Atlantic Pacific
Australian Equity Fund

ARSN 158 861 155

Fund Report and Commentary - 28 February 2014

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]	3.83%	3.66%	6.05%	n/a	20.23%
Index	4.97%	2.60%	7.59%	n/a	13.32%
Relative	-1.14%	1.07%	-1.54%	n/a	6.91%

Key Fund Data

Unit Price (Mid)	1.2023	$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%
2014	-2.67%	3.83%											1.06%

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 1 February 2014, may be obtained from www.oneinvestment.com.au/atlantic or from APSEC Funds Management directly.

2. Performance Fees are charged where the Fund's gross 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 1 February 2014. The gross performance fee is effective from 1 April 2013 as per the continuous disclosure found on www.oneinvestment.com.au/atlantic.

Fund Activity

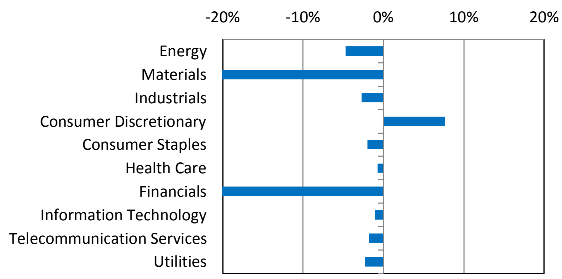
After a significant down month during January 2014, the Australian market continued falling early in the month making its way down 2.3%. We had positioned conservatively through this period with lower market exposure resulting in very little downside performance. However, post this the market rallied over 8% driven in part by stronger than expected earnings results as well as a general bid across global markets. We had increased exposure through this period picking up some of the market run but were somewhat under-exposed during this curious period. The key driver of this outperformance was the rally in resource names which were well bid due to very strong cost-out performance. As noted in January, we had removed all of our Resource exposure due to expectations of falling Iron Ore prices and weak activity data in China. These conditions would ordinarily correlate with underperformance in the major resource names. Much to our surpise the opposite occurred. However, at the time of writing these names have fallen past our liquidation prices. Investments are never about a one month fad but a view on the medium term outlook. Notwithstanding, the core of the portfolio continued to perform well over the reporting period with outperformance in previously mentioned names including Slater & Gordon (SGH), Lend Lease (LLC) and Tassal Group (TGR). But what stole the limelight this reporting period were advertising names. While we had no exposure to the "traditional" media names like Fairfax (FXJ) which in our view was a stellar result, the Fund's exposure to Seek (SEK) and iCar Asia (ICQ) resulted in nothing short of spectacular returns. For example, Seek, already a multi-billion dollar company, put on a billion dollars of market capitalisation by the end of the month. On the negative side, Amcor (AMC) was the only company not to report as expected but given its general low volatility profile, was not harmful to the Fund's returns. Our investment in McMillan Shakespeare (MMS) has yet to show any positive reversion despite the business bouncing back strongly.

Outlook

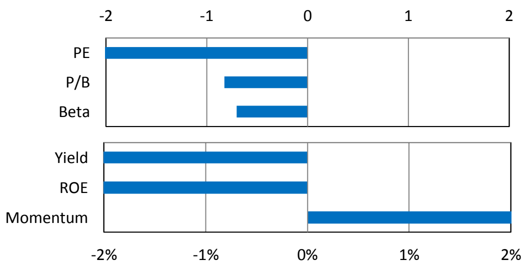
Post the majority of companies reporting through February 2014, there should be some optimism in Australian equity markets that indeed companies are in good shape to take advantage of any cyclical upswing in the Australian economy. There are tentative signs of a strengthening in Eastern coast economies as seen in building activity and retail sales, offsetting the looming construction slowdown in the West. This bodes well for industrial shares exposed to the consumer, whether through investment or consumption. On the resources front, we remain of the view they will continue to underperform over the medium term, particularly those companies exposed to iron ore. This commodity essentially explains the top three resource companies in Australia in terms of major revenue contribution. This is not only supported through our own judgement, but indeed the companies themselves. They have all indicated iron ore prices are going to fall. They know they are bringing on too much supply for steel consumers to handle. Consequently, we believe this has yet be fully priced in.

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

Sector Exposure



Factor Exposure



Company Contributors to Performance

Positive
ANZ Banking
Lend Lease
Seek
Slater & Gordon

Negative
Amcor
Forge
McMillan Shakespeare

Disclaimer

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