

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Interim report

For the half-year ended 31 December 2016

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made in respect of Atlantic Pacific Australian Equity Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim report covers Atlantic Pacific Australian Equity Fund as an individual entity.

The Responsible Entity of Atlantic Pacific Australian Equity Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 2, 575 Bourke Street,
Melbourne, Victoria 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Atlantic Pacific Australian Equity Fund (the "Fund"), present their report together with the interim financial statements of the Fund for the half-year ended 31 December 2016.

Principal activities

The Fund invests in a portfolio of securities that are listed, or expected to be listed on the Australian Securities Exchange. The Fund may also invest in cash, cash equivalents and convertible notes associated with Australian listed entities.

The Fund did not have any employees during the half-year.

There were no significant changes in the nature of the Fund's activities during the half-year.

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	APSEC Funds Management Pty Ltd
Administrator and Custodian	FundBPO Pty Ltd
Prime Broker	Interactive Brokers LLC
Statutory Auditor	PricewaterhouseCoopers

Equity Trustees Limited was appointed as Responsible Entity on 8 September 2016, following the retirement of One Managed Investment Funds Limited who acted as Responsible Entity from 1 July 2016 to 8 September 2016.

On 8 September 2016, Unity Funds Services Pty Limited retired as the Administrator and One Managed Investments Funds Limited as Custodian of the Fund. FundBPO Pty Ltd was appointed as the new Administrator and Custodian of the Fund on the same date.

Directors

The following persons held office as directors of One Managed Investment Funds Limited from 1 July 2016 to 8 September 2016.

Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

The following persons held office as directors of Equity Trustees Limited from 8 September 2016 and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	
Martin G Walsh	
Geoffory R Rimmer	(resigned 4 October 2016)
Ian C Westley	(appointed 12 December 2016)

Review and results of operations

During the half-year, the Fund continued to invest funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance for the half-year ended 31 December 2016 was 0.75% (net of fees). The Fund's benchmark, the S&P/ASX 200 Accumulation Index returned 10.59% for the same period.

Directors' report (continued)

Review and results of operations (continued)

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended	
	31 December 2016	31 December 2015
Operating profit/(loss) before finance costs attributable to unit holders (\$'000)	162	1,451

There were no distributions declared during the half-year ended 31 December 2016 and 31 December 2015.

Significant changes in the state of affairs

On 20 September 2016, the Fund changed its investment strategy to include short selling of Australian equity securities.

Geoffroy R Rimmer resigned as a director of Equity Trustees Limited on 4 October 2016.

Ian C Westley was appointed as a director of Equity Trustees Limited on 12 December 2016.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the half-year ended 31 December 2016.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited.



Philip D Gentry
Chairman

Melbourne
10 March 2017



Auditor's Independence Declaration

As lead auditor for the review of Atlantic Pacific Australian Equity Fund for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is written over a light blue horizontal line.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
10 March 2017

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Condensed statement of comprehensive income

	Note	Half-year ended	
		31 December 2016 \$'000	31 December 2015 \$'000
Investment income			
Interest income		46	34
Dividend income		137	215
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	495	1,632
Total net investment income/(loss)		678	1,881
Expenses			
Management fees		205	156
Performance fees		-	209
Custody and administration fees		44	-
Transaction costs		218	4
Other expenses		49	61
Total expenses		516	430
Operating profit/(loss)		162	1,451
Finance costs attributable to unit holders			
Distributions to unit holders	8	-	-
(Increase)/decrease in net assets attributable to unit holders	7	(162)	(1,451)
Profit/(loss) for the half-year		-	-
Other comprehensive income		-	-
Total comprehensive income for the half-year		-	-

The above condensed statement of comprehensive income should be read in conjunction with the accompanying note

Condensed statement of financial position

	Note	As at	
		31 December 2016 \$'000	30 June 2016 \$'000
Assets			
Cash and cash equivalents		12,822	14,365
Due from brokers - receivable for securities sold		549	3
Receivables	9	41	91
Financial assets held at fair value through profit or loss	5	12,459	11,453
Total assets		25,871	25,912
Liabilities			
Distributions payable		-	892
Payables	10	287	526
Due to brokers – payable for securities purchased		-	1,154
Financial liabilities held at fair value through profit or loss	6	59	-
Total liabilities (excluding net assets attributable to unit holders)		346	2,572
Net assets attributable to unit holders - liability	7	25,525	23,340

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

Condensed statement of changes in equity

	Half-year ended	
	31 December 2016 \$'000	31 December 2015 \$'000
Total equity at the beginning of the half-year	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the half-year	-	-

Under Australian Accounting Standards, net assets attributable to unit holders are classified as a liability rather than equity. As a result, there was no equity at the start or end of the half-year.

