

**SELECTOR FUND (SF) UNIT PRICE**

Month Ending	Unit Price	SF Gain	SF Monthly	AOAI Gain	AOAI Monthly
31 Mar 2005	\$1.1291	12.91%	0.72%	10.33 %	(0.74 %)
28 Feb 2005	\$1.1210	12.09%	4.68%	11.16 %	1.80 %
30 Jan 2005	\$1.0709	7.09%	2.16%	9.20 %	1.33 %
31 Dec 2004	\$1.0483	4.82%	2.33%	7.77 %	3.07 %
30 Nov 2004	\$1.0244	2.44%	2.44%	4.63 %	4.63 %

The table above presents the Selector Fund performance for the March 2005 Quarter on a monthly basis including the period since inception. The Fund gained 8.09% (net of all fees) for the March Quarter. The All Ordinaries Accumulation Index rose 2.56% in this period.

**BIG PICTURE**

This extract from *“Kings in Grass Castles”*, by Mary Durack - Bantam Books First Published in 1959, relates how Darby Durack saw the world from Goulburn, NSW in 1851. Without knowing it Darby’s clear thinking was laying the foundation for Australia’s first cattle dynasty.

{...Darby Durack, coming in from “Kippilaw” for stores, saw men near mad in Goulburn the day the news came through. The big Scot McKenzie, blowing on his pibroch like some outsize pied piper, had led of the first lot of diggers to a wild accompaniment of singing and shouting and waving of hats, leaving Goulburn like a plague spot, shops closed, houses deserted, bread in the bakers oven left to ruin. What a crazy march that had been – men and women, even children, goods and equipment piled into any sort of vehicle from four-in-hand to a gin case on wheels!

***“It was not easy,  
in that moment of infectious excitement”***

It was not easy, in that moment of infectious excitement, when all over Australia men where exchanging their tools of trade for miners shovels and picks, and in Sydney entire crews were deserting their ships, but Darby, prudently weighing the risks against the value of a steady job and a good home for his family carried on at “Kippilaw”. More than half the Chisholm’s other labourers made off and every

shepherd on the place had rolled his swag and, whistled up his dogs and went on his way.

All over the countryside the squatters met in frantic consultation. How to carry on? Optimists declared it a flash in the pan and predicted before long the importunate fellows would be back again, cap in hand, begging for their old jobs back.

***“Others had felt a great tide of change had occurred”***

Others had felt that a great tide of change had occurred in the colony and that landholders must think up other ways of holding their flocks and working their runs. In Goulburn the excitement ebbed and flowed. Many after only a few weeks returned from the diggings, disillusioned, but there was scarcely a day without fresh rumours of gold in some new place that kept a section of the populace rushing from place to place like shuttlecocks.

***“scarcely a day without fresh rumours...  
...kept a section of the populace rushing from  
place to place like shuttlecocks”***

Darby observed of them all but a few made good. The majority would have done better to stay at home and attend their ordinary work. He saw the gold rush as madness that would pass and sensitive of the Irish reputation for rashness and instability, took pride in keeping a cool head until things returned to normal....}

“Infectious excitement”, “a great tide of change” and “fresh rumours” that has investors trading like a “shuttle-cock”. The stock market regularly sees history repeating itself. We believe this is a great case in point for long-term investment. And after our meeting with Chris Corrigan, notes below, we think he is on a similar wavelength. **SFM**

**AN HOUR WITH CHRIS CORRIGAN**

Chris Corrigan, Managing Director of Patrick Limited, apologised for turning up to our meeting with a cold. He had agreed to see us after we had met him sitting up the back of an early morning Virgin flight to Brisbane in March.

At the Patrick AGM in February 2005, Chris told shareholders he liked the Virgin Blue model. We wanted to know why? We liked the rest of the Patrick businesses. The ports and rail both operate in duopolies. And we like the way Chris is prepared to think, plan and invest 5-10 years out to achieve the desired results. But a stand-alone airline that has no interconnectivity with the other businesses has kept us on the sideline.

We learned that Virgin Blue might not be a big red dog. It also operates in duopoly. It requires limited capital expenditure as it has a new fleet. It has a rational competitor in Qantas and very high barriers to entry. A competitor would need 50 new planes and 35% market share just to survive. For a newcomer trying to compete with the incumbents would be suicide.

Corrigan believes Virgin needs oil to stabilise in the mid US\$40's and an average airfare increase of around \$5 per head on the 12 million odd seats it sells annually. This is neither revolutionary nor unrealistic in our view. And on this basis Virgin Blue becomes a big red cash cow.

While the current operational outlook is less than perfect, for Corrigan the opportunity to gain control was compelling. Patrick and its management team get a big tick on many of the investment qualities making up our "roadmap".

