



Strategy Description

API's USA Long Short is a dynamic US listed equities strategy which can take advantage of rising and falling markets.

The portfolio of 40–80 stocks is created by combining fundamental analysis with a quantitative screening process called GVMR.

Good Value, Momentum, Revisions

The strategy is implemented by direct market access on a digital, full service and transparent asset management platform.

Benefits

- A portfolio which can adapt to rising and falling markets.
- A repeatable and proven investment process that combines our quantitative stock selection model with the team's extensive fundamental equity knowledge.
- Above market and peer group performance.

For additional information please visit www.apicapital.com

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As at 29 June 2018	Portfolio
No. of securities	66
Wtd Avg Market cap	USD 63bn
Fwd Price/Earnings	2.0x
Price/Book	1.4x
Fwd Dividend Yield	2.0%
Fwd Return on Equity	3.0%

PERFORMANCE*

Value of USD 1M since inception



Periods ended 29 June 2018	6 Months	1 Year	3 Years	5 Years	Since Inception
Portfolio*	+24.6%	+90.8%	+23.4%	+28.1%	+16.8%
Benchmark^	+2.6%	+14.4%	+11.9%	+13.4%	+8.4%
Active	+22.0%	+76.4%	+11.5%	+14.7%	+8.4%

*Portfolio total return net of fees in USD.

^Strategy Benchmark is S&P 500 Index. Inception Date: 30 December 2004

PORTFOLIO REVIEW & MARKET UPDATE

- The strategy increased 0.8% vs the S&P 500 +0.6% and the Russell 2000 returning –2.8% in June. US Equity markets remained volatile. The portfolio continues to be "hedged" with less than 100% market exposure.
- We continued to look opportunistically for new positions during the month. By the end of June, two long stocks had become our largest positions, neither company has much exposure to any potential "trade wars."
- One of our larger long holdings, one of the largest US providers of wireless, internet & telephony services, has been unnecessarily punished due to a large acquisition it has in process. The company will ultimately transition these new assets while maintaining the current dividend payout (yielding of over 6%), hence this continues to be a very attractive stock in current market conditions.
- On the short side, we continue to add opportunistically to two relatively large short positions with direct exposure to a weakening bond market. We believe the Fed will be compelled to continue to raise rates to stave off any real or perceived risks of inflation.
- Against the backdrop of a currently strong US economic environment, our concern is that the Fed may "overshoot" or raise too quickly. We retain our view that many US stocks are fully valued therefore diligence is of paramount importance combined with a solid, methodical stock selection process to mitigate risk. The markets will remain volatile and stocks will be harshly punished for any missteps.

Important note: API's USA Long Short strategy is offered on a separately managed account basis. Your portfolio may experience different performance results to the factsheet results due to account size and minimum trade lot constraints. This report provides general information only and does not take into account the investment objectives, financial circumstances or needs of any person. To the maximum extent permitted by law, API Capital Advisory Pty Ltd, its directors and employees accept no liability for any loss or damage incurred as a result of any action taken or not taken on the basis of the information contained in the report or any omissions or errors within it. It is advisable that you obtain professional independent financial, legal and taxation advice before making any financial investment decision. API Capital Advisory Pty Ltd does not guarantee the repayment of capital, the payment of income, or the performance of its investments. API Capital Advisory Pty Ltd AFSL 329133.