

**Fund Report and Commentary - 30 June 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  | Inception (June 2013) |           |
|--------------------------|--------|--------|-------|-------|-----------------------|-----------|
|                          |        |        |       |       | Cumulative            | Per Annum |
| Fund Return <sup>1</sup> | -5.58% | -6.49% | 0.7%  | 10.8% | 36.6%                 | 16.2%     |
| Index                    | -5.30% | -6.55% | 3.1%  | 5.7%  | 21.2%                 | 9.7%      |
| Outperformance           | -0.28% | 0.06%  | -2.4% | 5.1%  | 15.4%                 | 6.5%      |

**Key Fund Data**

|                              |        |          |                     |
|------------------------------|--------|----------|---------------------|
| Ex Unit Price (Mid)          | 1.2007 | \$10,000 | Min. Investment     |
| MER                          | 2.2%   | \$5,000  | Add. Investment     |
| Performance Fee <sup>2</sup> | 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% |       |       |        |       |        |       | 0.67%  |

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 fell 5.30% for the month of June 2015, driven by uncertainty in Greece, compounded by tax-loss selling in Australia and various profit downgrades during the month. Drivers of underperformance included mid-caps falling a whopping 8.74% (a 1 in 3 year event) and small caps falling 8.09%. In terms of sectors, Consumer Discretionary fell the most (11.24%) followed by Materials (8.34%). Telecoms remained defensive losing only 1.34%. There were a number of profit warnings that occurred during the month including Flight Centre (FLT), Nine Entertainment (NEC), Retail Food Group (RFG) and Virtus Health (VRT). Slater & Gordon (SGH) fell the most over the month (41%) driven by an investigation by UK regulators into Quindell, a company SGH recently purchased a business from, for overstatement of revenues. SGH, as part of their case-by-case acquisition due diligence has downgraded the reported Quindell revenues by over 40% which would appear to offer the prospect of insulation though until the formal review has taken place by the UK regulator, all investors will be in the dark. In terms of portfolio activity, there was plenty to do through the month with liquidation of positions in order to lower the capital gains component of the distribution to be paid as at the end of June 2015. The distribution payable is 4.45c per unit, much lower than had been anticipated at the beginning of the month due to tax loss selling. Securities that had embedded tax losses which were liquidated partially or in full included Flexigroup (FXL), Retail Food Group (RFG), Seek (SEK), Slater & Gordon (SGH) and Wesfarmers (WES). Where we suffer a large loss in one day we tend to liquidate in order to remove the possibility of further losses. There are many examples of rebounding share prices but just as many which continue to fall. In all cases though, the opportunity to potentially buy at lower prices over the coming 12 months remains and will be a focus leading into company reports over the month of July and August. On the buy side, we continued to accumulate Sonic Healthcare (SHL) after an unexpected positive announcement regarding an EPS accretive deal in Switzerland. We also took the opportunity to accumulate in Magellan Financial Group (MFG) in anticipation that a Greece deal would eventuate, and with an expectation that asset managers would lead the market were a rebound to occur. MFG have continued to show very good inflows into their products with generally conservative exposure across major northern hemisphere equity markets. Their ability to continue to outperform their benchmarks bodes well for future inflows and performance fees. In addition, it remains a core position in light of a weakening AUD given most of their exposure remains tied to the US economy which has outperformed. We are avoiding European exposure at this juncture until we see the extent to which companies downgrade earnings given an almost 10% fall of the EURUSD. A number of companies have pre-guided for this dynamic. We have also topped up on our Boral (BLD) position with the view of adding exposure to positive dynamics in the Australian building segment which is likely to persist for a number of years as well as the turnaround that is occurring across all divisions. In particular, a probable move into sustained profitability over the coming periods for their US business will bode well for earnings over the coming years.

**Outlook**

At the time of writing, the Australian market has rebounded by around 2% post the resolution of panic in the Eurozone driven by underperformers of last month. This is similar to what other global markets have re-traced though Europe has been the strongest by far. Commodities remain on the nose for which we have very little exposure. Having witnessed a number of company profit warnings with negatives far outweighing positives we remain vigilant on our overall exposure and are a lot more circumspect as to the potential for the reporting season this time around. We were similarly predisposed 18 months ago and are hopeful the handful of companies we are expecting good results from will eventuate. The defensive component of our strategy has worked well over the past couple of months despite the negative outcomes of profit warnings the portfolio endured over June 2015 and the uncanny underperformance of the Australian market relative to other major markets globally. The Commonwealth Bank (CBA), Australia's bellwether bank, will report in the second week of August. Depending on the outcome of their report will to a great extent determine sentiment for the market in general over the coming months. Given their last trading update showed unexpected weakness, if they continue to report poorly, then if we are able to navigate the coming reporting season well with hit rates we have historically achieved, this will bode well for relative returns and hopefully absolute returns as well. We always look forward to the reporting season as a large proportion of the returns to be achieved in any one 6 month period for a particular security is dependent on guidance provided at this time of year.

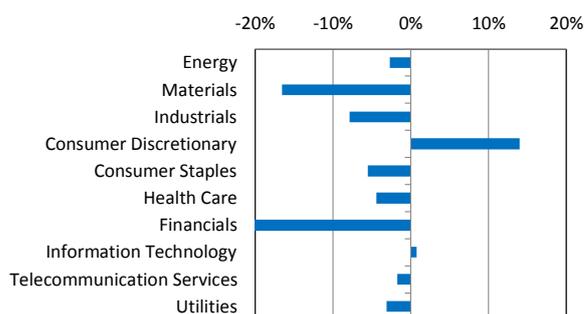
**See the final page of this report for important information, including warnings.**

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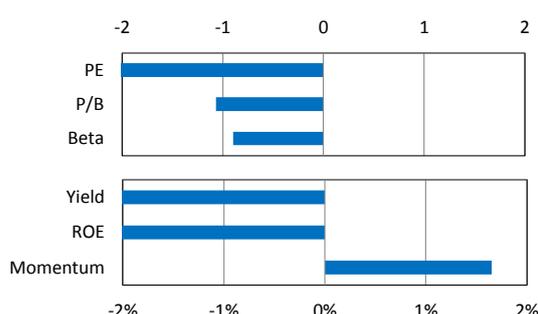
**Fund Positioning relative to the S&P/ASX 200 Index**

**Company Contributors to Performance**

**Sector Exposure**



**Factor Exposure**



- Positive**
- Select Harvests
- Sonic Healthcare
- Negative**
- Flexigroup
- Fairfax Media
- Retail Food Group
- Slater & Gordon

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