectors benefiting predominantly from structural inflows.

This transition is important for active management strategies. For several years, compressed volatility and liquidity-driven valuation expansion created a difficult environment for fundamental and relative-value investing. We believe that regime is now changing.

## Forward Outlook

Looking ahead, we remain cautious on the broader macro environment.

The key issue for markets is no longer simply inflation or interest rates in isolation. Rather, it is the interaction between slowing growth, elevated energy costs and structurally crowded market positioning.

We continue to believe the probability of a broader risk-off transition has increased materially.

Accordingly, portfolio construction remains focused on three key areas:

1. Tactical energy exposure where supply-side constraints remain underpriced;
2. Short exposure to sectors supported disproportionately by passive flows and perceived defensiveness;
3. Idiosyncratic positions capable of generating returns independently of broader market direction.

Importantly, energy exposure remains tactical rather than ideological. Should geopolitical tensions de-escalate materially, or supply conditions normalise, we are prepared to reduce exposure quickly.

Similarly, short positioning remains dynamic rather than static. Markets rarely move in straight lines, particularly during transitions between liquidity regimes. Counter-trend rallies and sharp rotations remain likely.

At a broader level, we believe markets are transitioning away from a period dominated by liquidity expansion and passive flow compression toward an environment increasingly driven by macro volatility, earnings sensitivity and capital scarcity.

Historically, these environments create greater opportunity for active managers willing to operate with flexibility, adapt positioning quickly and focus on relative valuation dislocations.

## Key Risks to Our View

### 1. Rapid Geopolitical De-escalation

A rapid reduction in Middle East tensions could result in a sharp retracement in oil prices and a broad risk-on rally across global equity markets.

### 2. Continued Passive Flow Support

Domestic passive and superannuation flows may continue supporting Banks and index-heavy sectors despite deteriorating macro fundamentals.

### 3. Policy-Driven Liquidity Re-Expansion

Central banks or governments may respond to slowing growth with renewed liquidity support, delaying the repricing process currently underway.

#### 4. Delayed Earnings Weakness

Corporate earnings may remain more resilient than expected in the near term due to cost pass-through, fixed borrowing structures and consumer resilience.

#### 5. AI-Driven Market Narrowing

Markets may continue concentrating capital into perceived AI beneficiaries, suppressing broader dispersion temporarily despite deteriorating underlying conditions. This should lead to a larger flow to global markets as Australia has very little exposure to this thematic directly.

#### 6. Commodity Volatility

Energy and commodity-linked exposures can reprice sharply in both directions as geopolitical headlines evolve.

#### 7. Market Structure Fragility

Increasingly concentrated market structures and reduced liquidity depth may result in elevated volatility and non-linear market behaviour around macro inflection points.

# 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 2026

	Fund		S&P/ASX 200 AI	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	-7.3%	-3.2%		
Downside Capture	16%	25%		
Standard Deviation	7.7%	9.3%	12.3%	13.3%
Sharpe ratio	-0.2	0.4	0.5	0.5
Sortino		0.6		1.2
Largest Drawdown	-21.6%	-21.6%	2.0%	-26.7%
Correlation	19%	9%	100%	100%

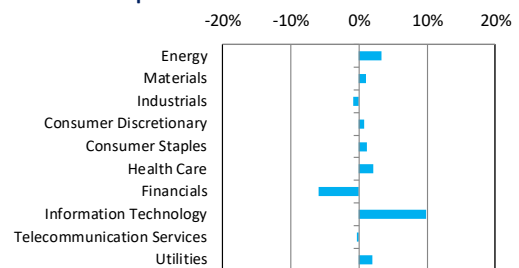
### Exposure

	Long	Short	Net	Gross
Equity	41.2%	-6.5%	34.7%	47.7%
Index Futures	0.0%	-19.7%	-19.7%	19.7%
Net	41.2%	-26.2%	15.0%	67.4%
Implied Cash			85.0%	

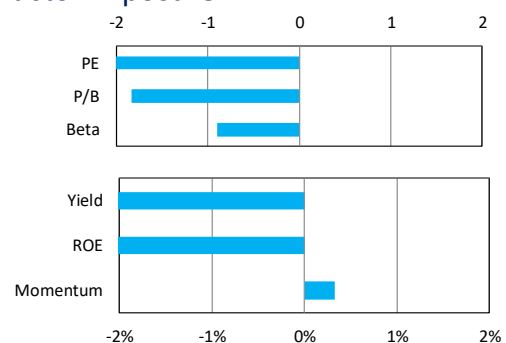
### Largest Positions

Long	Short
Mesoblast	Commonwealth Bank
Norwood Systems	QBE Insurance
Santos	SPI Futures
Woodside Energy	Westpac Bank

### Sector Exposure



### Factor Exposure



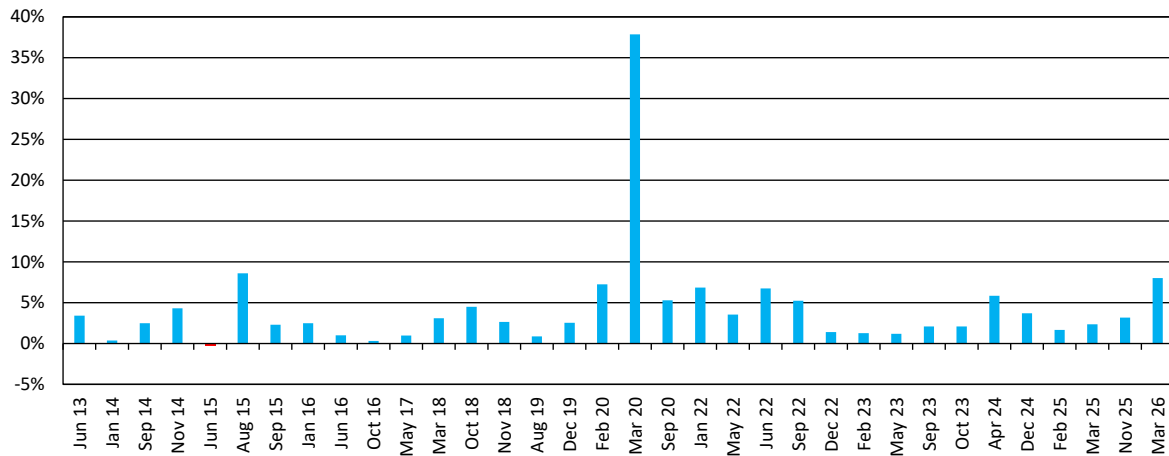
Source: APSEC Funds Management

# Downside Performance

## APAEF Relative Returns (From Inception)

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

Source: APSEC Funds Management



**Please note:** Past performance is not indicative of future performance.

## General Information

### Class A - Fund Information (As at 31 March 2026)

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)	1.0010	Application Price (Class A)	1.0020
Distribution (Class A) (30 Jun 25)	0.01479338	Redemption Price (Class A)	1.0000

### Class B - Fund Information (As at 31 March 2026)

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)	0.7898	Application Price (Class B)	0.7906
Distribution (Class B) (30 Jun 25)	0.02165613	Redemption Price (Class B)	0.7890

### Contact Information

Account Enquiries	<a href="mailto:n.bryon@apsec.com.au">n.bryon@apsec.com.au</a>	Investment Manager	1300 379 307
Website	<a href="http://www.apsec.com.au">www.apsec.com.au</a>	Responsible Entity	1300 555 378
		Unit Registry	1300 133 451

## Important Information

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