

A grayscale, halftone-style background image showing several hands holding and examining a document, likely a financial statement or prospectus. The document has some text and a table visible, though it is not legible.

# **SELECTOR AUSTRALIAN EQUITIES FUND**

## **ADDITIONAL INFORMATION GUIDE**

**DDH**  
**GRAHAM**  
LIMITED

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This Guide is issued by DDH Graham Limited ABN 28 010 639 219, AFSL 226319, the responsible entity of the Selector Australian Equities Fund.

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## ABOUT SELECTOR – THE INVESTMENT MANAGER

### WHO IS SELECTOR?

Selector Funds Management Limited (Selector) was established as an independent fund manager in 2003. Since then, Selector has maintained a consistent investment process, stable team and track record of performance for our clients. Selector has an experienced team of seven led, since inception, by portfolio managers Tony Scenna and Corey Vincent. Selector is 85% owned by the management team who invest alongside clients in the Fund.

### PEOPLE

#### Tony Scenna

*Founding Director & Portfolio Manager*

Tony Scenna is a Founder, Portfolio Manager, Director, major shareholder of Selector and an investor in the Fund. Tony has over 30 years of continuous funds management experience. In 1988 Tony was a founder of Harper Bernays Limited and was the Managing Director from 1994 to April 2002. Prior to this Tony spent five years as an Investment Analyst and then Portfolio Manager at Perpetual Trustees Australia Limited with joint responsibility for the Perpetual Industrial Share Fund, Perpetual's flagship product. Tony has a Bachelor of Economics from the University of Sydney.

#### Corey Vincent

*Founding Director & Portfolio Manager*

Corey Vincent is a Founder, Portfolio Manager, Director, major shareholder of Selector and an investor in the Fund. Corey is also Chairman of the board. Corey has over 20 years' experience in financial markets as an Analyst and Portfolio Manager and in sell side stockbroking. Corey was the founding Chairman of VBM Capital Limited from 2001-2006. Corey was an Affiliate of the Australian Stock Exchange, an Affiliate of the NSX, and a Fellow of the Australian Institute of Company Directors. Corey studied Science at the University of Sydney for four years, has a Diploma of Financial Advising (FINSIA), and a MBA awarded with Distinction from Edinburgh Business School.

#### George Giovas

*Executive Director*

George is a Director, a major shareholder and is a member of the Investment and Compliance Risk Management committees. He is also an investor in the Fund. A career senior banker and funds management executive, George is a co-founder of Axius Partners, a diversified capital raising and advisory business. George has over 30 years' experience in Banking & Finance, Real Estate and Funds Management. He is an experienced senior leader with a history of successfully building teams and businesses. George has held Executive positions at ANZ Bank over a 24-year career across business divisions and client industry sectors. George held a number of roles, covering risk management, asset management, capital markets, relationship management and industry strategy. In his last role as Global Head of Property he was responsible for the bank's real estate and construction finance business a key component of the Bank's Institutional division. He a Director and Treasurer of The Hellenic Initiative (Australia). George has a Master of Commerce (Professional Accounting) from UNSW and a Bachelor degree in Commerce (Economics & Industrial Relations) from University of Wollongong. He is a Fellow of the Financial Services Institute of Australia (FINSIA).

**John Maragiannis**  
*Executive Director*

John Maragiannis is a Director and major shareholder of Selector. John is also an investor in the Fund. John has over 30 years of industry experience with leading international and Australian funds management firms. John worked in senior roles with Credit Suisse, Schroders, Credit Agricole and Zurich Scudder. John also worked at National Mutual and at AMP. John has a Bachelor of Commerce, University of Wollongong and Masters of Commerce, UNSW. John is a founding principal of Axius Partners which specialises in Funds Management Advisory and Incubation, Third Party Distribution services and Capital Advisory.

**Phil Miner**  
*Head of Operations & Compliance*

Phil has over 20 years of continuous experience working in the financial services industry in the US and Australia. Phil has extensive experience in roles including Director of Client Services at Wells Fargo Prime Brokerage, Partner and Director at Merlin Securities, Senior Manager of Operations and Due Diligence at Ascalon Capital Managers and Senior Manager Citco Fund Services. Phil has excelled at leading high performing and award-winning service groups within the Alternative Investment and Capital Management Industries. Phil has a Bachelor of Science in Business Administration and Economics from Saint Mary's College of California and held a US FINRA Series 7 and 63 securities licenses for over 15 years.

**Kari Humphrey**  
*Company Secretary, Dealer & ESG*

Kari has 20 years' experience in finance, accounting and administration; 14 of which were spent working as the Chief Financial Officer for a medium-sized retail business. Kari has a Bachelor of Commerce and Master of Accounting (Professional) from Macquarie University. Kari is the Chair of the Selector Investment Committee and an investor in the Fund.

