Atlantic Pacific
Australian Equity Fund

ARSN 158 861 155

APSEC FUNDS MANAGEMENT

Fund Report and Commentary - 31 December 2015

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

Period	1 mth	3 mth	6 mth	1 yr	2 yr (pa)	Inception (June 2013) Cumulative	Inception (June 2013) Per Annum
Fund Return[1]	1.06%	5.94%	10.1%	10.8%	12.4%	50.4%	17.1%
Index	2.73%	6.48%	-0.5%	2.6%	4.1%	20.6%	7.5%
Outperformance	-1.66%	-0.54%	10.6%	8.3%	8.4%	29.8%	9.6%

Key Fund Data

APIR Code	OMF0003AU		
Ex Unit Price (Mid)	1.3221	$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%	2.56%	14.06%
2015	2.62%	5.60%	-0.66%	-1.82%	0.88%	-5.58%	3.80%	0.81%	-0.67%	4.71%	0.11%	1.06%	10.85%

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. Past performance is not indicative of future performance.
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 ended the month up 2.73% after falling almost 5% in the early part of the month. The 8% rally to end the month was once again contrived in light of very low volumes over the Christmas and New Years' period. Low volumes can work in the opposite direction as well as witnessed by the ~7% fall already apparent in January 2016. We always wonder why individual investors choose to ramp markets at times of significant uncertainty and it certainly shows, in hindsight, the rally witnessed through the latter parts of December 2015 was a "fools rally". Notwithstanding, the Fund ended the year on a high, achieving a double digit return of 10.85% after all fees before tax. Clearly, had the "fools rally" not eventuated, the Australian market would have had its first negative return in 5 years. The Fund's performance for December 2015 was in keeping with what we have been writing about for some time now ie hitting singles. We are glad to present a generally strong year with June 2015 the worst driven by a mid-capitalisation company sell-off and August 2015 the high with the Fund accruing a positive outcome in a market down over 7%. Over the month, the Fund had a number of strong outcomes. In particular, Greencross (GXL) was bid up strongly on the basis of a rumour of a Private Equity firm looking to take a stake. While there has been no formal offer for the company, it is now apparent a Private Equity firm, TPG Capital, has established a substantial position in the company. We had accumulated the position as the company's shares sold-off aggressively leaving us with handsome profits by the end of the month with the price up almost 40% from its lows. Corporate Travel (CTD), which we have typically accumulated on "no-news" down spikes over the past year, updated guidance by 10% leading to a 30% rally from the month's lows. We were also able to trade BHP Billiton (BHP) profitably (buying sub $17, liquidating over $18) with what appeared to be an oversold state post their disastrous Samarco announcement. We have also chosen to liquidate the Fund's position in Domino's Pizza (DMP) post an acquisition in Germany. Ordinarily, we would be positive on such an announcement as typically they acquire with positive dynamics in the short term. However, their recent acquisition is long-dated and appears to carry some risk of underperformance given the existing owners have struggled to make this business work. A similar view can be taken on their Japanese business, which post the favourable initial deal price metrics in 2014, has failed to excite. This, in our view, presents significant earnings risk with two businesses potentially at risk of underperformance. With the company's shares on over 50x forward earnings and our expectation of a much bigger bang from acquisitions, the asymmetry appears not to be in investor's favour. Of course, their Australian business is firing on all cylinders which may ameliorate these concerns over the coming reporting period. We also chose to liquidate the Fund's position in JB Hi-Fi (JBH), simply from fear of the company having deteriorating margins in light of heavy discounting by one of their competitors, Dick Smith (DSH). In hindsight, now with Dick Smith out of the way, future margins should be restored and improve subject to Dick Smith not coming back into the equation.

