Atlantic Pacific
Australian Equity Fund

ARSN 158 861 155

Fund Report and Commentary - 31 December 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]	2.58%	1.38%	17.69%	n/a	18.97%
Index	0.79%	3.42%	13.97%	n/a	11.33%
Relative	1.79%	-2.04%	3.72%	n/a	7.64%

Key Fund Data

Unit Price (Mid)	1.1897	$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%	1.92%	-3.03%	2.58%	18.97%

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

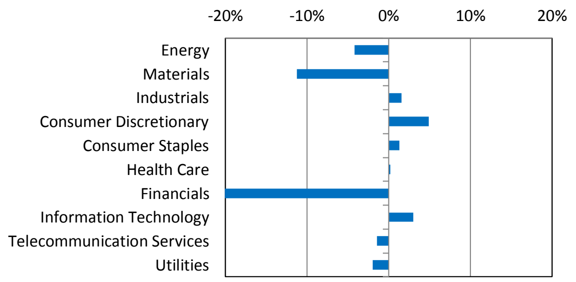
Over the month the Australian market, like most markets globally, exhibited a significant range of performance with our market down almost 5% intra-month in the lead up to the US Federal Open Market Committee meeting. Post the meeting and their indication of the start of tapering, led to an unexpectedly strong rally, albeit with very low volumes over the Christmas period, with the Australian market ending in positive territory. The fund's largest drawdown intra-month was 2.8% due to lower exposure in the early part of the month. Pleasingly, we kept most of the relative alpha as well as recovering most of the underperformance last month due to Forge Group's appalling update as the market snapped back. Fund activity was focussed on mean reversion names where a company's share price had become oversold. We entered Wesfarmers (WES) near recent lows which bounced back very strongly (>7%) after being the most oversold name in the market for 5 days running. We accumulated further in M2 Telecommunications (MTU), once again at recent lows, as we see the valuation discrepancy to other mid-cap telecommunication names as too wide. Leading into MTU's next reporting, we see the opportunity for upgrades with consensus lagging somewhat. Exposure in Financials were also increased after many names had become oversold including Suncorp (SUN) and ANZ Group (ANZ). The Fund was finally able to accumulate a position in Sonic Healthcare (SHL), after being oversold due to US competitor results potentially having implications for their US business. They subsequently indicated a strong US business out-of-kilter with their US comparables. We expect SHL to report strongly with translation beneifts, in our view, yet to be fully appreciated by the market. Amcor (AMC) was a strong performer for the Fund with the stock well supported in the lead up to the split of their assets. AMC remains a core reporting period name over the coming months due to business momentum as well as translation benefits.

Outlook

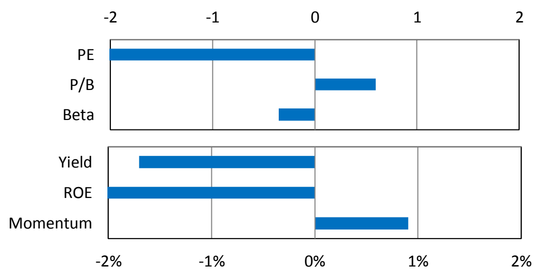
December 2013 provided the downside volatility to enter names in preparation for the coming Australian reporting season. The coming months of February and March are key for the fund to generate relative alpha. While we can't forecast with perfect accuracy, we hope this translates to positive returns as well. We are focussed on companies that are likely to upgrade their earnings due to continuing business momentum, AUD translation or where we believe market analysts are understating a company's earnings potential. As always during reporting periods there are many opportunities and our capital allocation will be tied to actual reporting period dates. First events to hit the market will be major resource company production reports. Iron ore production and implied profitability will likely be strong. Then the onslaught of half yearly/full year results and quarterly banking updates will set the tone for the coming half. While there are many companies under pressure, whether due to idiosyncratic or industry trends, overall we feel confident on average most companies will report well. This needs to occur as without earnings support, the market cannot be trading on valuations currently achieved.

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

Sector Exposure



Factor Exposure



Company Contributors to Performance

Positive
Forge Group
Slater & Gordon
Amcor
ANZ Group

Negative
McMillan Shakespeare
Crown Resorts
Fortescue Metals Group
Westfield Group

Disclaimer

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