

Selector Funds Management (“Selector”) specialises in high conviction, index agnostic, concentrated portfolios using a Value Based Growth (“VBG”) approach. The investment team have a high level of experience, are owners of the business and invest alongside its clients. Selector has a long term performance track record, offering the Selector High Conviction Equity Fund, the Selector Australian Equities Fund portfolio, in addition to private and institutional mandates.

Market Commentary

As we rule off for another financial year, investors are again contemplating the fallout of some significant macro developments. On the political front, an election to appoint a new federal government is but months away. If nothing more, businesses and consumers are wanting one party to govern rather than the current setup that has hampered progress. While the political fallout is still to be played out, global attention has shifted to US Federal Reserve chairman Ben Bernanke’s latest quantitative easing (QE) update. Here, the news is positive, although the market’s initial reaction would have led you to form a different view. As things stand, the US central bank looks likely to wind back its US\$85 billion a month bond buying program by year end with a potential 2014 end date. The market’s reaction has been immediate and has dented what otherwise would have been a very strong yearly return. That said, even with a multitude of recent company profit downgrades and growing concern among economists of the impact of a slowing economy, the All Ordinaries Accumulation Index limped to the finish line, closing up 20.7% for the year. Looking forward, the scene is set for what we believe will be a period of sustained market performance. While noting that economic conditions are not ideal, a lower local currency, a background of low interest rates and a growing realisation that more needs to be done to address productivity issues should provide sufficient impetus for a marked improvement over the medium term. Offshore, a resurging US economy will soften the impact from an expected China slowdown. Company executives are today working hard just to stand still. In this environment, those that have a proven track record, are better positioned and are responsive to the changing market dynamics possess the hallmarks of achieving further success. On that basis we will continue to seek businesses with the following best of breed qualities:

1. Strongly aligned management team.
2. Business with leadership qualities.
3. Balance sheet, conservatively positioned.
4. Shareholder returns paramount.

Stock Comments

For the month, the Fund delivered a gross negative **1.94%** return against a **2.62%** fall in the Index. Attribution wise, the top contributors included Sirtex Medical (+0.80%), Virtus Health (+0.32%), Aristocrat (+0.16%), Technology One (+0.09%) and CSL (+0.09%). Negative contributors included IOOF (-0.68%), SEEK (-0.68%), News Corp (-0.55%) and Computershare (-0.40%). Gross performance for the 2013 financial year saw the Fund deliver a positive **40.58%** return in comparison to the Index rise of **20.67%**, representing an outperformance of **19.91%**. Investments held totalled 24.

Performance %

| | All Cap Portfolio | All Ords Acc | Difference |
|-----------------|-------------------|--------------|------------|
| 1 Month | -1.94 | -2.62 | +0.68 |
| 3 Months | +1.63 | -3.33 | +4.96 |
| 6 Months | +9.44 | +4.44 | +5.00 |
| 1 Year | +40.58 | +20.67 | +19.91 |
| 3 Years | +12.76 | +7.96 | +4.80 |
| 5 Years | +9.08 | +2.19 | +6.89 |
| Since Inception | +9.27 | +7.13 | +2.14 |

Portfolio Strategy

The All Cap Portfolio is focused on identifying and investing in listed business that sit within the ASX Index. Within this universe, our holdings are predominantly focused on businesses that sit outside the Top 20 ASX Index.

The Manager’s style is both high conviction and index agnostic while individual Portfolio holdings can range in number anywhere from 15 to 25 businesses.

| Top 10 Investments | Code | Industry | Weight % |
|--------------------|------|------------|----------|
| ResMed | RMD | Healthcare | 9.48 |
| Sirtex Medical | SRX | Health | 7.86 |
| News Corp | NWS | Consumer | 7.34 |
| Flight Centre | FLT | Consumer | 6.88 |
| SEEK | SEK | Consumer | 6.61 |
| Aristocrat Leisure | ALL | Consumer | 5.30 |
| IOOF | IFL | Financials | 5.26 |
| CSL | CSL | Healthcare | 4.49 |
| Computershare | CPU | IT | 4.19 |
| IRESS | IRE | Financials | 3.61 |

Fund Facts

- The objective is to provide long-term capital growth with an index agnostic portfolio.
- The Fund aims to outperform the All Ordinaries Accumulation Index.
- The portfolio holds between 15 and 25 stocks.
- Selector does not use any derivatives or leverage and avoids start-ups and turnarounds.
- Selector manages a concentrated portfolio to maximise attribution from its “best ideas” investments.

About Selector

Selector was established in 2003 by Tony Scenna and Corey Vincent and the team was expanded in 2011 with Axius Partners Pty Limited (“Axius”) joining Selector to undertake the distribution and marketing. George Giovas of Axius also joined the Investment Committee.

Tony is one of Australia’s most experienced Fund Managers with over 29 years of continuous experience. In 1988 Tony was a founder of Harper Bernays Limited and was the Managing Director from 1994-2002. Prior to this Tony spend five years as an Investment Analyst and then Portfolio Manager at Perpetual Trustees Australia with joint responsibility for the Perpetual Industrial Fund.

Corey has 9 years experience as a Portfolio Manager with 10 years experience on sell side stockbroking. In 2001 Corey founded VBM Capital Limited and completed a sell down to staff in 2006 to focus on the operations of Selector.

George Giovas makes up the third member of the Selector Investment Committee and has 26 years experience in finance, banking, property, funds management, risk and credit analysis. George heads Selector’s investment committee and is a founding principal of Axius Partners who specialise in Funds Management distribution.

John Maragiannis has 26 years experience in institutional distribution. John was head of distribution at Credit Suisse, Schroder’s and Zurich Scudder. His most recent role was Director of Distribution at Credit Agricole Asset Management. John leads Selector’s distribution capability and is a founding principal of Axius.

Investment Philosophy

Selector’s consistent bottom up process looks at a combination of the quantitative and qualitative attributes of a business with their competitive advantage derived from the ability of their experienced Portfolio Managers to access the people managing a business and assess the sustainability of its model.

Selector is benchmark agnostic. In essence Selector are backing a consistent investment process and their Portfolio Managers’ deep industry experience, rather than benchmarking against an Index. Selector believes Indexing limits returns to investors over the long run. The long-term investment horizon aims to capture real earnings per share growth.

Selector invests in Australian equities, does not use leverage or derivatives and avoids start ups and turnaround situations. Experience has shown that these simple constraints when combined with Selector’s hard risk limits provide significant protection to the portfolio with limited impact on the performance of the fund.

All Cap Portfolio Criteria and Risk Limits

| | |
|---|----------|
| Stocks in Portfolio | 15-30 |
| S&P ASX 200 Target Portfolio Weighting | 40%-100% |
| S&P ASX Ex 200 Target Portfolio Weighting | 0%-60% |
| Cash Holdings | 0%-20% |
| Stock Position (max per stock at cost) | 5% |
| Stock Position (max per stock at market) | 10% |
| Portfolio Weighting <\$100M Market Cap | 0%-20% |
| Minimum Monthly Liquidity | >75% |
| Standard Deviation (3yrs) | 17.0% |
| Tracking Error (3yrs) | 8.43% |

Fund Statistics

| | |
|----------------------------|-----------------------------|
| Entry Fee and Exit Fees | Nil |
| Minimum Investment | \$500,000 |
| Management Fee | 1.25% |
| Performance Fee* | 20% |
| Benchmark | All Ords Accumulation Index |
| Frequency of Distributions | Annual |

Executive Team

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*Performance fee charged after 100% return on initial invested capital achieved.

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