

Fund Report and Commentary - 31 July 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 ¹	3.80%	-1.13%	1.8%	11.5%	41.8%	17.5%
Index	4.40%	-0.74%	4.2%	5.7%	26.6%	11.5%
Outperformance	-0.60%	-0.39%	-2.4%	5.8%	15.2%	6.0%

Key Fund Data

Ex Unit Price (Mid)	1.2463	\$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%						4.49%

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 returned 4.40% for the month of July 2015, partially recovering the terrible prior month's performance of -5.30%. The rally in markets was predominantly due to the relief in Europe after Greece finally moved forward with a re-financing of their debt. Given the unpredictability of the Greek government up until they finally ceded, it had been a very difficult market to navigate. For the Australian equity market, Healthcare led the way with a whopping 9.6% return driven by index heavyweight CSL Limited (CSL). Generally though, most sectors performed well outside of cyclicals (Energy & Materials), with commodity prices once again influencing outcomes with iron ore off 10%, copper down 9.3% and Oil off 21%. The movement in commodity prices continue to be extreme on the downside and we remain happy to remain under-invested in these sectors despite calls by market analysts that shares are cheap. We have witnessed consistently over the past couple of months companies that present as cheap still underperforming - these types of situations could be classed as value traps and we remain very wary. Only at some point when conditions improve marginally would it be time to move back into some of these companies. Through the month, the portfolio was exposed to two attempted takeovers. Asciano (AIO), a company the Fund has held for a long time, was provided an indicative bid by Brookfield Infrastructure Partners. We remain invested in the company awaiting a positive update. AIO is now in a trading halt as at the time of writing. The Fund was also exposed to Affinity Education Group (AFJ) which had a 80c cash bid (plus scrip alternative) from G8 Education (GEM). We were able to accumulate shares post their recent downgrade to guidance, albeit our position was small given the underlying liquidity in the company's shares. Each takeover has yet to play out and we are hopeful both will lead to higher prices in the future. The Fund accumulated a position in Bluescope Steel (BSL) near month lows which produced a very strong result. The company is to update the market on their plans for the remaining blast furnace in Port Kembla. It remains a binary event as to whether they will move forward with closure and hence given expectations for a closure, the asymmetry on an announcement remains to the downside. This position in BSL has been liquidated through August 2015. We continued to top-up the Fund's position in Magellan Financial Group (MFG) as in our view they are the standout asset manager in Australia. They have reported accordingly in August 2015 with a 20% earnings beat relative to where analysts had thought they would report not to mention analysts still remain behind the curve in terms of their earnings potential. We decided to liquidate the Fund's position in Beach Petroleum (BPT) and as at the time of writing have saved the Fund 15c or 15%. Given the performance of oil over the past couple of months, we remain happy to be underweight oil related companies. We also took action on our previous core position, Sonic Healthcare (SHL), after Primary Health Care (PRY) reported very disappointing medical centre visits in the last quarter of the 2015 financial year. This has a direct impact on pathology volumes which SHL is heavily exposed to. We were able to exit our position at \$22.60, which we are very pleased with. SHL subsequently downgraded their earnings expectations. We will await lower prices to re-enter.

Outlook

The month of August 2015 brings the Australian reporting season to a head. We mentioned last month that we did not have as high expectations for the coming reporting season as we have in past. At the time of writing, this is manifesting with a number of companies falling significantly due to poor forward guidance. In particular, this has shown up in very poor price performance for companies with exposure to the euro and hence European demand. We indicated last month we have avoided exposure to these companies and is pleasing to see our forecasts come to fruition. On top of this, we have continued to avoid resource companies as well as banks given the very high likelihood for capital raisings which we have now seen as well. We remain focussed on companies which are likely to surprise to the upside through our diligent analytical process. To date, we have generally been exposed to outperforming companies in line with positive observed macro-economic trends. And as usual, we remain vigilant on our overall exposure given emerging threats to a number of sectors. We have indicated in the past, that were we to perform well through reporting season, this generally bodes well for future performance for the Fund. We are hopeful our specific investments will stand strong through the reporting season that is so far failing to meet market expectations.

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

Atlantic Pacific Australian Equity Fund

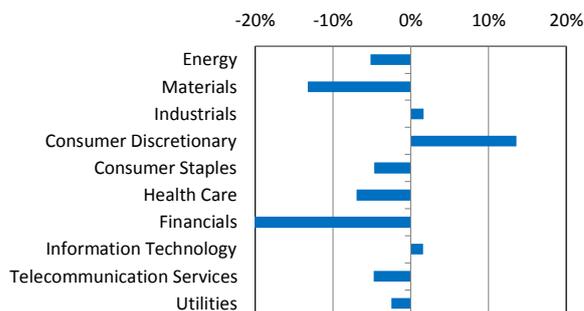
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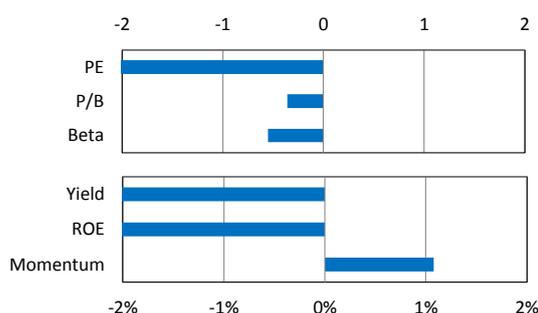
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Fund Positioning relative to the S&P/ASX 200 Index

Sector Exposure



Factor Exposure



Company Contributors to Performance

Positive
Asciano
Bluescope
Magellan Financial Group
Select Harvests

Negative
Beach Petroleum

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