Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Report and Commentary - 30 November 2014

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

Period	1 mth	3 mth	6 mth	1 yr	Inception (June 2013) Cumulative	Inception (June 2013) Per Annum
Fund Return[1]	1.05%	1.69%	7.0%	14.1%	32.3%	20.5%
Index	-3.25%	-4.40%	-1.1%	4.3%	15.2%	9.9%
Outperformance	4.30%	6.09%	8.0%	9.8%	17.1%	10.6%

Key Fund Data

Unit Price (Mid)	1.2060	$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%	3.15%	2.27%	-2.89%	3.63%	1.05%		11.21%

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 (S&P/ASX200 Accumulation) returned -3.25% for the month of November 2014, including an accrual of 0.50% of dividend income arresting some of the capital decline of the market. Most of the capital losses this month came from materials (-5.5%) and energy (-13.2%) companies. In addition and of special note was the very poor performance of Woolworths (WOW, down 13.5%) which led to the consumer staples sector falling 8.3%. This is an outstanding negative return for a company viewed as defensive. However, when your business isn't performing as expected (Grocery, Hardware, Discount Retail) and your company's shares are expensive, it was of no surprise the size of the price fall. We wouldn't be surprised of further negative news for WOW leading into the next financial reporting period and we will avoid investing in WOW for the time being. The Fund's exposure to material and energy sectors has been minimal for some time now with the only exception of Oil Search (OSH). Amongst the monthly price volatility of energy companies we were able to exit the Fund's position in OSH with no negative drag to performance. Early in the month, the Fund's position in Commonwealth Bank (CBA) was liquidated at around $82.50 after accumulating during the lows of October 2014. This led to a significant underweight to Australian banks which has been evident since the inception of the Fund. Given the outcome of the Financial Services Inquiry is likely to lead to higher capital requirements over the medium term and hence lower ROEs, we don't believe holding banks per se which are at near record highs (dividend adjusted) is necessarily a positive asymmetric investment. The Fund returned 1.05% delivering a record monthly relative performance of 4.30% since inception of the Fund. This was the culmination of very strong active tilts away from underperforming sectors, a continuation of our defensive positioning (lower market exposure) which has generally been the case for the past three months and stock selection in outperforming companies. We mentioned last month one of our higher conviction themes in the portfolio had been the concentration of exposure to companies with international exposure. Simplistically this is driven by strong translation of earnings back into AUD. We continued to invest the capital of the Fund into these companies including increasing our long held position in Westfield Corporation (WFD). However, WFD not only have strong translation benefits from a falling AUD, but have strong exposure (through their premium shopping centre assets) to retail sales in their terminal markets (the US & UK) which are leading the western world. We suspect we will hold WFD for some time dependent on valuation and continued positive retail sales activity in the US and UK. While most investments went our way this month, there were a few negative outcomes. The Fund's investment in Flexigroup (FXL) was adversely impacted by a weak trading update. We were able to partially liquidate some of the position on the opening of trading and now are happy to continue holding as prices are too low in our view. The Fund's position in Sonic Healthcare (SHL) was also hit by a weak trading update mostly due to lower volumes in their Australian business brought on by consumer confusion due to the co-payment announced by the Federal government. We have not liquidated any of the position as it would appear the co-payment will be scrapped by the Federal Government and consequently the Australian business will move to a business-as-usual state. Importantly, they also have a growing presence overseas and over the medium term will have positive translation benefits for Australian investors.

Outlook

The Fund's positioning over the coming months is likely to remain defensive as the outlook has become murkier in Australia. Materials and energy shares are now just as likely to underperform and remain a "value-trap" given market analyst's inability to forecast short term commodity prices. Financial Services, particularly banks, have a negative investment asymmetry in our view due to the increasing probability of the requirement for higher capital levels post the Financial Services Inquiry recommendations. Further, with earnings growth for Australian banks dominated by their provision cycles, it would appear earnings growth will now be harder to come by. This does not bode well for market returns given 60% of the market's capitalisation is accounted for by Materials and Financials. After analysing market analyst expectations for the Top 50 companies in Australia, there is only a handful of companies that have had earnings revised positively over the past three months, dominated by companies with mostly overseas earnings streams. This weak earnings environment must be accompanied by caution given valuations are not necessarily supportive. This leads us to believe the market will remain in a trading range as it has been for most of 2014. Consequently, company selection and timing of entry into shares over the coming year will be paramount as will our defensive capabilities. This is particularly relevant as we head into the February 2015 reporting season after a generally good AGM season for companies that we have held. We remain overweight consumer discretionary companies with the view that the Australian consumer (and in some cases specific international geographies) will support top line growth leading into the peak Christmas spending period. Similarly, companies with overseas exposure with generally predictable growth will feature prominently as it is unlikely the Australian dollar will revert back to parity anytime soon.

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

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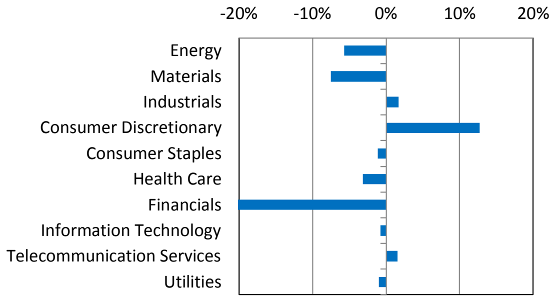
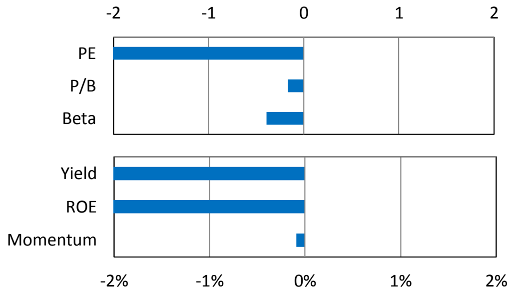
Fund Positioning relative to the S&P/ASX 200 Index

Sector Exposure



Factor Exposure



Company Contributors to Performance

Positive
Amcor
Magellan Financial Group
M2 Group
Westfield Group

Negative
Fairfax Media
Flexigroup
Premier Investments
Sonic Healthcare

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