

Fund Report and Commentary - 30 June 2014

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

Period	Inception (June 2013)					
	1 mth	3 mth	6 mth	1 yr	Cumulative	Per Annum
Fund Return ¹	-0.28%	1.32%	3.67%	22.0%	23.3%	21.4%
Index	-1.50%	0.93%	3.04%	17.4%	14.7%	13.5%
Outperformance	1.21%	0.39%	0.63%	4.6%	8.6%	7.9%

Key Fund Data

Unit Price (Mid)	1.1243	\$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%	-0.42%	-0.28%							3.67%

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 ("Fund") asset values have been calculated using unaudited price and income estimates for the month being reported.

2. Performance Fees are charged where the Fund's gross performance (before fees and expenses) exceeds the performance of the S&P/ASX 200 Accumulation Index by 3%pa and the Fund's High water mark.

Fund Activity

The Australian equity market returned -1.50% for the month of June 2014 significantly uncorrelated with the US and other major Asian equity markets. Europe performed similarly to our market in part driven by weakening activity in Germany. The weaker activity in Europe has continued into July 2014 leading to deep falls in their respective markets. In Australian equity markets during May 2014, defensives significantly underperformed with the Consumer Staples sector down 4.5%, Healthcare sector down 3.3% and the Telecoms sector down 2.5%. Interestingly, Utilities remain a favourite at the moment, rising 0.9%. Activity for the month was targetted at oversold companies which had reverted to our near term entry prices. This included Woolworths (WOW) where we accumulated towards the end of the month. Similarly, Westpac (WBC) was topped up. On the company event front, there were a few announcements that impacted returns. For Asciano (AIO), the company confirmed guidance for the current fiscal year as well as indicating a faster growth profile moving forward due to cost control. This was positively viewed by the market. We are happy with the levels at which we have accumulated in AIO and will remain a core holding for the foreseeable future. Our small position in Kathmandu (KMD) was negatively affected by a trading update in which the company indicated very weak winter sales. This is one of three key selling periods for the company and due to unseasonally warm weather has underperformed. While the company has been managed well over the past couple of years, we took the decision to liquidate the position and reduce the Fund's overweight to consumer discretionary names somewhat. On a positive note, the Fund's positions in Slater & Gordon (SGH) and iCar Asia (ICQ), which make up part of the Fund's consumer discretionary overweight, performed strongly. Westfield Group (formerly WDC) was demerged towards the end of the month into Westfield Corporation (WFD), a US/UK focussed shopping mall developer and Scentre Group (SCG), a merger between Westfield Retail (WRT) and the Australasian assets of WDC. The Fund was positively exposed to this event and was a positive contributor to returns for June 2014. On a slightly humorous note, we are always curious as to how the end of the financial year is closed with various large institutional fund managers jockeying for best prices, or indeed as it turned out, worst prices. This past month was of no surprise once again with volume imbalance on the sell side. In the last 30 minutes of trading for the financial year, the market was sold down 50bps. Goodness knows why this selling wasn't parcelled up over the preceding three or more trading days. Nevertheless, this is the market we operate in and makes you wonder why this is allowed to happen or indeed why some fund managers decide to achieve poor outcomes for investors. Finally, the Fund has paid a distribution of 10.91c for the 2014 Financial Year. The cum-distribution mid unit price was 1.2334 and the ex-distribution mid unit price is now 1.1243.

Outlook

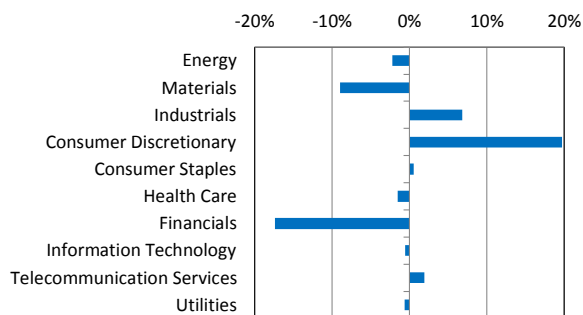
As we noted last month, significant uncertainty had presented itself due to the recent Federal Budget. At the time of writing, while a number of companies have reported poor May 2014 sales numbers, we still believe this is a transitory dynamic. A number of the companies the Fund owns were hit by the initial sympathy sell-off, but most have reverted strongly from lows. Otherwise, we are looking to fine-tune portfolio holdings over the coming months in anticipation of the next Australian company reporting season which we view positively for select companies. Essentially, we are looking for companies that are likely to report better than market expectations while at the same time de-risk positions that have performed too strongly into a particular company result. We always look forward to this period as it determines to a large extent the likely future price path of a company's shares over the medium term. On the macro front, expectations for the raising of interest rates in the US has been brought forward after continued positive dynamics in their housing and employment markets. In Europe, there remains significant uncertainty by not only weaker economic activity across the board but also the implementation of their version of "QE". It remains to be seen, given the very slow moving nature of key European institutions, whether the Europeans will act quickly enough. Their lack of action has been an issue in the past and appears to be manifesting again.

See the final page of this report for important information, including warnings.

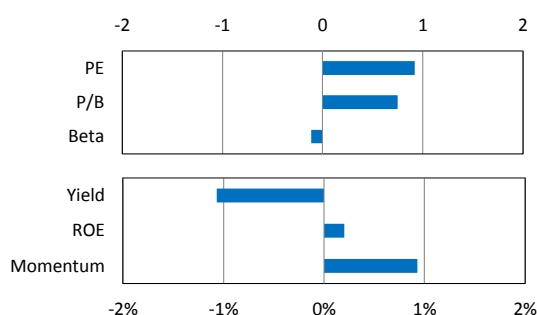
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Fund Positioning relative to the S&P/ASX 200 Index

Sector Exposure



Factor Exposure



Company Contributors to Performance

Positive
iCar Asia
Slater & Gordon
STW Communications
Westfield/Scentre Groups
Negative
Iluka Minerals
Flight Centre
McMillan Shakespeare
Seek

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Prepared by: APSEC Funds Management Pty Ltd

Lvl 4, 151 Castlereagh Street, Sydney, NSW, 2000, (+61 2) 8356 9356