

Selector Funds Management (“Selector”) specialises in high conviction, index agnostic, concentrated portfolio management. The investment team have a high level of experience, are owners of the business and invest in the funds alongside clients. Selector has a long term track record of performance. We offer the Selector High Conviction Equity Fund and the Selector Australian Equities Fund in addition to institutional mandates.

### Market Insights

During April the All Ordinaries Accumulation Index rose 0.78%, with our main Index closing at 5,947. Globally, equity markets posted strong performances, particularly in the U.S. and broader Europe, although markets in the U.K. underperformed in the wake of Prime Minister Theresa May’s decision to call a snap election for 8 June 2017. Elsewhere, rising geopolitical tensions saw a number of markets in Asia sell off. Oil and iron ore prices continued their retreat in the face of increasing industry supply and higher inventory levels.

Inflation came in stronger than expected at 0.5% for the March quarter, lifting the annual consumer price index (CPI) to 2.1%. This has all but ruled out any likelihood of the RBA cutting rates. Further strengthening in the CPI would place added pressure on the RBA given their concerns regarding household borrowing, particularly in Sydney and Melbourne.

Prime Minister Malcolm Turnbull announced the government would seek new powers to restrain east coast gas exporters that draw more from the local market than they provide during times of elevated domestic demand. Santos is currently the main protagonist, relying on purchase agreements with other domestic producers for more than 60% of the gas exported from its GLNG project in Queensland. A statement from the company noted the restrictions being considered and their eventual impact on the business remain uncertain. It is clear though, that the financial return from GLNG is unlikely to match the expectations of the project when it was originally proposed.

The Federal Government also announced a change to the existing 457 skilled visa program. It plans to replace this with two separate streams. The changes are aimed at reducing the number of occupations for which a visa will be granted. The criteria for permanent residency rights at the end of the visa holder’s stay will also be tightened.

A brief explanation was released during the month by the Trump administration on its much anticipated tax plan, which has been actively promoted as a stimulus for future growth. Corporate rates are to be lowered to 15% while multinational businesses will be encouraged to repatriate overseas profits at a special rate of 10%. Personal income tax rates will fall across the board while a large number of deductions will be eliminated in a effort to simplify the system. As we saw with the proposed Medicaid changes though, conservative factions in Congress may provide stiff resistance to Trump’s plans.

We continue to seek businesses with:

1. Competent management teams
2. Business leadership qualities
3. Strong balance sheets
4. A focus on capital management

### Portfolio Snapshot

The strategy is focused on identifying and investing in listed businesses that sit largely within the ASX 300 Index.

Within this universe, we exclude many of the Top 50 listed stocks as we believe the greatest value lies in the smaller, less researched businesses.

The investment style is both high conviction and index agnostic. Individual portfolio holdings range from 25-40 businesses.

For the financial year to date the Fund delivered a gross positive return of **7.52%** compared to an Index rise of **15.79%**, representing an underperformance of **8.27%**. The Fund held **32** businesses at month end.

Gross Performance	Portfolio %	All Ords Acc (%)	Difference %
1 Month	3.46	0.78	2.68
3 Months	8.48	6.13	2.35
6 Months	3.15	12.41	-9.26
1 Year	7.55	16.65	-9.10
3 Years annualised	14.70	7.38	7.32
5 Years annualised	18.83	10.58	8.25
10 Years annualised	6.55	4.02	2.53
Since Inception annualised	11.62	7.80	3.82
<b>30 April 2017 Unit Mid Price</b>			<b>\$1.7122</b>

Top Ten Investments	Code	Industry	Weight %
ARISTOCRAT LEISURE	ALL	Consumer Disc.	7.44%
ALTIUM	ALU	IT	5.79%
NIB HOLDINGS	NHF	Financials	5.53%
SEEK	SEK	Industrials	4.84%
REECE	REH	Industrials	4.52%
TECHNOLOGY ONE	TNE	IT	4.24%
RESMED	RMD	Health Care	4.22%
IRESS	IRE	IT	3.92%
COCHLEAR	COH	Health Care	3.91%
CARSales.COM	CAR	IT	3.43%

### Investment Attribution

For the month, the portfolio delivered a gross positive **3.46%** return against a **0.78%** rise in the Index. The portfolio held **32** stocks at the end of the period and the performance was primarily driven by:

Top Five % attribution	Bottom Five % attribution
ARISTOCRAT LEISURE 0.68%	SIRTEX MEDICAL -0.40%
JUMBO INTERACTIVE 0.48%	BLACKMORES -0.14%
ALTIUM 0.43%	OZFOREX -0.07%
SEEK 0.32%	INFOMEDIA LIMITED -0.07%
TECHNOLOGY ONE 0.26%	RESMED INC -0.06%

GICS Groups	Weight
Software & Services	26.30%
Consumer Services	23.16%
Health Care Equipment & Services	11.11%
Capital Goods	6.60%
Insurance	5.53%
Diversified Financials	5.46%
Materials	5.16%
Commercial Services & Supplies	4.84%
Automobiles & Components	3.09%
Household & Personal Products	3.02%
Pharmaceuticals & Biotechnology	2.59%
Cash & Other	2.15%
Retailing	0.99%
<b>Total</b>	<b>100.00%</b>

**Investment Philosophy**

Selector's consistent bottom up process looks at a combination of the quantitative and qualitative attributes of a business. We seek businesses with competitive advantages that drive industry leadership positions.

Portfolio construction is driven by Selector's consistent investment process combined with the Portfolio Managers' deep industry experience rather than benchmarking to an index. Selector believes indexing limits returns to investors over the long run. Selector's long term investment horizon aims to capture real earnings per share growth over time.

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.

**Portfolio Particulars**

Stocks in Portfolio	25-40
S&P ASX Ex 50 Target Portfolio Weighting	80%-100%
Cash Holdings	0%-20%
Stock Position (max per stock at cost)	4%
Stock Position (max per stock at market)	8%
Sector Limit	0%-30%
Portfolio Weighting <\$100M Market Cap	0%-20%
Benchmark Index	S&P All Ords Acc. Index
Frequency of Distributions	Annual
Management Fee	1.00%
Performance Fee	10% of hurdle outperformance
Minimum Investment	\$2,000.00
Entry and Exit Fees	Nil

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\*Hurdle is the return of the S&P ASX Accumulation Index

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