Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

with. Intelligence

WINNER

HFM Asian Performance Awards 2022

Emerging Manager / Smaller Fund - Equity

Fund Monthly April 2026

Class A - Return Summary (To 30 April 2026)

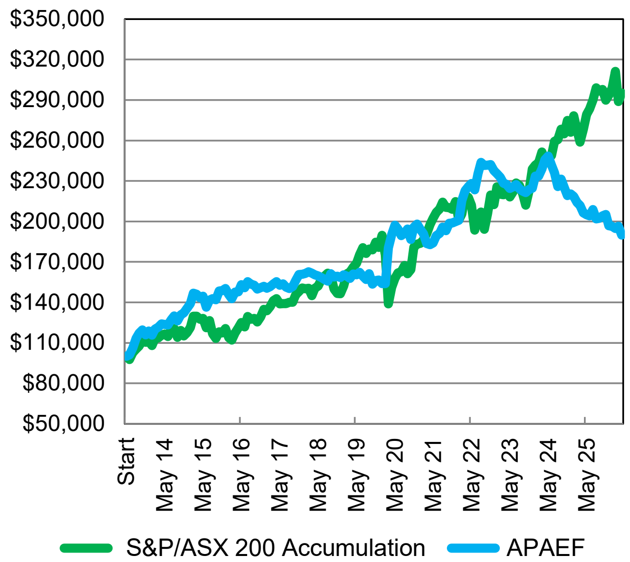
Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	-3.35%	-3.3%	-7.0%	-8.0%	-5.8%	0.8%	89.9%	5.1%
S&P/ASX 200Acc.	2.18%	-1.2%	-0.9%	10.1%	9.7%	8.4%	195.2%	8.8%
Excess Return	-5.53%	-2.1%	-6.1%	-18.1%	-15.5%	-7.6%	-105.3%	-3.7%

Class B - Return Summary (To 30 April 2026)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	-3.23%	-3.0%	-5.9%	-6.8%	n/a	n/a	-18.8%	-5.9%
S&P/ASX 200Acc.	2.18%	-1.2%	-0.9%	10.1%	n/a	n/a	33.7%	8.9%
Excess Return	-5.41%	-1.8%	-5.1%	-16.9%	n/a	n/a	-52.5%	-14.8%

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

- Geopolitical uncertainty remains with Trump related announcements driving markets. Nothing has materialised.
- SPI hedge cost the Fund particularly over the Easter period. Not much you can do in these circumstances as Australian markets were closed. All of the market gains reverted by the end of month.
- Energy exposure underperformed but managed to trim some exposure.
- High conviction names should perform over the rest of the year.

APSEC FUNDS MANAGEMENT

Current Portfolio Positioning

April 2026 represented a continuation of the macro transition that began emerging during March, although the character of markets evolved meaningfully throughout the month.

Where March was dominated by broad de-risking and geopolitical repricing, April increasingly became characterised by market bifurcation. Large-cap defensive sectors and index-heavy exposures stabilised, while many underlying cyclical, speculative and smaller-cap areas of the market continued to deteriorate beneath the surface.

This divergence remains central to our broader thesis.

The portfolio remained positioned conservatively overall, with ongoing short exposure through SPI futures and continued caution toward Banks and economically sensitive sectors. While headline index performance appeared more stable through parts of the month, underlying market breadth remained weak, and dispersion continued increasing across individual securities.

Energy-linked positions remained an important component of the portfolio during the early part of April following the prior month's geopolitical repricing. However, we became incrementally more selective as commodity markets began stabilising and market participants adjusted positioning around Middle East developments.

The broader macro environment remained challenging. Inflation expectations continued drifting higher globally due to energy and supply-chain concerns, while growth expectations simultaneously weakened. This combination increasingly resembles a stagflationary environment rather than a traditional cyclical slowdown.

Australian equities continue to exhibit significant concentration risk through Banks and major index constituents. We remain sceptical that current valuations adequately reflect the underlying economic risks facing the domestic economy, particularly given slowing consumer activity, housing affordability pressures and weakening discretionary demand.

We continue to believe passive flows are materially influencing price discovery within Australian equities. This does not invalidate market strength in the short term, but it does increase fragility should flows moderate or reverse.

Importantly, April also highlighted the growing disconnect between headline indices and underlying economic reality globally. While some major indices stabilised following March weakness, significant portions of the market remain well below prior highs, particularly across smaller capitalisation and long-duration growth exposures.

At the same time, US mega-cap technology leadership remained exceptionally strong, with continued evidence that AI-related revenues and infrastructure spending are accelerating across several of the largest global technology companies. This thematic strength continues to support headline US indices and has remained a significant driver of global equity market resilience despite increasing macro uncertainty elsewhere.

In our view, this dynamic further reinforces the increasingly bifurcated nature of current markets. Capital continues concentrating into a relatively narrow group of perceived structural winners, particularly those viewed as direct beneficiaries of AI adoption and compute demand, while broader market internals remain considerably weaker beneath the surface.