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed statement of cash flows

	Half-year ended	
	31 December	31 December
	2016	2015
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	43,664	41,798
Purchase of financial instruments held at fair value through profit or loss	(45,816)	(42,895)
Interest income received	57	28
Dividends received	155	268
Management fees paid	(205)	(137)
Performance fees paid	-	(140)
Custody and administration fees paid	(44)	-
Transaction costs paid	(218)	(4)
Other expenses paid	(60)	(87)
Net cash inflow/(outflow) from operating activities	(2,467)	(1,169)
Cash flow from financing activities		
Proceeds from applications by unit holders	3,190	4,524
Payments for redemptions by unit holders	(2,103)	(721)
Distributions paid to unit holders	(163)	(158)
Net cash inflow/(outflow) from financing activities	924	3,645
Net increase/(decrease) in cash and cash equivalents	(1,543)	2,476
Cash and cash equivalents at the beginning of the half-year	14,365	3,548
Cash and cash equivalents at the end of the half-year	12,822	6,024
Non-cash operating and financing activities		
Issue of units under the distribution reinvestment plan	729	331

The above condensed statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

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1 General information

These interim financial statements cover Atlantic Pacific Australian Equity Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, was constituted on 1 May 2012 and will terminate in accordance with the Fund's Constitution or by law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 2, 575 Bourke Street, Melbourne, VIC 3000.

The Fund invests in Australian listed equity securities, convertible notes and derivatives in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The interim financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

2 Basis of preparation

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These interim financial statements are presented in the Australian dollar.

Significant accounting policies

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Except for the above, the accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2016.

3 Fair value measurement

The Fund measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

3 Fair value measurement (continued)

(a) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2016 and 30 June 2016.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2016				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	12,459	-	-	12,459
Total financial assets	12,459	-	-	12,459
As at 31 December 2016				
Financial liabilities				
Financial liabilities held for trading:				
Futures	59	-	-	59
Total financial liabilities	59	-	-	59
As at 30 June 2016				
Financial assets held for trading:				
Futures	117	-	-	117
Financial assets designated at fair value through profit or loss:				
Listed equity securities	11,336	-	-	11,336
Total financial assets	11,453	-	-	11,453

3 Fair value measurement (continued)

(c) Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(d) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior reporting period.

4 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Half-year ended	
	31 December	31 December
	2016	2015
	\$'000	\$'000
Financial assets		
Net gain/(loss) on financial assets held for trading	(182)	-
Net gain/(loss) on financial assets designated as at fair value through profit or loss	853	1,632
Net gains/(losses) on financial assets held at fair value through profit or loss	671	1,632
Net realised gain/(loss) on financial assets held at fair value through profit or loss	1,154	905
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	(483)	727
Net gains/(losses) on financial assets held at fair value through profit or loss	671	1,632
Financial liabilities		
Net gain/(loss) on financial liabilities held for trading	(176)	-
Net gains/(losses) on financial liabilities held at fair value through profit or loss	(176)	-
Net unrealised gain/(loss) on financial liabilities held at fair value through profit or loss	(176)	-
Net gains/(losses) on financial liabilities held at fair value through profit or loss	(176)	-
Total net gains/(losses) on financial instruments held at fair value through profit or loss	495	1,632

5 Financial assets held at fair value through profit or loss

	As at	
	31 December 2016 \$'000	30 June 2016 \$'000
Held for trading		
Futures	-	117
Total held for trading	-	117
Designated at fair value through profit or loss		
Listed equity securities	12,459	11,336
Total designated at fair value through profit or loss	12,459	11,336
Total financial assets held at fair value through profit or loss	12,459	11,453

6 Financial liabilities held at fair value through profit or loss

	As at	
	31 December 2016 \$'000	30 June 2016 \$'000
Held for trading		
Futures	59	-
Total held for trading	59	-
Total financial liabilities held at fair value through profit or loss	59	-

7 Net assets attributable to unit holders

Movements in the number of units and net assets attributable to unit holders during the half-year were as follows:

	Half-year ended		Half-year ended	
	31 December 2016 Units '000	31 December 2016 \$'000	31 December 2015 Units '000	31 December 2015 \$'000
Opening balance	18,279	23,340	10,897	13,085
Applications	2,462	3,190	3,507	4,524
Redemptions	(1,471)	(1,896)	(496)	(638)
Reinvestment of distributions	571	729	276	331
Increase/(decrease) in net assets attributable to unit holders	-	162	-	1,451
Closing balance	19,841	25,525	14,184	18,753

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

8 Distributions to unit holders

There were no distributions declared during the half-year ended 31 December 2016 and 31 December 2015.

9 Receivables

	As at	
	31 December 2016 \$'000	30 June 2016 \$'000
Dividends receivable	-	18
Interest receivable	-	11
GST receivable	26	12
Other receivables	15	50
Total receivables	41	91

10 Payables

	As at	
	31 December 2016 \$'000	30 June 2016 \$'000
Management fees payable	95	127
Redemptions payable	192	399
Total payables	287	526

11 Events occurring after the reporting period

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed statement of financial position as at 31 December 2016 or on the results and cash flows of the Fund for the half-year ended on that date.

12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2016 and 30 June 2016.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The interim financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited.



Philip D Gentry
Chairman

Melbourne
10 March 2017



Independent auditor's review report to the members of Atlantic Pacific Australian Equity Fund

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atlantic Pacific Australian Equity Fund, which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of Equity Trustees Limited (the responsible entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atlantic Pacific Australian Equity Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Atlantic Pacific Australian Equity Fund is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to be 'George Sagonas'.

George Sagonas
Partner

Melbourne
10 March 2017