

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 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 All Ordinaries Accumulation Index closed up **7.00%** for the month, hitting its highest level since 2008. Despite falling oil prices and a lower Australian Dollar, the Reserve Bank cut official interest rates by 0.25% during the month to a record low 2.25%. Most importantly, it appears that the Governor and board members had insight into what may follow and judged it best to act now, commenting, "At today's meeting, taking into account the flow of recent information and updated forecasts, the Board judged that on balance, a further reduction in the cash rate was appropriate. This action is expected to add some further support to demand, so as to foster sustainable growth and inflation outcomes consistent with the target."

The market's response to the cut in interest rates was almost immediate with equity prices, led by the major banks advancing strongly. While reporting season did little to suggest a return to strong earnings growth, the extent of corporate cost cutting and balance sheet strength was clearly evident. The hard yards have been made and at some point down the track, a pickup in economic growth will translate into stronger business profitability.

Certainly the aftermath of the resources slowdown has resulted in a number of significant write downs led by steel and iron ore producer **Arrium**, which saw fit to write off \$1.3b. Similarly, oil producers, including **Santos**, cut the carrying value of their oil and gas related assets by \$1.6b, reflecting expectations of oil prices remaining low for the foreseeable future. In the same vein, **Seven West Media** announced asset impairments totalling \$994m while **Primary Healthcare** finally heeded the concerns of investors and regulators and reassessed the practice of carrying the full value of doctor acquisitions onto the group's balance sheet, resulting in \$426m in impairments.

As significant as these events were, more astonishing was Japan Post's \$8.5b takeover bid for transport group **Toll Holdings**, which was unanimously recommended by the company's board. The offer, priced at a 49% premium to its last trading value was unexpected and illustrated clearly the potential of corporate activity in a low interest rate environment. While the market's strong move may give investors the impression of general strength we caution this approach. In the long run, we would suggest that companies with genuine, scalable businesses, lead by strong, conservative management teams will shine through. To this end, we construct the portfolio on a stock by stock basis. In this respect we seek and favour those with:

1. Strongly aligned management teams
2. Business leadership qualities
3. Conservatively positioned balance sheets
4. Shareholder return focus

### 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 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.

Over the financial year to date the Fund has delivered a gross positive return of **22.25%** compared to an Index rise of **12.75%**, representing an outperformance of **9.50%**. The Fund held **31** businesses at month end.

Gross Performance	Portfolio %	ASX All Ords Acc %	Difference %
1 Month	8.46	7.00	1.46
3 Months	13.04	12.36	0.68
6 Months	11.75	7.13	4.62
1 Year	21.91	13.57	8.34
3 Years annualised	27.23	15.17	12.06
5 Years annualised	14.60	9.46	5.14
Since Inception annualised	11.89	8.45	3.44
<b>28 February 2015 Unit Mid Price</b>			<b>\$1.7150</b>

Top Ten Investments	Code	Industry	Weight %
ARISTOCRAT LEISURE	ALL	Consumer Disc.	5.76
DOMINO'S PIZZA ENTERPRISES	DMP	Consumer Disc.	5.59
SEEK	SEK	Industrials	4.84
SIRTEX MEDICAL	SRX	Healthcare	4.69
NIB HOLDINGS	NHF	Financials	4.47
RESMED	RMD	Healthcare	4.28
IOOF HOLDINGS	IFL	Financials	4.24
TECHNOLOGY ONE	TNE	IT	3.82
IRESS	IRE	IT	3.48
GBST HOLDINGS	GBT	IT	3.40

### Investment Attribution

For the month, the portfolio delivered a gross positive **8.46%** return against a **7.00%** 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
SIRTEX MEDICAL 1.59	AINSWORTH GAME TECHNOLOGY -0.37
DOMINOS PIZZA ENTERPRISES 1.53	NAVITAS -0.34
ALTIUM 0.82	INTUERI EDUCATION GROUP -0.33
GBST HOLDINGS 0.74	IRESS MARKET TECHNOLOGY -0.22
INFOMEDIA 0.69	OZFOREX -0.19

GICS Groups	Weight
SOFTWARE & SERVICES	22.56%
CONSUMER DURABLES & APPAREL	22.46%
DIVERSIFIED FINANCIALS	10.75%
HEALTH CARE EQUIPMENT & SERVICES	7.42%
COMMERCIAL & PROFESSIONAL SERVICES	7.24%
CASH & EQUIVALENTS	5.42%
INSURANCE	5.21%
PHARMACEUTICALS, BIOTECH & LIFE SCIENCES	4.69%
RETAILING	4.57%
AUTOMOBILES & COMPONENTS	3.09%
CAPITAL GOODS	2.35%
HOUSEHOLD & PERSONAL PRODUCTS	2.09%
MATERIALS	1.21%
BANKS	0.96%
<b>Total</b>	<b>100%</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

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

30 years investment experience  
12 years Selector Funds Management Limited

[tony@selectorfund.com.au](mailto: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](mailto: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

[jmaragiannis@axiuspartners.com](mailto:jmaragiannis@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](mailto: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](mailto:rob@selectorfund.com.au) +61 2 8090 3617  
+61 425 842 951

**Selector Funds Management Limited**

Level 3, Suite 4  
10 Bridge Street  
Sydney  
NSW 2000

[www.selectorfund.com.au](http://www.selectorfund.com.au)

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

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