

Selector Funds Management ("Selector") specialises in high conviction, index agnostic, concentrated portfolio management (AFSL 225316). 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 the month, European and Asian markets were strong, trading between 2%-7% higher while the major U.S. indices were largely flat as investors fretted over the impact of rising interest rates on the economy and markets. Locally, the All Ordinaries Accumulation Index rose 3.5% over the period.

The Royal Commission into Misconduct in the Financial Services Industry built up a head of steam during the quarter. Public hearings saw the big four banks and AMP grilled over lapses in compliance and appalling outcomes for their clients. The commission is already taking its toll, notable casualties include the management team and board at AMP. CEO Craig Meller and Chairman Catherine Brenner both stepped aside following the hearings which uncovered numerous cases where the Australian Securities and Investment Commission were misled.

Equally questionable practices uncovered at the bank-owned wealth managers have investors anticipating sanctions. Peter Costello went as far as to say that the banks were "in more trouble now than they were during the financial crisis". With consumer trust in financial services providers extremely low already, the commission will certainly cause remaining customers to question their loyalty. Large changes will be needed to restore faith in the industry.

Following the United States' imposition of tariffs on steel, aluminium and a broad list of Chinese goods, the outlook for global trade remained in a state of flux. Numerous countries secured exemptions, however, the rapidly changing landscape is making life tricky for some businesses. Aluminium prices spiked on fears of a global shortage after the U.S. placed sanctions on 12 Russian companies as punishment for its actions in Crimea, Ukraine, Syria and attempts to influence the U.S. Presidential elections. The moves forced Putin's allies to distance themselves from the companies to have the sanctions eased. The unpredictability and novelty of some of Trump's strategies appear to be working in areas where diplomats have previously failed.

The close of the month saw an historic summit take place between North Korean Leader Kim Jong Un and South Korean President Moon Jae-in. At the end of the meeting, both leaders indicated their intentions to reach a peace agreement and a resolution regarding the North's nuclear arsenal. The comments made during the meeting have been met with some scepticism. However, the rhetoric emanating from the North and South as well as the White House appears to be promising.

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 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 15-30 businesses.

For the financial year to date the Fund has delivered a gross positive return of **23.85%** compared to an Index rise of **8.95%**, representing an outperformance of **14.90%**. The Fund held **30** businesses at month end.

Gross Performance

Portfolio % All Ords Acc (%) Difference %

1 Month	2.16	3.49	-1.33
3 Months	3.55	0.00	3.55
6 Months	14.01	3.63	10.38
1 Year	28.95	6.44	22.51
3 Years annualised	16.20	6.15	10.05
5 Years annualised	19.50	7.79	11.71
10 Years annualised	12.32	5.16	7.16
Since Inception annualised	13.09	8.01	5.08
30 April 2018 Unit Mid Price	\$2.6468		

Top Ten Investments

Code Industry Weight %

ARISTOCRAT LEISURE	ALL	Consumer Disc.	7.80%
ALTUM	ALU	IT	5.82%
SEEK	SEK	Industrials	4.42%
RESMED	RMD	Health Care	4.30%
CSL	CSL	Health Care	4.13%
OIL SEARCH	OSH	Energy	4.02%
JUMBO INTERACTIVE	JIN	Consumer Disc.	3.95%
COCHLEAR	COH	Health Care	3.85%
FLIGHT CENTRE TRAVEL GROUP	FLT	Consumer Disc.	3.79%
TECHNOLOGY ONE	TNE	IT	3.35%

Investment Attribution

For the month, the portfolio delivered a gross positive **2.16%** return against a **3.49%** rise in the Index. The portfolio held **30** stocks at the end of the period and the performance was primarily driven by:

Top Five % attribution

Bottom Five % attribution

ARISTOCRAT LEISURE	0.81%	NIB HOLDINGS	-0.40%
CSL	0.36%	IOOF HOLDINGS	-0.32%
SIMS METAL MANAGEMENT	0.35%	NAVITAS	-0.27%
OIL SEARCH	0.25%	IMPEDIMED	-0.23%
COCHLEAR	0.25%	BLACKMORES	-0.17%

GICS Groups

Weight

Consumer Services	24.83%
Software & Services	22.07%
Health Care Equipment & Services	12.12%
Cash & Other	8.26%
Capital Goods	5.80%
Diversified Financials	5.35%
Commercial Services & Supplies	4.42%
Pharmaceuticals & Biotechnology	4.13%
Energy	4.02%
Materials	3.04%
Insurance	2.70%
Household & Personal Products	2.49%
Retailing	0.77%
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

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

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