

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155



Fund Report and Commentary - 31 January 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	-2.67%	-3.19%	9.00%	n/a	15.79%
Index	-3.03%	-3.54%	5.06%	n/a	7.95%
Relative	0.36%	0.36%	3.94%	n/a	7.84%

Key Fund Data

Unit Price (Mid)	1.1579	\$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%												-2.67%

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 ("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

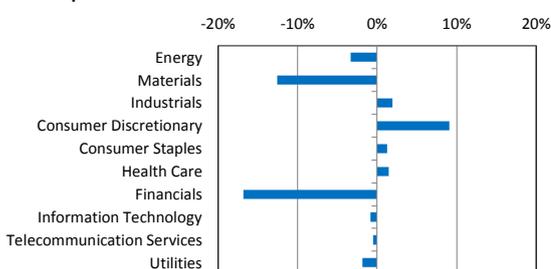
Over the month the Australian market exhibited significant downside volatility, though in local currency terms outperformed most markets. This was an extraordinary month globally with Japan down over 8% and other major markets down over 3.5%, in local currency terms. Interestingly, other commodity related equity markets globally were down significantly in line with commodity prices. The cross sectional volatility across sectors in Australia was also unusual given the events that had transpired over the month. The dominant downward movements in global markets related to emerging market events (the run on Argentina's currency, other emerging markets (eg Turkey) increasing domestic interest rates to protect their home currency, China's Manufacturing index moving into a negative state and later on a negative read in the US) had a perverse outcome in Australia whereby the Financials sector underperformed, perhaps relating to an implicit unwind of a carry trade in the higher yielding sectors. Ordinarily, perceived weakness in emerging markets or manufacturing indicators would result in a downward spiral in Resource names as was witnessed through most of the first half of last year. The relative sector performance was further confounding given the weakness seen across all major commodities and in particular Iron Ore which was down over 8% for the month. We unwound all of our large-cap resource exposure, albeit small, during the month in light of this uncertainty. Otherwise, retail names in Australia were hit quite hard after a number of company specific announcements (Super Cheap Auto, The Reject Shop). Over the past 6 months, we had been careful not to be positioned in companies which were very expensive relative to downgrade cycles (eg Super Cheap Auto) but it seemed to make no difference to our holdings in the electrical or apparel space including JB-HiFi which has subsequently reported very well. Slater & Gordon, a core holding of the Fund since inception, had quite sizeable price reversion of over 9% and accordingly was a large contributor to the negative returns for the month. On the plus side, our position in Nine Entertainment Group has finally started to pay-off after below average performance since its IPO.

Outlook

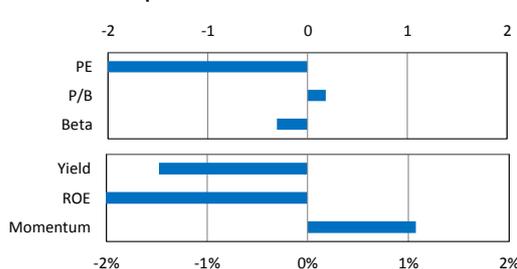
The Australian company reporting season is currently underway and is our main focus over the coming months. These reporting periods are what we look forward to and embrace as it validates our general view on companies. To date, ANZ Group, JB HiFi, Slater & Gordon, Tassal Group and Telstra have reported well and we expect over the medium term for these shares to outperform the broader market. From a risk management perspective we are very sensitive to the upcoming company reports and will liquidate positions if our expectations are not met. From a macro perspective, given the frequency of unanticipated events occurring outside our normal market hours during the month of January, we have a heightened sense of risk aversion and will tend to have lower exposure until some certainty prevails. In particular, further evidence of weaker than expected results in China and other parts of the world will result in less predictable markets and hence confirm our view to have lower exposure.

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

Sector Exposure



Factor Exposure



Company Contributors to Performance

Positive
Amcor
Magellan Financial
Nine Entertainment
Universal Coal
Negative
Forge
Seek
Slater & Gordon
Suncorp

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