

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 performance track record, offering the Selector High Conviction Equity Fund and the Selector Australian Equities Fund in addition to private and institutional mandates.

Market Insights

The Portfolio posted a positive **6.46%** return in July compared to the All Ords Accumulation Index which rose **4.23%**. Major markets were whipped around during the month following China's heavy market share selloff and Europe's ongoing standoff with Greece. Steep falls in commodity prices and softer consumer activity continues to cast doubt on the local economy's underlying growth rate. With unemployment running at 6.0% and the RBA holding interest rates steady at 2.00%, the economic outcome looks evenly poised.

US Federal Reserve Chairperson Janet Yellen reaffirmed that the recent turbulence in both Greece and China was not threatening the US economy enough to prevent the Fed from lifting short term rates in the back half of 2015. Moving slowly is a key message, however "If we wait longer, it certainly could mean we might have to do so more rapidly." While the US contemplates lifting rates, many other countries are cutting, with both the New Zealand and Canadian authorities announcing drops in their respective cash benchmarks to 3.0% and 0.5% respectively during July. Similar to Australia, these economies are feeling the pain of lower export revenues driven by falling commodity and dairy prices. This in turn has impacted local exchange rates, with our own Australian Dollar hitting six year lows of US\$72.50.

Tougher capital requirements have been proposed by the Australian Prudential Regulation Authority (APRA) on the major banks. Regulators are looking to lift capital ratios and risk weighting targets, moves specifically directed at the residential mortgage market. In short, these changes will require our major banks to lift their Tier 1 Common Equity reserves, which will ultimately impact return on equity. In a similar vein, the US Federal Reserve has adopted a rule directing the eight largest US banks to hold more equity capital. This followed proposals first announced in December 2014 aimed at addressing the potential systemic risks posed by the larger financial institutions, with an expected phase in start date of 2016 and taking full effect by 2019.

Merger and takeover activity remains a feature with transport operator **Asciano** subject to a conditional \$8.8 billion bid from Brookfield Infrastructure Group. **Duet Group** also moved on power generator **Energy Developments** unveiling a \$1.7 billion cash bid. In keeping with an increasingly competitive landscape we are now witnessing a number of businesses that are having to internally review their model, some because of structural issues but the majority driven by bad investment decisions that have backfired. Of particular note are the mining based businesses that are now posting significant asset write-downs, illustrated by **BHP Billiton's** recent US\$2.8 billion impairment of its US Shale assets. Our focus remains identifying businesses with:

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

Portfolio Strategy

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

Within this universe, we focus on stocks outside of the Top 20 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 typically range from 15-25 businesses.

The Fund held **31** businesses at month end.

Gross Performance

Portfolio % All Ords Acc (%) Difference %

1 Month	6.46	4.23	2.23
3 Months	-1.21	-0.82	-0.39
6 Months	7.85	4.53	3.33
1 Year	16.94	5.41	11.53
3 Years annualised	28.24	14.65	13.59
5 Years annualised	16.50	9.36	7.14
10 Years annualised	9.77	7.17	2.60
Since Inception annualised	11.79	8.26	3.53
31 July 2015 Unit Mid Price	\$1.8879		

Top Ten Investments

Code Industry Weight %

ARISTOCRAT LEISURE	ALL	Consumer Disc.	7.59%
SEEK	SEK	Industrials	4.94%
RESMED	RMD	Health Care	4.83%
ALTUM	ALU	IT	4.46%
FLIGHT CENTRE TRAVEL GROUP	FLT	Consumer Disc.	4.30%
CSL	CSL	Health Care	4.26%
GBST HOLDINGS	GBT	IT	4.19%
SIRTEX MEDICAL	SRX	Health Care	4.04%
CARSales.COM	CAR	IT	3.93%
IOOF HOLDINGS	IFL	Financials	3.90%

Investment Attribution

For the month, the portfolio delivered a gross positive **6.46%** return against a **4.23%** rise in the Index. The portfolio held **31** stocks at the end of the period and the performance was primarily driven by:

Top Five % attribution

Bottom Five % attribution

ARISTOCRAT LEISURE	0.83%	INFOMEDIA	-0.37%
IPROPERTY GROUP	0.69%	REECE AUSTRALIA	-0.14%
BLACKMORES	0.56%	SGM	-0.12%
CSL	0.55%	NAVITAS	-0.06%
AINSWORTH GAME TECHNOLOGY	0.46%	GBST HOLDINGS	-0.02%

GICS Groups

Weight

Software & Services	30.17%
Consumer Services	22.02%
Health Care Equipment & Services	9.31%
Pharmaceuticals & Biotechnology	8.30%
Commercial Services & Supplies	7.65%
Diversified Financials	7.49%
Household & Personal Products	3.43%
Insurance	3.07%
Capital Goods	2.56%
Energy	2.22%
Materials	1.51%
Retailing	1.36%
Cash & Other	0.90%
Total	100%

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

Target 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%
Benchmark Index	S&P ASX All Ords Acc. Index
Frequency of Distributions	Annual
Management Fee	1.25%
Performance Fee	20% of hurdle outperformance
Minimum Investment	\$500,000
Entry and Exit Fees	Nil

Executive Team**Tony Scenna | Managing Director, Portfolio Manager**

30 years investment experience
12 years Selector Funds Management Limited

tony@selectorfund.com.au +61 2 8090 3612
+61 413 235 803

Corey Vincent | Managing Director, Portfolio Manager

20 years investment experience
12 years Selector Funds Management Limited

corey@selectorfund.com.au +61 2 8090 3611
+61 401 000 037

John Maragiannis | Managing Director

27 years funds management experience
3 years Selector Funds Management Limited

imaragiannis@axiuspartners.com +61 2 8090 3613
+61 419 689 503

George Giovas | Managing Director

27 years finance, banking, funds management experience
3 years Selector Funds Management Limited

ggiovas@axiuspartners.com +61 2 8090 3614
+61 435 763 045

Rob Lapsley | Analyst

3 years funds management experience
3 years Selector Funds Management Limited

rob@selectorfund.com.au +61 2 8090 3617
+61 425 842 951

Adrian Lamari | Analyst

8 years banking & finance experience
Joined Selector Funds Management Limited in July 2015

adrian@selectorfund.com.au +61 2 8090 3615
+61 430 537 957

Selector Funds Management Limited

Level 3, Suite 4
10 Bridge Street
Sydney
NSW 2000

www.selectorfund.com.au

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

The information presented in this fact sheet is not intended to be advice. It has not been prepared taking into account any particular investor or class of investors investment objectives, financial situation or needs, & should not be used as the basis for making investment, financial or other decisions. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. SFML does not guarantee the repayment of capital, payment of income or performance.