Within the portfolio, we maintained core positions including Norwood Systems Limited (NOR:ASX, Agentic Orchestration for Telecommunications) and Mesoblast Limited (MSB:ASX, Cell therapy platform for inflammatory and degenerative diseases). These positions continue to be assessed primarily on long-term company-specific outcomes rather than near-term market volatility.

Historical Performance and Attribution

Portfolio performance during April was shaped primarily by:

- Negative contribution from macro hedging positions;
- Weakness across selected long exposures – Energy and Mesoblast (MSB:ASX);
- Ongoing dispersion between index-heavy sectors and broader market internals;

The SPI futures hedge reversed gains from the prior month, but we remain defensively hedged as anything could happen in the Middle East.

Within individual positions, several energy-related exposures experienced increased volatility as commodity markets consolidated following March's sharp repricing. While the broader supply-side thesis remains valid, markets became increasingly headline-driven throughout April.

Bank shorts produced mixed outcomes during the month as passive flows and index concentration continued supporting major financials despite weakening underlying macro conditions. Commonwealth Bank (CBA:ASX) tends to rally strongly in short term risk on environments.

Importantly, one development that increased our confidence in this positioning during April was the earnings result and lending-growth weakness reported by Bendigo and Adelaide Bank Limited (BEN:ASX). The stock underperformed materially following the result, which in our view highlighted the growing pressure emerging beneath the surface within the broader Australian banking sector.

While the major banks have thus far remained relatively resilient due to their dominant index representation and continued passive inflows, we continue to believe underlying sector fundamentals are weakening. Credit growth remains subdued, competition for deposits remains elevated and funding dynamics are becoming incrementally more challenging as economic conditions soften.

We expect similar pressures to emerge progressively across the broader banking sector over time and therefore remain structurally underweight Australian Banks. In our assessment, current sector valuations remain extremely stretched relative to both the macro backdrop and the likely medium-term earnings outlook.

This remains an important distinction in the current environment. Markets can remain structurally distorted for extended periods when driven by benchmark concentration and price-insensitive capital allocation.

However, we continue to believe these distortions ultimately create opportunity rather than invalidate the underlying thesis.

One of the more important developments during April was the continued increase in sector and security-level dispersion globally. Leadership narrowed further while broad market participation weakened.

Historically, these environments eventually become more favourable for active and relative-value strategies, particularly once liquidity conditions tighten sufficiently for fundamentals to begin dominating flow-driven pricing.

At a broader level, we continue to view the current market as transitioning away from the post-pandemic liquidity regime toward a more volatile and fundamentally driven environment.

[At the time of writing, CBA:ASX was down over 10% after reporting a slowdown in profits (negative sequential growth, lowing lending and rising provisions), thus confirming our long-held thesis.]

Forward Outlook

Looking forward, we remain focused on preserving flexibility and maintaining disciplined risk management.

While markets may continue experiencing intermittent rallies driven by positioning, liquidity injections or thematic rotations, we believe the broader macro environment remains increasingly unstable.

Three structural themes continue driving portfolio construction:

1. Elevated macro and geopolitical uncertainty;
2. Increasing fragility within passive-flow-dominated market structures;
3. Re-emergence of valuation dispersion and fundamental differentiation.

We continue to believe the market remains overly complacent regarding the interaction between slowing growth, elevated energy costs and structurally high valuations across concentrated index exposures.

At the same time, we remain conscious that markets can remain irrational for extended periods, particularly when supported by passive inflows and thematic concentration. Hopefully, the active weights on Australian Banks and in particular Commonwealth Bank, will see normalised index concentration.

This reinforces the importance of maintaining adaptability rather than operating with rigid directional positioning.

From a longer-term perspective, we believe the investment environment is becoming increasingly favourable for active managers capable of operating dynamically across both long and short exposures.

As liquidity conditions tighten and macro volatility increases, the probability of significant dispersion across sectors, asset classes and individual securities rises materially.

In our view, this represents the beginning of a broader transition rather than a short-term anomaly.

Key Risks to Our View

1. Renewed Liquidity Expansion

Central bank or fiscal intervention could temporarily suppress volatility and reflate risk assets.

2. Continued Index Concentration

Passive capital flows may continue supporting concentrated benchmark constituents despite deteriorating fundamentals elsewhere.

3. Commodity Price Reversal

Energy markets remain highly sensitive to geopolitical developments and positioning dynamics.

4. Delayed Economic Slowdown

Consumer spending and corporate earnings may remain more resilient than anticipated in the near term.

5. AI-Driven Momentum Leadership

Continued concentration into AI-related thematic exposures could further suppress broader market dispersion temporarily. NOR:ASX fits in this space with Call-protect and various Jobs Agent implementations.

6. Volatility Compression

A reduction in macro volatility could reduce the effectiveness of hedging positions and delay the broader repricing process.

7. Non-Linear Market Behaviour

Current market structure remains susceptible to abrupt rotations, liquidity gaps and sharp counter-trend rallies due to concentration and reduced underlying depth.

Across both periods, the portfolio continues to be managed dynamically with an emphasis on adaptability, macro awareness and disciplined risk management rather than static directional positioning. We continue to believe the current environment favours flexible active management approaches capable of navigating increasing dispersion and structural market transition.

