# Atlantic Pacific
# Australian Equity Fund

ARSN 158 861 155

## Fund Report and Commentary - 30 September 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] | 3.51% | 16.08% | n/a | n/a | 17.35% |
| Index | 2.19% | 10.20% | n/a | n/a | 7.64% |
| Relative | 1.32% | 5.88% | n/a | n/a | 9.71% |

### Key Fund Data

| | | | |
|---|---|---|---|
| Unit Price (Mid) | 1.1735 | $10,000 | Min. Investment |
| MER | 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% | 3.51% | | | | 17.35% |

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

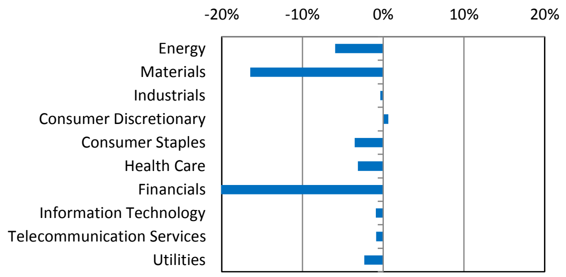
Over the month, markets remained bouyant post the more than satisfactory completion of the Australian company reporting season and the Australian election. As noted in the previous Fund monthly, Premier Investments (PMV) reported in Semptember. While the company's report did not meet market nor our expectations, the share price continued to rally regardless. We would have ordinarily expected a negative price action, which enabled liquidation of the position without impairment. Further, we were exposed to Kathmandu (KMD) in a limited way. We were concerned with the results from their winter season and risked lower levels of capital than otherwise would have been set. However, it reported very strongly, almost unaffected by the unseasonally warm winter at an aggregate level. It is one of those situations where you wished you had more. Through the month, we also trimmed, at near recent tops, a number of strong performers including Challenger Financial (CGF), Crown (CWN), Fletcher Building (FBU), Fortescue Metals (FMG) and JB Hi-Fi (JBH). We accumulated further in Insurance Australia Group (IAG) after it went ex-dividend at recent lows. This is our preferred insurance exposure after a weak showing by QBE Insurance (QBE) recently. Telstra (TLS) was also stocked up on after reverting lower during the month. On the macro front, the decision to not taper caused some deterioration in performance for the fund as market exposure had been reduced leading into the event. However, this pop in market performance proved transitory as the market started to focus on the US Government shutdown and debt ceiling limit. Despite this, the Australian market traversed the back end of the month with very little correlation with other major markets.

## Outlook

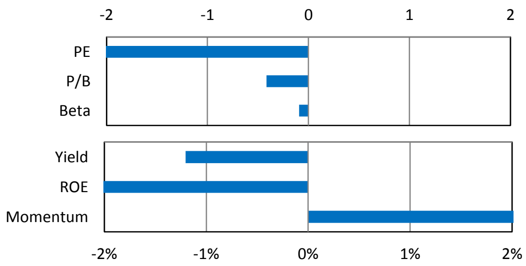
After internal analysis post the recent reporting season, it became apparent that a very large proportion (70%+) of liquid names in the Australian market have reached their historical forward valuation highs. This was last seen in the lead up to the peaks of the GFC. In light of this, valuation alone is not a reason to invest in this market. We remain focussed on positive revision names at reasonable prices. The ongoing brinkmanship occurring in Washington may see markets revert somewhat. One would hope that this is fixed sooner rather than later. On the event horizon, the AGM season starts in earnest in October. This will provide updates on how companies are moving through the back half of the year. None more important from our perspective is McMillan Shakespeare (MMS) where we anticipate positive comments in terms of the rebound in the demand for their service offering. Otherwise, our expectations for our core names has not materially changed, nor do we expect them to through the AGM season. Third quarter production reports will also start to be released over this month which may present opportunity.

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

**Sector Exposure**




**Factor Exposure**




## Contributors to Performance

**Positive**

Fletcher Building
Fortescue Metals
JB Hi-Fi
Slater & Gordon

**Negative**

AWE
Gryphon Minerals
Sigma Pharmaceuticals

## Disclaimer


In preparing this document, APSEC Funds Management Pty Ltd, as the Investment Manager of the APAEF, did not take into account the investment objectives, financial situation and particular needs of any individual person. Investors should consider, with or without the assistance of an advisor, whether the information is appropriate in the light of their personal financial circumstances. APSEC Funds Management Pty Ltd ACN 152 440 723 (APSECFM) is a corporate authorised representative (CAR: 411859) of APSEC Compliance and Administration AFSL 345 443 ACN 142 148 409. Information in this document is current as at 30 September 2013. This document was issued on 11 October 2013.

APSECFM believes that the information contained in this document is accurate when issued. APSECFM does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of APSECFM and its associates. This document should be regarded as general information only rather than advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain the relevant Product Disclosure Statement (PDS) relating to the APAEF and consider that PDS carefully before making any decision about the APAEF.

The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of APSECFM, and APSECFM accept no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. While due care and attention has been exercised in the preparation of the information, APSECFM gives no representation or warranty, either express or implied, as to the accuracy, completeness or reliability of that information. Any opinions expressed in this document may be subject to change. APSECFM is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither APSECFM nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this document.

Neither One Managed Investment Funds Limited (OMIFL) ABN 47 117 400 987 AFSL 297042 the Responsible Entity of the APAEF, nor APSECFM guarantees the performance of the APAEF or the repayment of any investor's capital. To the extent permitted by law, neither OMIFL nor APSECFM, including their employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this document. Past performance is not indicative of future performance.



Prepared by: APSEC Funds Management Pty Ltd

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

(+61 2) 8356 9356