

Monthly Report: August 2010

Select Dynamic Allocation Portfolio

ARSN 143 234 262

Performance Overview

The first month of the Select Dynamic Allocation Portfolio was positive with a return of +2.47% in August against a backdrop of weak equity markets. We have been cautiously building exposure reflecting some of our key asset allocation themes and our core view that major equity markets, while generally not expensive, face challenges that are likely to constrain progress in the near term. This is likely to see the recent pattern of large trading ranges with bouts of high volatility, but little sustained upward movement in broad market indices, persisting for some time.

In this environment we have aimed to build a modest exposure to quality, large cap, global companies in ways that, we believe, are lower risk than markets generally. These have been via exposures to the Epoch Global Equity Shareholder Yield Fund (which focuses on companies generating high free cash flows) and the Wingate Global Equity Income Fund (which adds value to a portfolio of larger global companies via selected option writing). In addition, we have been gradually building an exposure to the listed Magellan Flagship Fund (ASX code: MFF) which targets global brand name companies which are leaders in their respective markets. We have been able to buy this fund at discounts to underlying Net Tangible Assets (NTA) of around 20%.

We have also been adding (on weakness) an exposure to the Australian sharemarket (mainly via the S&P/ASX 200 ETF (ASX code: STW)) on a view that the local market's underperformance in the first half of 2010 was likely to be corrected as uncertainty over the political environment declined and the outlook for the Australian economy (and RBA interest rate policy) became clearer. However, we expect rallies to be capped by global uncertainties and are likely to cut back exposure if markets head towards the highs of earlier this year. We have also gained some of our Australian equity exposure via the ASX listed Century Australia Fund (ASX code: CYA) where we believed recent developments at the management company were likely to result in corporate actions that significantly reduced the discount to NTA.

Another listed investment company (LIC) that we have purchased due to our reasonably positive view on global resources and because of the opportunity to buy at a larger than normal discount has been Global Mining Investments (ASX code: GMI). This is a broad based fund focused on large diversified and specialist mining companies and run by global fund manager BlackRock. We have built our positions at discounts to NTA of around 20% and the Board has been proactive in capital management and recently announced a 4 cent fully franked dividend. Another thematic we like is agriculture/agricultural land and we have introduced an exposure via ASX listed fund PrimeAg Australia Ltd (ASX code: PAG) which holds a portfolio of cropping land and water rights across eastern Australia.

Key Facts at a glance

Unit price	A\$1.0247
Monthly return	2.47%
Portfolio size	A\$16.0m

Description

The Select Dynamic Allocation Portfolio (the Fund) aims to give investors exposure to a concentrated, actively managed and dynamic multi-manager, multi-asset class portfolio. SELECT Asset Management (SELECT) may make significant asset allocation moves to where SELECT believes the best medium to long term risk-adjusted returns exist.

The Fund is designed to complement an investor's overall portfolio by actively making changes between asset classes and underlying investments when short-term mispricing opportunities arise, due to either structural changes occurring within those asset classes or because of short-term market sentiment changes. These mispricing opportunities may be very difficult for an individual investor to take advantage of on their own, however, when combined in a broader portfolio, this Fund may assist in skewing an investor's overall portfolio towards attractively valued asset classes and investments, and can provide additional diversification to that broader portfolio.

Investment Philosophy

At SELECT, we believe that the key to long term wealth creation is to achieve attractive compounding rates of return above the cash rate whilst limiting major capital losses in difficult market conditions, through true diversification. SELECT believes the use of this Fund can act as a complement to a broader portfolio that may assist in skewing an investor's overall portfolio towards attractively valued asset classes and investments, and by providing additional diversification to that broader portfolio.

Performance

Past performance figures are calculated pre-tax after taking into account fees and costs and assume that all distributions are reinvested and do not take into account inflation.

Ratings

Standard & Poor's, June 2010

The Select Dynamic Allocation Portfolio was awarded a "Three Star" rating from Standard & Poor's.



Another key theme/asset has been our gold exposure which we have achieved via a mix of the ASX listed Gold Bullion ETF (ASX code: GOLD) and the US listed Market Vectors Gold Miners Index (NYSE code: GDX) which provides exposure to the world's largest producing gold miners. We continue to believe that gold related assets are in a multi-year bull market and that the key drivers of this (low nominal/real interest rates, large fiscal imbalances globally and low confidence in paper currencies) remain in place. Having said this we suspect this bull market will end in some sort of mania/bubble in coming years and are on the lookout for signs of excessive exuberance that would encourage us to lower exposure.

The current cautious and high cash positioning of many participants in markets suggests any major selloffs are likely to be bought/supported and the worst fears of a re-run of a 2008 style crash in markets in conjunction with fears of a US/Global double dip are unlikely to occur. However, the global economy and financial markets clearly face major challenges and imbalances which will take years to resolve and these are likely to weigh on markets in the short and medium term. For these reasons we are maintaining a significant cash weighting to potentially take advantage of better opportunities to add exposure particularly over the traditionally seasonally weak/volatile months of September-November.

Fund Statistics (Net of Management Costs¹) as at 31 August 2010

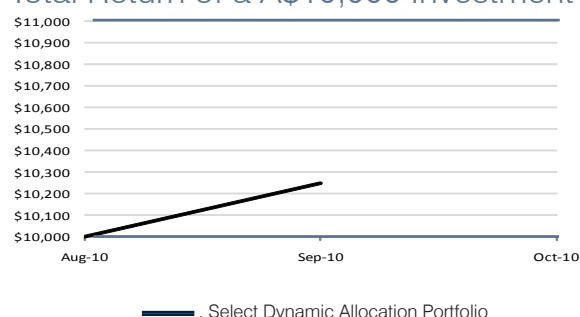
Performance Summary

	Select Dynamic Allocation Portfolio
1 month	2.47%
From inception (2 Aug 10) p.a.	2.47%
Risk p.a. (Standard Deviation)	n/a
% Profitable months	100%

Asset Class Exposure^{2,3}

Cash & Fixed Interest	Property & Infrastructure	Equities	Alternatives
59.3%	8.1%	28.3%	4.3%

Total Return of a A\$10,000 Investment¹



Key Sector Holdings

Cash & Fixed Interest	Property & Infrastructure	Equities	Alternatives
Cash	PrimeAg	Wingate	Gold Bullion
Ardea	Lazard	Epoch	
		Magellan	
		ASX200 ETF	
		Gold Miners ETF	

Key Information

Portfolios	Australian open-ended unit trust	Contribution Fee	Nil
Responsible Entity	Officium Capital Ltd	Withdrawal Fee	Nil
Applications	Weekly and last business day of each month	Buy-sell Spread	0.10% each
Minimum Investment	Initial: \$10,000 Subsequent: \$5,000	Management Costs¹	Est. 1.525% p.a. (incl. irrecoverable GST)
Withdrawals	Weekly and last business day of each month	Published Unit Prices	www.morningstar.com.au www.officiumcapital.com.au
Distributions	Bi-annually	ARSN	143 234 262
Unit Prices	Weekly and last business day of each month		

¹ Please refer to the PDS. Past performance figures are calculated pre-tax after taking into account fees and costs and assume that all distributions are reinvested and do not take into account inflation. Past performance is not a reliable indicator of future performance, nor a promise of future returns. Performance can be volatile.

² Exposures are estimates.

³ Includes the look-through exposures of each underlying investment (including cash holdings for unlisted long-only managers). The total exposure may not sum to 100% due to any direct derivative investments (such as options and futures).

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