Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Report and Commentary - 31 August 2013

Fund Return vs the S&P/ASX 200 Accumulation Index after All Fees before Tax

	1 mth	3 mth	6 mth	1 yr	Inception
Fund Return[1]	6.72%	13.37%	n/a	n/a	13.37%
Index	2.50%	5.33%	n/a	n/a	5.33%
Relative	4.22%	8.04%	n/a	n/a	8.04%

Key Fund Data

Unit Price (Mid)	1.1337	$10,000	Min. Investment
ICR	2.2%	$5,000	Add. Investment
Performance Fee[2]	15%	1 Jun 13	Fund Commenced
Buy/Sell Spread	0.20%	30 Jun	Income Distribution

Fund Return by Month after All Fees before Tax

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ytd
2013	n/a	n/a	n/a	n/a	n/a	1.09%	5.08%	6.72%					13.37%

1. Fund Returns are prepared on a mid 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 ("APAEF") asset values have been calculated using unaudited price and income estimates for the month being reported. The Fund Returns data in this table relates to a period of less than 12 months. ASIC Regulatory Guide 53 states that data relating to a period of less than 12 months will usually be insufficient to assist prospective investors to make a decision as to whether to invest in an investment vehicle. Accordingly, the Responsible Entity recommends that prospective investors obtain and read a copy of the PDS for the Fund before deciding whether to invest in the APAEF. A copy of the PDS and Additional PDS, dated 4 March 2013, may be obtained from www.oneinvestment.com.au/atlantic or from APSEC Funds Management directly.

2. Performance Fees are charged where the Fund's performance exceeds the performance of the S&P/ASX 200 Accumulation Index by 3%pa and the Fund's High water mark. Further information is provided in the PDS dated 4 March 2013 .

Fund Activity

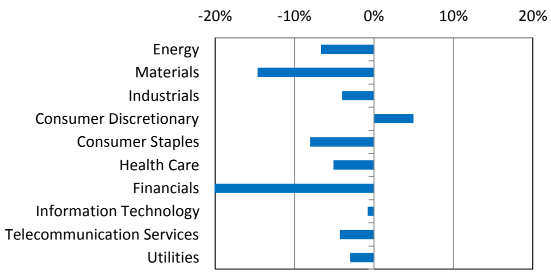
Over the month, volatility returned to the Australian share market. Interestingly, our market ended the month with strong performance of 2.5%, as opposed to major international markets which were generally down over 2%. This return dispersion was driven by generally strong performances by corporate Australia through the reporting season and the positive dynamic of a potential bottoming in China, supporting commodity related markets (Australia, Brazil & South Africa). Otherwise, continuing uncertainty regarding the effects of tapering as well as geo-political uncertainty in the Middle East led to negative performance elsewhere. Fund performance has continued to significantly outperform the broader market. As we noted last month, we had remained focussed on accumulating shares in companies where there was the expectation of further positive revisions which would lead to persistent positive changes to investor sentiment, now and into the future. This has indeed occurred with a very high hit rate of over 80% in outperforming company shares over the reporting season, including Challenger Financial (CGF), Crown (CWN), Fletcher Building (FBU), JB Hi-Fi (JBH), National Australia Bank (NAB), Slater & Gordon (SGH) and Tassal Group (TGR). This is a core strength of the analyst team and we hope to provide outperformance during future reporting periods. We also introduced an "a-political" event trade into the portfolio, McMillan Shakespeare (MMS). This is probably one of the most curious price situations we have seen in a long time. Essentially, after the Labour government announced proposed changes to the Fringe Benefits Tax framework for salary packaged motor vehicles, the market priced in this scenario as a forgone conclusion for the company ie Labour would return to government and they would have the support needed to implement this policy and destroy a significant portion of MMS's business. This presented as a significant opportunity to buy a company, that we had previously viewed expensive but with strong acquisitive growth prior to the FBT "scandal", at rock bottom prices. We will assess the asymmetry of the position closer to the election as most opinion polls are pointing to a Coalition Government win. We are not greedy and will not sacrifice performance for uncertainty. By the end of the month, we had also hedged out a portion of our market exposure due to continuing uncertainty with respect to military conflict in the Middle East. We view the need to anticipate potential downside and do something as more important than just watching it unfold before our eyes.

Outlook

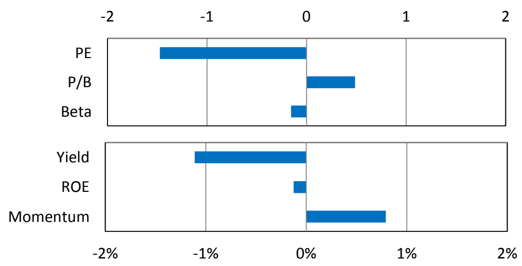
Fund exposure will continue to build on our core names. Generally, post a reporting season, those companies that have surprised on the upside continue to outperform over the medium term relative to the market. Therefore, activity within the Fund will be more about fine tuning positions in the sense we are likely to trim at the top of a trading range and buy more at the bottom of a trading range. We are also reviewing a number of liquid names that we had missed through the reporting season to assess whether they too should be included for investment. Over the coming month, Premier Investments (PMV) is our only remaining reporting season name. We expect market analysts, except a few, to once again miss the potential upside for this name, from not only the potential for stronger domestic profitability but also any further comments on their Asian rollout strategy for the key Smiggles and Peter Alexander brands. From a macro point of view, given the extent of strong activity in the US, we would, as is the market, not be surprised if tapering starts to occur this month. How this plays out remains to be seen in Australia. Similarly, US debt ceiling talks and Middle Eastern conflict will remain potential downside catalysts.

Fund Positioning relative to the S&P/ASX 200 Index

Sector Exposure



Factor Exposure



Company Contributors to Performance

	Positive
0.93%	Challenger Financial
0.84%	Fortescue Metals
0.78%	McMillan Shakespeare
0.76%	Slater & Gordon

	Negative
-0.25%	Metcash
-0.22%	QBE Insurance
-0.09%	Amcor
-0.08%	Sigma Pharmaceuticals

Disclaimer

Prepared by: APSEC Funds Management Pty Ltd

Lvl 4, 151 Castelreagh Street, Sydney, NSW, 2000

(+612) 8356 9356