Fund Strategy

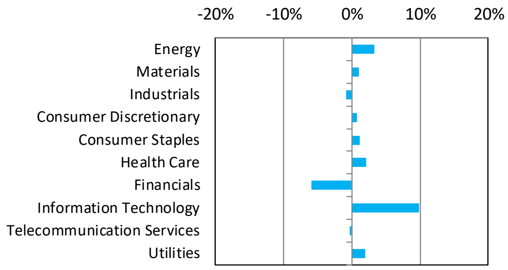
The Fund is a long-bias equity market product which typically buys or short sells Australian listed securities and derivatives. Net and Gross market exposure is maintained within a range of 0-100% and 0-200%, respectively. The Investment manager employs its Quadruple Alpha Investment Strategy which focuses 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 2026

	Fund		S&P/ASX 200 AI	
	5 Year	Inception	5 Year	Inception
Alpha (%pa)	-7.6%	-3.7%		
Downside Capture	16%	25%		
Standard Deviation	7.9%	9.3%	12.3%	13.3%
Sharpe ratio	-0.2	0.3	0.5	0.5
Sortino		0.6		1.2
Largest Drawdown	-23.6%	-23.6%	2.0%	-26.7%
Correlation	18%	9%	100%	100%

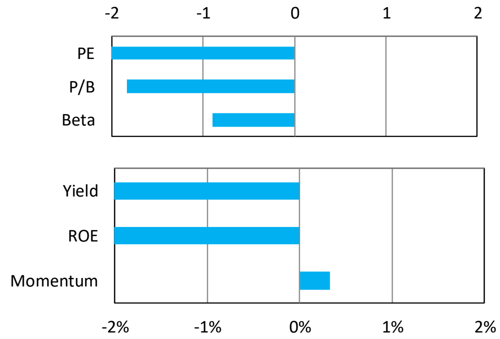
Sector Exposure



Exposure

	Long	Short	Net	Gross
Equity	32.2%	-8.8%	23.4%	41.0%
Index Futures	0.0%	-18.4%	-18.4%	18.4%
Net	32.2%	-27.2%	5.0%	59.4%
Implied Cash			95.1%	

Factor Exposure

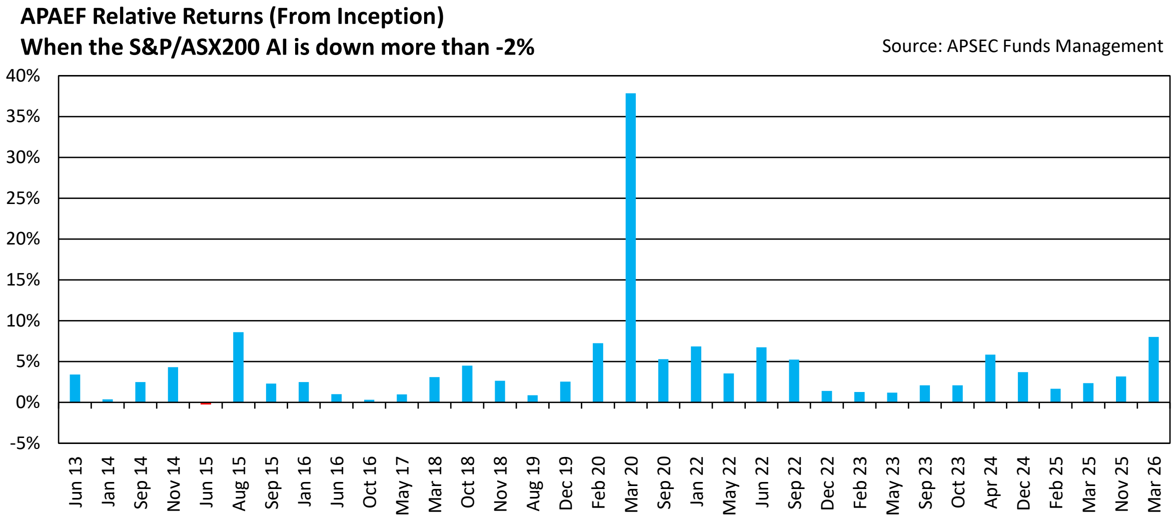


Largest Positions

Long	Short
Mesoblast	Commonwealth Bank
Norwood Systems	QBE Insurance
Qube Holdings	SPI Futures
Vinyl Group	Westpac Bank

Source: APSEC Funds Management

Downside Performance



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

General Information

Class A - Fund Information (As at 30 April 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)	0.9675	Application Price (Class A)	0.9685
Distribution (Class A) (30 Jun 25)	0.01479338	Redemption Price (Class A)	0.9665

Class B - Fund Information (As at 30 April 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)	0.7158	Application Price (Class B)	0.7165
Distribution (Class B) (30 Jun 25)	0.02165613	Redemption Price (Class B)	0.7151

Contact Information

Account Enquiries	n.bryon@apsec.com.au	Investment Manager	1300 379 307
Website	www.apsec.com.au	Responsible Entity	1300 555 378
		Unit Registry	1300 133 451

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

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