

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 September the All Ordinaries Accumulation Index rose **0.40%** as the materials sector posted strong returns which were largely offset by falls in REITs, utilities and the telco sectors. For the quarter the index gained **5.30%**

The Australian Bureau of Statistics released data that showed unemployment fell from 5.7% to 5.6% during August and that GDP grew at a healthy clip of 3.3% for the year to June, ahead of the 3.1% figure for the year to March. Dissecting the numbers reveals both positives and negatives however the headline figure represents the fastest rate of growth in four years. In a world struggling to post positive growth, the Australian economy has remained relatively resilient despite many forecaster's negative outlooks.

The sell-off of public infrastructure continued with the Victorian Government successfully announcing sale terms for the Port of Melbourne for \$9.7 billion, representing an estimated 25 times earnings before interest, tax, depreciation and amortisation. The price paid underscores the significant demand that exists both domestically and internationally for top-tier infrastructure assets. The consortium comprised Australian, American, Canadian and Chinese infrastructure investors, one of which was our own Future Fund, raising some eyebrows following Chairman Peter Costello's recent comments about lofty equity valuations.

In the U.S. the Federal Reserve opted to leave rates on hold citing strengthening labour markets and improving economic growth although inflation continued to sit below its stated 2% target. While the case for an increase in interest rates remains strong, the Fed have opted to wait for further evidence of increasing inflation with expectations now high that they will lift rates in December.

Glenn Stevens reflected on his 10 years as head of the Reserve Bank of Australia (RBA) in an interview with the Australian Financial Review during the month. He outlined his views that while interest rate cuts had been important for supporting the Australian economy as it transitioned from mining related investment, further rate cuts at these already historic lows were likely to have only a limited effect in fostering additional demand. Steven's views appears consistent with incoming RBA Governor Philip Lowe's recent comments that the RBA was reluctant to cut further despite having an inflation target within the 2-3% range.

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 delivered a gross positive return of **12.06%** compared to an Index rise of **5.30%**, representing an outperformance of **6.76%**. The Fund held **32** businesses at month end.

Gross Performance

Portfolio % All Ords Acc (%) Difference %

1 Month	0.14	0.40	-0.26
3 Months	12.06	5.30	6.76
6 Months	14.13	9.51	4.62
1 Year	27.29	14.01	13.28
3 Years annualised	18.37	6.42	11.95
5 Years annualised	24.81	11.04	13.77
10 Years annualised	8.89	5.18	3.71
Since Inception annualised	12.71	7.69	5.02

30 September 2016 Unit Mid Price

\$2.1733

Top Ten Investments

Code Industry Weight %

ARISTOCRAT LEISURE	ALL	Consumer Disc.	6.60%
ALTUM	ALU	IT	6.35%
SEEK	SEK	Industrials	5.09%
TECHNOLOGY ONE LIMITED FPO	TNE	IT	4.72%
RESMED	RMD	Health Care	4.13%
COCHLEAR	COH	Health Care	4.02%
GBST HOLDINGS	GBT	IT	3.80%
CSL	CSL	Health Care	3.72%
FLIGHT CENTRE TRAVEL GROUP	FLT	Consumer Disc.	3.55%
THE STAR ENTERTAINMENT GROUP	SGR	Consumer Disc.	3.44%

Investment Attribution

For the month, the portfolio delivered a gross positive **0.14%** return against a **0.40%** 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

GBST HOLDINGS	0.47%	OZFOREX GROUP	-0.67%
INFOMEDIA	0.43%	RESMED	-0.24%
ARISTOCRAT LEISURE	0.30%	CARSALLES.COM	-0.20%
NIB HOLDINGS	0.22%	SIRTEX MEDICAL	-0.18%
AINSWORTH GAME TECHNOLOGY	0.13%	SIMS METAL MANAGEMENT	-0.14%

GICS Groups

Weight

Software & Services	28.27%
Consumer Services	23.22%
Health Care Equipment & Services	13.16%
Pharmaceuticals & Biotechnology	7.06%
Diversified Financials	5.90%
Commercial Services & Supplies	5.09%
Capital Goods	4.52%
Insurance	3.26%
Household & Personal Products	2.51%
Energy	2.00%
Materials	2.00%
Retailing	1.57%
Cash & Other	1.44%
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
4 years Selector Funds Management Limited
jmaragiannis@axiuspartners.com +61 2 8090 3613
+61 419 689 503

George Giovas | Managing Director

27 years finance, banking, funds management experience
4 years Selector Funds Management Limited
ggiovas@axiuspartners.com +61 2 8090 3614
+61 435 763 045

Rob Lapsley | Analyst

4 years funds management experience
4 years Selector Funds Management Limited
rob@selectorfund.com.au +61 2 8090 3617
+61 425 842 951

Alan Zou | Analyst

alan@selectorfund.com.au +61 2 8090 3615
+61 435 297 639

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.