

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 All Ordinaries Accumulation Index closed under pressure, ending down **5.40%** for the month but up **5.67%** for the financial year. Despite posting its third consecutive year of positive gains, sector returns varied enormously as general business conditions remained challenging at best. Structural changes are evident in many industries, forcing investors to question the long term business impact.

Certainly, management teams are feeling the extra pressure from a more competitive environment as well as the need for continual re-investment. During June a host of businesses provided trading updates, highlighting in most part a subdued local environment. Grocery store wholesaler **Metcash** continued to disappoint, losing market share and racking up significant write-off's totalling \$639m, as well as off loading its auto business to listed operator **Burson Group**. Uncharacteristically, **Woolworths** announced significant costs of \$270m to be incurred in 2015, that also coincided with a weak fourth quarter trading update and the retirement of CEO Grant O'Brien. Our Funds also felt the brunt of trading updates from the likes of **Virtus Health**, **Flight Centre Travel Group** and **SEEK**. In each instance the market's reaction has been severe and while some caution is justified, the sell off appears extreme. Importantly, all three operators have expanded into offshore markets where market conditions are far more positive, providing investors with an important revenue stream.

If there is one figure that should be watched carefully it is Australia's unemployment rate. In recent months the number has surprised commentators to the downside and this continued in May with the figure coming in at 6%, the lowest level in 12 months. The improvement comes at an important time with mining on the wane and other sectors of the market including media and retail subject to structural industry shifts. One of the strongest states continues to be NSW, recording a fall of 0.2% to 5.7%, although this still trails West Australia at 5.1%. Looking out the good news for NSW in particular is the rollout of a \$20 billion infrastructure spend by Premier Mike Baird. The positive flow on effects for employment should be felt in future periods which may catch some commentators off guard.

On 17 June Australia and China signed a Free Trade Agreement after more than a decade of negotiations. The economic benefits to flow should not be underestimated. What this means for Australian businesses is the ability to undertake greater trade without the impost of high tariffs. Importantly, this agreement is also taking shape at an important time for both countries as China's economy shifts towards a more services and consumer based economy, increasingly supplied by local goods and services that are recognised as being of a high quality.

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.

For the financial year the Fund delivered a gross positive return of **14.57%** compared to an Index rise of **5.67%**, representing an outperformance of **8.90%**. The Fund held **31** businesses at month end.

Gross Performance

Portfolio % All Ords Acc % Difference %

1 Month	-8.65	-5.40	-3.25
3 Months	-8.37	-6.25	-2.12
6 Months	3.24	3.32	-0.08
1 Year	14.57	5.67	8.90
3 Years annualised	26.73	14.47	12.25
5 Years annualised	15.73	9.36	6.37
10 Years annualised	9.33	7.02	2.31
Since Inception annualised	11.23	7.91	3.33

30 June 2015 Unit Mid Price—Cum Distribution **\$1.8576**

30 June 2015 Unit Mid Price—Ex Distribution (\$0.0822 per unit) **\$1.7755**

Top Ten Investments

Code Industry Weight %

ARISTOCRAT LEISURE	ALL	Consumer Disc.	7.11
SEEK	SEK	Industrials	4.83
GBST HOLDINGS	GBT	IT	4.72
ALTUM	ALU	IT	4.60
RESMED	RMD	Healthcare	4.60
FLIGHT CENTRE TRAVEL GROUP	FLT	Consumer Disc.	4.31
SIRTEX MEDICAL	SRX	Healthcare	3.99
IOOF HOLDINGS	IFL	Financials	3.98
CSL	CSL	Healthcare	3.90
CARSAL.COM	CAR	IT	3.87

Investment Attribution

For the month, the portfolio delivered a gross negative **8.65%** return against a **5.40%** fall 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	0.31	FLIGHT CENTRE TRAVEL GROUP	-1.50
GBST HOLDINGS	0.03	VIRTUS HEALTH	-0.95
INFOMEDIA	0.02	SEEK	-0.94
BLACKMORES	0.01	IOOF HOLDINGS	-0.77
OZFOREX	-0.02	AINSWORTH GAME TECHNOLOGY	-0.56

GICS Groups

Weight

SOFTWARE & SERVICES	30.65%
CONSUMER DURABLES & APPAREL	20.56%
HEALTH CARE EQUIPMENT & SERVICES	9.00%
PHARMACEUTICALS, BIOTECH & LIFE SCIENCES	7.89%
COMMERCIAL & PROFESSIONAL SERVICES	7.46%
DIVERSIFIED FINANCIALS	7.40%
CASH & EQUIVALENTS	4.22%
INSURANCE	3.03%
CAPITAL GOODS	2.82%
ENERGY	2.23%
HOUSEHOLD & PERSONAL PRODUCTS	2.04%
MATERIALS	1.41%
RETAILING	1.29%
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	15-25
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.