## FUND INVESTMENTS

### INVESTMENT STRATEGY

As a good business evolves into a great business its underlying real earnings per share (EPS) grows. Selector aims to capture as much of this earnings growth as possible over time, since it is real earnings growth that translates into share price appreciation.

Our best ideas form a concentrated portfolio of Australian businesses. The portfolio will generally consist of 25 - 40 investments. As such, individual investments may initially represent up to 4% of the total investment portfolio. If selected correctly, individual stocks in a concentrated portfolio will have a meaningful impact on performance and may grow well beyond the initial 4% level to a limit of 10%.

Selector is benchmark agnostic. In essence, we are backing our consistent investment process and our portfolio managers' deep industry experience, rather than benchmarking against an index. Selector believes that indexing limits returns to investors over the long run. Our long-term investment horizon aims to capture real EPS growth.

Selector invests in Australian equities and does not use leverage or derivatives. Experience has taught us 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.

The following section provides an overview of the stock selection process, detailed research process and portfolio risk limits.

## STOCK SELECTION

The stock selection process is based on a consistent and repeatable framework. The foundation for this common-sense approach is the considerable industry experience of our portfolio managers. The stock selection process is termed "bottom-up investing", as we focus on the business first, ensuring that investments are selected based on their individual merit. The portfolio is built stock by stock as each business is subjected to our rigorous stock selection process.

We seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets with a focus on capital management.

### Common Sense Investing

**Management** We seek honest, competent leadership. We expect high standards of corporate governance from the board and management, with these qualities reflected in the culture of a business.

**Business** We seek businesses with uniqueness, including demonstration of leadership within their chosen fields. This requires sustainable levels of re-investment maintained ahead of the curve.

**Balance Sheet** We prefer a strong balance sheet. This is our "get out of jail card" if things go wrong in a business.

**Capital Management** We seek businesses that can grow organically, demonstrate strong cashflows and real EPS growth over the long term. Ultimately, this drives higher dividends per share.

### Detailed qualitative research

The portfolio managers undertake detailed qualitative research on each business on the shortlist. This starts with researching the business, its industry, research of the competitive landscape and importantly management interviews. This is where the experience of our portfolio managers becomes our key advantage. The portfolio managers are continuously engaged in an ongoing program of domestic and international company visits.

### Detailed quantitative research

A financial model is developed for each business on the shortlist. No information is dumped into the model. The income statement, balance sheet, and cash flow items are inputted individually by the portfolio managers and over 50 financial ratios are calculated. The portfolio managers are seeking to analyse long-term trends through this financial modelling.

### Portfolio construction

As a result of detailed research on the ideas shortlist, a portfolio of 25 to 40 businesses is developed. Portfolio weighting is based on a ranking of our best ideas. This ranking is based on the following process:

1. BUYOUT valuation assessed. Buyout valuation is calculated as follows, where EBITA is earnings before interest, taxes and amortisation.

$$\text{Buyout} = \frac{\text{EBITA}}{\text{Enterprise Value}}$$

Return generated if we were to "buy out" entire debt and equity. We compare this to a risk-free rate to determine the premium we are getting for equity risk.

2. Roadmap checklist - the 18 point qualitative and quantitative factors of business

Qualitative		
Management Qualities	Owner Qualities	Focus
Individuals we can trust	Material equity holding	Niche or franchise
Drive to take business forward	Common bond shareholder	Adapt to business conditions
Clear articulation of business strategy	Track record incl. ESG	Not react market pressure
Quantitative		
Growth	Business Franchise	Balance Sheet
Reinvesting in business	Businesses we understand	Low debt levels
Capacity to grow EPS	Well positioned in industry incl. ESG	Simple structure
Free cash flow	Return on Capital Employed (ROCE)	Maintenance capital expenditure

3. Implicit ranking of new ideas against existing portfolio

Portfolio construction relies on the extensive experience of the portfolio managers. Here, it is important to note that, it is our portfolio managers, rather than investment analysts, who have undertaken the detailed research ensuring that high quality information is transmitted through the entire investment process. The portfolio managers have a track record of working together for more than 17 years. The portfolio is subjected to risk constraints outlined in the following section.

## PORTFOLIO RISK LIMITS

The portfolio management process is a risk out process. In addition, risk constraints have been established to ensure this is adhered to consistently.

Selector seeks businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets with a focus on capital management.

Selector maintains a high level of portfolio liquidity and seeks to limit the maximum sector concentration of the portfolio.

Selector further reduces portfolio risk by preventing the inclusion of risky startup businesses.

Portfolio risk constraints include:

Constraint	Range
Individual stock limit	0% - 10%
Cash limit	0% - 20%



### MORE INFORMATION

For more information please refer to the DDH Managed Funds Additional Information Guide available from [www.ddhgraham.com.au](http://www.ddhgraham.com.au).

Alternatively please phone Fund Services on 1800 226 174 between 9:00am and 5:00pm (AEST), Monday to Friday, or email [investments@ddhgraham.com.au](mailto:investments@ddhgraham.com.au).