

Selector High Conviction Equity Fund

Monthly report – March 2024

Market insights

Since late 2023 investors have been wrong-footed. High interest rates, high inflation readings, global turmoil and economic unease prompted retreat among the many ‘expert’ commentators. How wrong they have been, as local and global share markets move higher. History now shows that the market down draft in 2022, when the U.S. Central Bank undertook the fastest and largest interest rate rises ever, was not a signal to sell but to buy. For the month, the local All Ordinaries Index closed at 8,154 points, an increase of 2.44%. For the March quarter the Index rose 4.1%.

During the FOMC meeting on March 20, the U.S. Federal Reserve (Fed) opted to keep interest rates steady, maintaining them at a 25-year peak, while indicating plans for three rate reductions later this year. This decision comes as the Fed evaluates the effectiveness of current rates on reducing inflation and their broader impact on the economy.

The latest gross domestic product (GDP) figures reveal that Australia's economy expanded by a mere 0.2% in the December quarter, marking a slowdown in annual growth from 2.1% to 1.5%. It was the country's lowest rate of growth since 2000, outside of the COVID pandemic period.

In addition, the government's growing reliance on tax has it entrenched at 27% of GDP compared to 23% pre-COVID levels. Coupled with the languishing GDP growth rate, the tax handbrake may further weaken the domestic economic outlook.

The RBA's aggressive thirteen interest rate rises since 2022 are having an impact, consistent with its mandate to target inflation rather than economic growth. Reserve Bank of Australia (RBA) governor Michelle Bullock's most recent remarks to describe the current interest rate settings unfortunately misses the mark, 'We still have to get inflation down and the risks to achieving that remain finely balanced. The war isn't won yet. So we continue to be vigilant and can't rule anything in or out.' If the aim is to reduce inflation, the most sustainable path to achieve this is by driving productivity growth, which the RBA has no power to influence.

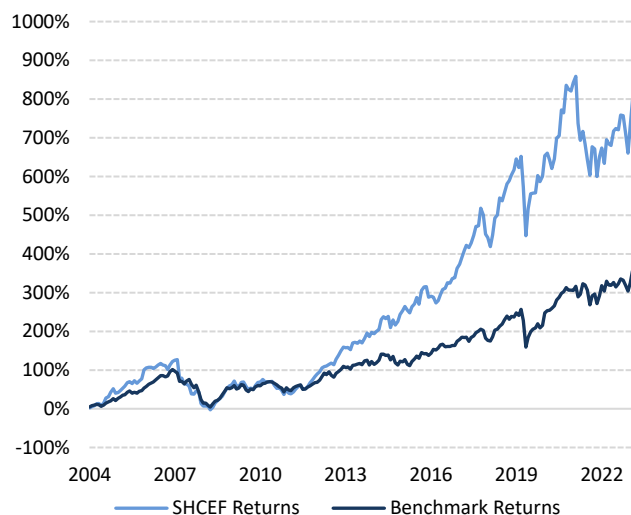
In the tech world, Nvidia made headlines with the introduction of its most powerful 'superchip' to date, designed for AI model training. The new Blackwell B200 GPUs boast a staggering 208 billion transistors, with performance 30x better than its predecessor, while being significantly more energy efficient. This innovation could revolutionize generative AI services, including those based on models like GPT-4.

The U.S. government is set to provide Intel with US\$8.5b in funding and an additional US\$11b in loans in an effort bolster the country's semiconductor industry and increase domestic chip production. This financial support is part of a broader effort, underpinned by the 2022 CHIPS Act, to positioning the U.S. to better compete with global manufacturers like Taiwan's TSMC.

