

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

All Ordinaries Accumulation Index fell **3.20%** for the month as macro factors including the retreating oil price and corporate earnings uncertainly continued to weigh on the market. The annual general meeting season was in full swing during November with all the language suggesting that the local earnings environment for 2015 will be tough. Following a period of strong growth during the first half of December 2013, many businesses are now steering investors towards a more subdued end to 2014, with many pinning their guidance on a stronger year end finish. Obviously this requires an uptick in economic conditions and while lower rates and a strong housing market is reflective of some strength, the overall environment remains challenging.

The G20 summit of 20 global leaders from 19 countries and the European Union rolled into host country Australia during November. At its conclusion there was agreement by the world's top richest nations to boost their economies by more than USD2 trillion over the next five years. This involves embarking on a growth agenda that includes more than 800 proposals to boost economic growth by 2.1 per cent over the period. From here, the International Monetary Fund will now be charged with monitoring the specific pledges that have been made by the G20 nations. As IMF director Christine Lagarde said *"The action plan was great but needs to be implemented. Our job will be to monitor country by country, action by action, reform by reform, whether there is delivery or not."*

Moving to more tangible matters, the US retail sector looks to be shaping up for a stronger Christmas period. The S&P 500 Retailing Index has rallied to a record close while the University of Michigan's consumer sentiment index rose to 89.4%, its highest level since July 2007. The US economy remains the shining light with its outlook improving while other nations continue to struggle. The Japanese economy posted its second straight quarter of negative growth, the technical definition of a recession. The People's Bank of China cut its benchmark interest rate by 40 basis points to 5.6% for the first time in two years as it attempts to lift market activity. European markets also remain vigilant to the weak economic outlook with further monetary actions on the cards.

The media frenzy surrounding the float of **Medibank Private** ended with the health insurer debuting with an IPO price of \$2.15 and a market value of \$5.7 billion. CEO George Savvides commented *"It is extraordinary"* and we are in agreement, however, our views relate to the dizzy price the Government was able to extract from an over-hyped marketing campaign. In the end we gave this business a wide berth. We continue to favour businesses with;

1. Strongly aligned management teams
2. Business leadership qualities
3. Conservatively positioned balance sheets
4. 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 to date the Fund has delivered a gross positive return of **8.95%** compared to an Index rise of **0.34%**, representing an outperformance of **8.61%**. The Fund held **29** businesses at month end.

### Gross Performance

Portfolio % All Ords Acc % Difference %

1 Month	-1.14	-3.20	2.06
3 Months	-0.50	-4.66	4.16
6 Months	7.16	-1.08	8.24
1 Year	14.28	3.98	10.30
3 Years annualised	28.06	12.98	15.08
5 Years annualised	12.79	6.81	5.98
Since Inception annualised	11.36	7.83	3.53

30 November Unit Mid Price

\$1.7839

### Top Ten Investments

Code Industry Weight %

SIRTEX MEDICAL	SRX	Healthcare	8.30
ARISTOCRAT LEISURE	ALL	Consumer Disc.	6.75
SEEK	SEK	Industrials	6.54
IOOF HOLDINGS	IFL	Financials	4.50
FLIGHT CENTRE TRAVEL GROUP	FLT	Consumer Disc.	4.48
RESMED	RMD	Healthcare	4.41
CSL	CSL	Healthcare	4.16
CARSALES.COM	CRZ	IT	4.11
IRESS	IRE	IT	4.02
DOMINO'S PIZZA ENTERPRISES	DMP	Consumer Disc.	3.70

### Investment Attribution

For the month, the portfolio delivered a gross negative **1.14%** return against a **3.20%** fall in the Index. The portfolio held **29** stocks at the end of the period and the performance was primarily driven by:

#### Top Five % attribution

#### Bottom Five % attribution

RESMED	0.25	TECHNOLOGY ONE	-0.42
INFOMEDIA	0.22	AINSWORTH GAME TECHNOLOGY	-0.40
SIRTEX MEDICAL	0.21	DOMINOS PIZZA ENTERPRISES	-0.39
OZFOREX	0.20	FLEXIGROUP	-0.28
SEEK	0.20	OILSEARCH	-0.23

### GICS Groups

Weight

SOFTWARE & SERVICES	26.90%
CONSUMER DURABLES & APPAREL	21.09%
PHARMACEUTICALS, BIOTECH & LIFE SCIENCES	12.46%
HEALTH CARE EQUIPMENT & SERVICES	9.75%
DIVERSIFIED FINANCIALS	9.74%
COMMERCIAL & PROFESSIONAL SERVICES	8.88%
INSURANCE	3.21%
CASH & EQUIVALENTS	0.74%
ENERGY	2.77%
CAPITAL GOODS	2.92%
RETAILING	1.52%
<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	15-25
S&P ASX 200 Target Portfolio Weighting	40%-100%
S&P SAX 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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