#### **TO MINTO BY TRAIN**

In the December 2004 quarterly newsletter we noted the prospectus downgrade by Lipa Pharmaceuticals Limited.

This quarter our visit to Lipa Pharmaceuticals Limited took us to Minto by train two days after the Macquarie Fields riots had started. We felt conspicuous walking through Campbelltown in suits that morning. As always the visit was worthwhile.

The physical set up is impressive and amazing when you consider it started from scratch 10 years ago. We believe in the founders, George and Stanika's, ability to drive the business in years to come.

However we are unimpressed by the financial team and the board. This is of concern to us. The prospectus downgrade is a lesser concern and in the long term this will likely prove to be a blip that has little impact on the company.

#### **PROCESS & SYSTEMS**

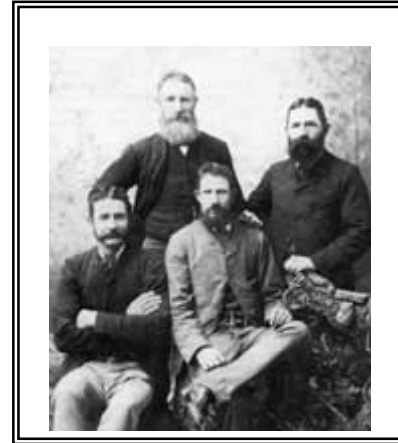
Darby Durack could see clearly when few other men could. This resulted in the foundations that led to Australia's first cattle Dynasty.

The Selector process remains consistent no matter what goes on in the investment community around us.

We believe consistent process is the basis of sound investment. Our confidence comes from the knowledge that real Earnings Per Share growth will drive an investments share performance over time regardless of short-term fluctuations.

**Selector Diary Q1 2005**

Companies Visited in Q1 2005		
06-01-05	Infomedia	IFM
06-01-05	Pharmaxis	PXS
10-01-05	Harvey Norman	HVN
02-02-05	Regenera	RGA
03-02-05	Patrick Corp AGM	PRK
08-02-05	Select Managed Funds IPO	SEM
09-02-05	Record Investments	RCD
10-02-05	Telstra	TLS
10-02-05	Babcock & Brown Japan Prop	BJT
14-02-05	James Hardie	JHX
15-02-05	Cochlear	COH
21-02-05	Salmat	SLM
22-02-05	Aristocrat Leisure	ALL
23-02-05	Macquarie Airport	MAP
23-02-05	Keycorp	KYC
23-02-05	SAI Global	SAI
24-02-05	Willmott Forests	WFL
24-02-05	Babcock & Brown	BNB
24-02-05	Publishing & Broadcasting	PBL
25-02-05	STW Group	SGN
25-02-05	Infomedia	IFM
28-02-05	Arrow Pharmaceuticals	AWP
28-02-05	ABC Learning	ABS
28-02-05	Warrnambool Cheese & Butter	WCB
01-03-05	Vision Group	VGH
04-03-05	Lipa Pharmaceuticals	LIP
09-03-05	Strathfield Group	SRA
10-03-05	M2 Telecommunications	MTU
16-03-05	UBS Transport Conference	N/A
21-03-05	Sigma	SIG
30-03-05	Macquarie Airport AGM	MAP
30-03-05	Affinity IPO	N/A
31-03-05	Biosignal	BOS
31-03-05	Washington Soul Pattinson	SOL



**Patrick Durack (back left). First of Australia's Great Cattle Kings**

“ No time is to good if ye look at it from the shady side but this will be as good as any time.”

**Patrick Durack 1834 –1898  
On investment timing**

**Disclaimer:** Initial applications for units can only be made on an application form attached to the Selector Funds Management Limited Information Memorandum dated 1 July 2003. Selector Funds Management Limited or any related entity does not guarantee the repayment of capital or any particular rate of return from the Trust. Past performance is no guarantee of future performance. Investment returns have been calculated in accordance with normal industry practice utilising movements in unit price and assuming reinvestment of all distributions of income and realised profits. This report does not constitute financial advice and readers of the report should consult their financial advisers before making any further investment in or withdrawal from the Fund. Tables and charts in this report are as accurate as possible on the date of publication. Please note that they are subject to continuous change. The past performance of Selector Fund managed by Selector Funds Management Limited represents a model portfolio simulated to test the systems used by Selector Funds Management Limited from 21 January 2003 through to the end of the 2nd Quarter, 30 June 2004. Due to volatility of underlying assets of the fund and other risks associated with investing, returns can be negative particularly in the short term. The model portfolio is calculated before fees are taken into account. Selector Funds Management Limited will apply an annual MER, which will reduce the reported performance. In circumstances where a performance level is achieved as set out in the Information Memorandum a performance fee is an additional charge, which will reduce the reported performance of the Selector Fund.