

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155



Fund Report and Commentary - 30 April 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	2.04%	7.27%	3.85%	n/a	24.21%
Index	1.77%	7.14%	3.35%	n/a	15.67%
Relative	0.27%	0.13%	0.51%	n/a	8.54%

Key Fund Data

Unit Price (Mid)	1.2421	\$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%	1.25%	2.04%									4.40%

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

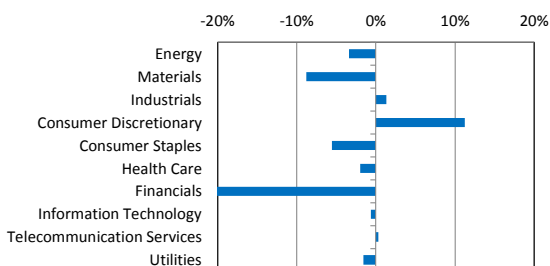
The Australian equity market achieved a strong return of 1.77% with defensive and income equity securities (including staples, utilities and financials) driving returns. Small capitalisation securities significantly underperformed, falling 1.24%, a massive 3% underperformance. It would appear the entities which had reached lofty valuations (eg G8 Education (GEM), Capital Health (CAJ), Xero (XRO) & various asset managers) have now reverted significantly. While APAEF has some small company exposure, the exposure was not overly detrimental with a number of our names recovering post positive trading updates including Cash Converters (CCV) and Sigma Pharmaceuticals (SIP). In the large cap space, APAEF's exposure to laggards (companies who's shares that have been slow to adjust to the rally over the past couple of months) and coincidentally names starting with "W" (Wesfarmers, Westfield, Westpac & Woolworths) served APAEF well. Towards the end of the month near their highest prices, the exposure to consumer staples (Wesfarmers & Woolworths) was cut completely as each had reached our price target. When a staples company is trading on over 20x forward PE leading into a sales result event, one reviews the holding and acts accordingly. In our view, these names presented with a negative asymmetry with the valuation being the main argument not to hold these securities. Subsequent to both Wesfarmers and Woolworths 3Q sales events, they have underperformed the broader market by over 4%. We will be patient with accumulating these securities if and when their prices revert further. Other APAEF activity included liquidating APAEF's position in Sigma Pharmaceutical (SIP) at 72.5c. This was in part due to our risk management process (related to the reduction in share prices of other outperforming small capitalisation securities) in addition to the company's shares meeting our price target. On the buy side, we were finally able to re-accumulate Amcor (AMC) at around \$10 flat. This remains one of our higher conviction global cyclical investments over the next couple of years. We also remain on the buy tack for our preferred internet related names including Seek (SEK) and iCar Asia (ICQ), with the recent washout across the globe in social media and related names potentially presenting further topping-up opportunities.

Outlook

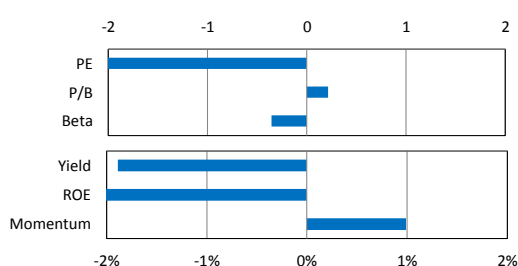
Over the past month, the macroeconomic outlook for the global economy has somewhat muddled with weakness in Europe starting to emerge. This is not surprising in some ways given the core of Europe's exposure to China. With the potential for China to fall faster than expectations (as it appears to be progressing), Europe will not be immune particularly Germany's manufacturing sectors. However, at the time of writing, it would appear the European Central Bank is ready to institute its own course of quantitative easing which is likely to offset the liquidity reduction by the US Federal Reserve. This could provide further liquidity to equity markets. The situation in Ukraine also does not bode well for markets if indeed there are further incursions by Russia. The Australian Federal budget is also to be handed down which may have ramifications for consumer sentiment, house prices and income if indeed the mooted "debt-tax" comes into play. We will review the overweight to consumer discretionary names in light of this information coming to market.

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

Sector Exposure



Factor Exposure



Company Contributors to Performance

Positive
Cash Converters
Sigma Pharmaceuticals
Tassal Group
Westfield Group
Negative
Iluka Minerals
Kathmandu
Seek

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