Outlook

Moving into 2016, we would highlight a number of important dynamics which all investors should be positioning for. Firstly, similar to last year, our preferred stance has been more defensive than not. We exited 2015 with the lowest equity exposure we have had (relative to prior years) but not dissimilar to the past 6 months. Given the slow, unrelenting sell-offs we have experienced over the past 6 months we believe this to be a prudent course of action. We have shown in the past that we are adept at navigating these types of market conditions and we will continue to strive to provide strong downside performance. As we have noted before, investing is just as much about saving money as it is making money. By saving money, we are able to effectively reset the price point at which we enter markets. Secondly, the macroeconomic environment is as murky as it has ever been. With the US now firmly set in a normalisation state, how this impacts global markets will be of keen interest to all investors. Historically, the starting phase has generally meant on average sell-off of around 7-10%. It would appear markets have completed this phase already this month. However, with the noise in China continuing to dominate while their authorities have been unable to provide any cohesive policy framework, we suspect there is further short term downside to come. We remain underexposed to China in relation to the investment or consumer sectors of their economy. Thirdly and most importantly, the reporting seasons through February/March and August/September will remain our core focus over the year as changes in earnings will guide us as to what companies we need to be positioned in. We aren't necessarily a proponent of buying defensive companies that have been outperformers over the past year, as they have witnessed generally falling earnings expectations and rising valuations. Eventually this will give. So we are looking for clear signs of improving underlying company activity as we have done in the past.

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

Prepared by: APSEC Funds Management Pty Ltd

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

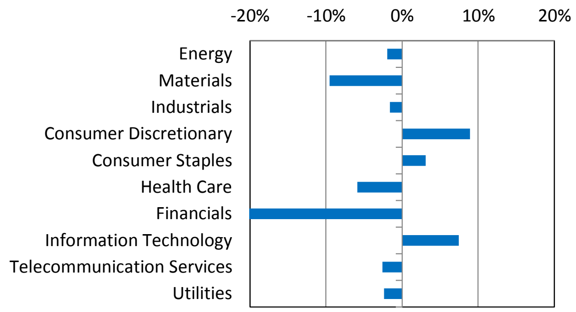
Atlantic Pacific
Australian Equity Fund

ARSN 158 861 155

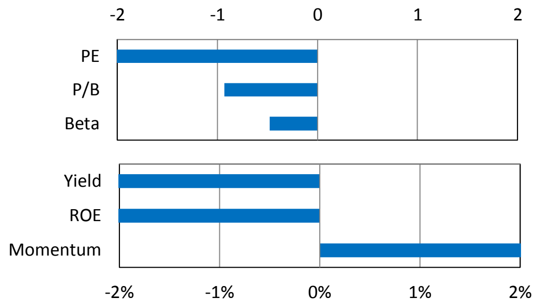
Fund Report and Commentary - 31 December 2015

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

Sector Exposure



Factor Exposure



Company Contributors to Performance

Positive

BHP Billiton
Corporate Travel
Greencross
Tassal Group

Negative

Norwood Systems
Santos
Select Harvests

Disclaimer

APSEC Funds Management Pty Ltd ACN 152 440 723 (APSECFM) is a corporate authorised representative (CAR: 411859) of APSEC Compliance and Administration Pty Limited (AFSL 345 443 ACN 142 148 409). APSECFM is the investment manager of the Atlantic Pacific Australian Equity Fund (ARSN 158 861 155) (Fund).

One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) is the responsibility entity of the Fund (OMIFL). The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the product disclosure statement (PDS) issued by OMIFL before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it is important investors obtain and read a copy of the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. A copy of the PDS & Additional PDS (Dated 1 February 2014) and continuous disclosures may be obtained from www.oneinvestment.com.au/atlantic or www.apsecfm.com.au.

APSECFM believes that the information contained in this document is accurate when issued. APSECFM does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of APSECFM and its associates. This document should be regarded as general information only rather than advice. In preparing this document, APSECFM did not take into account the investment objectives, financial situation and particular needs of any individual person.

The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of APSECFM, and APSECFM accept no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. Any opinions expressed in this document may be subject to change. APSECFM is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither APSECFM nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this document. Any historical figures or statistical data quoted within this report have been sourced from industry sources such as ASX, IRESS, Bloomberg, Reuters or similar that are assumed to be reliable and accurate at the time of publication.

OMIFL and APSECFM do not guarantee the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither OMIFL nor APSECFM, including their directors, senior executives, employees, consultants, advisers, officers or authorised representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this document. Past performance is not indicative of future performance. Information in this document is current as at 31 December 2015.

Prepared by: APSEC Funds Management Pty Limited

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