We continue to seek businesses with:

1. Competent management teams
2. Business leadership qualities
3. Strong balance sheets
4. A focus on capital management

Cumulative returns since inception



Inception Date: 30/10/2004

Before fees, costs and tax, and assuming reinvestment of distributions

Top holdings

Company name	Code	Weight (%)
CAR Group	CAR	7.84
Cochlear	COH	6.64
James Hardie Industries	JHX	6.50
TechnologyOne	TNE	6.46
Reece	REH	5.58
ResMed	RMD	4.69
Aristocrat Leisure	ALL	4.53
CSL	CSL	4.45
WiseTech Global	WTC	4.21
SEEK	SEEK	3.23

Unit prices as at 31 March 2024

Entry price	\$3.7145
Mid price	\$3.7052
Exit price	\$3.6959

Performance as at 31 March 2024*

	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
Fund (net of fees)	0.58	10.39	21.05	25.45	8.35	8.69	11.89	14.22	10.50
Fund (gross of fees)	0.71	10.79	21.89	27.33	10.05	10.58	13.86	16.28	12.55
All Ords Accumulation Index	3.13	5.45	14.59	14.98	9.52	9.52	8.50	10.16	8.42
Difference (gross of fees)	(2.42)	5.34	7.30	12.35	0.53	1.06	5.36	6.12	4.13

*Performance figures are historical percentages, calculated using end of month redemption prices, and do not allow for the effects of income tax or inflation. Returns assume the reinvestment of all distributions. For periods greater than one year, returns are annualised. Performance can be volatile and future returns can vary from past returns.

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Portfolio commentary

Aristocrat Leisure (ALL:ASX)

Global gaming operator Aristocrat held a Management Roundtable in March. The company delivered market share gains in the U.S. gaming operations market, driven by strong performance from its premium content. For the December quarter the segment delivered 2.5x floor average performance.

Aristocrat's online real money gaming (RMG) business, Anaxi became a top ten supplier in the U.S. within the first six months of releasing content. The group was also awarded the top performing omni-channel provider of land-based and online content for its Buffalo title by leading independent research house Eilers & Krejcik in March. This recognition reaffirms management's views that leading land-based titles resonate with iGaming players in North America. The company remains focused on growing its customer relationships in the U.S. after achieving positive share gains following the launch of 16 new games and additional distribution agreement.

Aristocrat also filed a U.S. lawsuit against Light & Wonder's Dragon Train title in February over alleged breaches to trade secrets and IP.

Aristocrat has a market capitalisation of \$27.3b.

Iress (IRE:ASX)

Financial services technology provider, Iress disclosed its plans to sell its U.K. Mortgages business to Bain Capital for £85 million (A\$164.3m) with net proceeds from the sale expected at £70-73 million (A\$135-141m). This is the third and largest divestment to date, which is set to significantly reduce the company's debt profile. The company expects to achieve a leverage ratio of 1.0-1.5x by the end of calendar year 2024.

Iress continues to progress in its transformation strategy, with these divestments simplifying the business, allowing the company to reinvest in its core businesses of Wealth, Trading and Market Data, and Superannuation.

Iress has a market capitalisation of \$1.6b.

PolyNovo (PNV:ASX)

PolyNovo, a medical device company specialising in synthetic bioabsorbable polymer solutions announced the Indian government has approved NovoSorb BTM for inclusion in the Government-e-Marketplace (GeM) portal.

This platform which launched in 2016 centralises procurement of medical supplies to government hospitals and clinics. Management anticipates its first order through the platform within a month.

Additionally, the team in India has been actively engaging in government tenders, to enable the company to supply to public hospitals.

PolyNovo has a market capitalisation of \$1.5b and net cash position of \$45.6m.

About Selector

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.

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.

Performance contributors

Top five	Contribution (%)
ResMed	0.55
Reece	0.26
Infomedia	0.26
nib holdings	0.18
Iress	0.15
Bottom five	Contribution (%)
Aristocrat Leisure	(0.39)
Cochlear	(0.21)
Jumbo Interactive	(0.16)
SEEK	(0.13)
REA Group	(0.12)

Industry exposure

Industry group	Weight (%)
Software & Services	20.77
Health Care Equipment & Services	18.77
Media & Entertainment	13.98
Consumer Services	12.62
Capital Goods	8.01
Materials	6.50
Pharmaceuticals, Biotech & Life Sciences	4.58
Cash & Other	3.54
Commercial & Professional Services	2.91
Automobiles & Components	2.52
Insurance	2.03
Financial Services	1.98
Consumer Durables & Apparel	1.79

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