

# Monthly Report: November 2010

## Select Dynamic Allocation Portfolio

ARSN 143 234 262

### Performance Overview

In a difficult month for equity markets, the Select Dynamic Allocation Portfolio returned 0.58%. Performance since inception in August 2010 is now 6.68% which is solid given the volatility of major asset markets and the headwinds created by some specific factors such as the strength of the Australian dollar. Excluding cash, the fund currently holds 15 investments.

Strong performers over the month included the Magellan Flagship Fund (+5.4%), Gold Bullion ETF (+3.3%) Market Vectors Gold Miners ETF (+4.3%), Market Vectors Junior Gold Miners ETF (+12.4%) and the iShares Japan ETF (+5.0%). The Proshares Ultrashort Treasury ETF also did well (+2.7%) as US long term Treasury bonds sold off (interest rates rose) despite the announcement of quantitative easing in late September 2010.

Poorer performers over the month included STW, State Street S&P/ASX 200 ETF (-1.0%) and Epoch Global Yield Fund (-1.8%), the latter as the quarterly earnings of key holdings in the consumer staples and discretionary sectors disappointed. Having the portfolio currency hedged over the month also negatively impacted returns, as early November strength, where the Australian dollar passed through parity with the US dollar gave way to weakness on some softer economic numbers and greater risk aversion, as markets refocused on Europe's sovereign debt issues.

Our major asset/sector themes of recent months remain unchanged (e.g. a weighting towards gold, gold equities, global resources, commodities, large cap global quality companies, Japan, listed infrastructure, agriculture and local inflation linked bonds). We remain, however, more reluctant to add aggressively to certain positions given strong performance recently (in particular our gold related exposures and certain listed positions such as PrimeAg and the Magellan Flagship Fund). We continue to actively manage a tactical exposure to the Australian sharemarket (via STW) around the current target of 10% of the Portfolio but are likely to reduce this on any strong rally.

We added one new investment during the month to local listed property exposure via the SG Hiscock Property Income Fund. We felt that the recent underperformance of the AREIT sector, partly driven by the multi-billion dollar capital raising by Westfield, was creating better value and a good opportunity to introduce such exposure into the Portfolio. We know this manager well and believe this nimble, non-benchmark aware Fund is well placed to add value in a sector that has faced some major structural challenges in recent years. The initial target weighting is 2.5% however, we are prepared to take this higher if there is further weakness in this area.

### Key Facts at a glance

Unit price	A\$1.0668
Monthly return	0.58%
Portfolio size	A\$77.1m

### 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.



On the currency front, we believe the recent modest weakness in the Australian dollar is most likely a correction and that local economic factors and continued US weakness could support further strength into 2011. Having said this, we are concerned that certain left field “risk events” could cause serious Australian dollar weakness at some point, especially if it moves well above parity in the near future. We are, therefore, currently examining ways to protect the Portfolio from such impacts while retaining a largely fully hedged position that is not negatively impacted by further Australian dollar strength.

The Portfolio retains around 30% in cash. We may deploy a small proportion of this cash opportunistically in the near term as we expect the recent strength across risk markets to continue into the New Year. We are, however, not yet convinced that these moves are part of a more extended uptrend and believe retaining a reasonable level of cash for unexpected weakness remains sensible in the current environment.

From a longer term perspective, we remain cautious as the loose monetary policies of the developed world and lingering imbalances from the GFC continue to risk the development of bubbles and dislocations across a number of asset categories. These are also highlighting major flaws in the present currency arrangements of some countries and resultant imbalances are increasing the risks of trade wars and greater protectionist measures. Such moves are also indicative of a broader trend of increasing government roles in the operation of economies and this has rarely been positive for the valuation of asset markets over the long term.

Nevertheless, we believe this volatile environment will continue to provide interesting asset allocation and fund selection opportunities and the flexible mandate of the Portfolio is well placed to participate in these.

## Fund Statistics (Net of Management Costs<sup>1</sup>) as at 30 November 2010

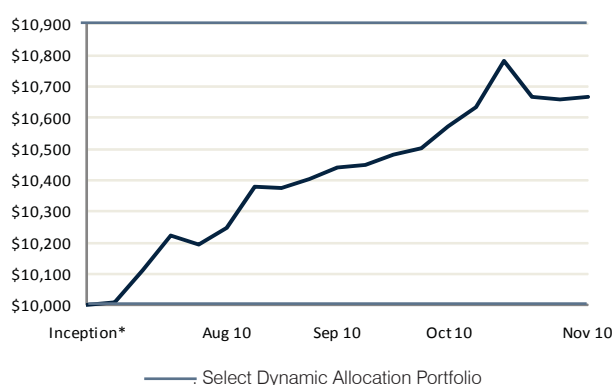
### Performance Summary

	Select Dynamic Allocation Portfolio
1 month	0.58%
From inception (2 Aug 10)	6.68%
Risk p.a. (Standard Deviation)	n/a
% Profitable months	100%

### Asset Class Exposure<sup>2,3</sup>

Cash & Fixed Interest	Property & Infrastructure	Equities	Alternatives
41.6%	9.9%	38.2%	6.4%

### Total Return of a A\$10,000 Investment<sup>1</sup>



### Key Sector Holdings

Cash & Fixed Interest	Property & Infrastructure	Equities	Alternatives
Cash	PrimeAg	Wingate	Gold Bullion
Ardea	Lazard	Epoch	H3 Global Commodities
	SG Hiscock	Magellan	
		ASX200 ETF	
		Gold Miners ETF	

## Key Information

<b>Fund Structure</b>	Australian open-ended unit trust	<b>Contribution Fee</b>	Nil
<b>Responsible Entity</b>	Officium Capital Ltd	<b>Withdrawal Fee</b>	Nil
<b>Applications</b>	Weekly and last business day of each month	<b>Buy-sell Spread</b>	0.10% each
<b>Minimum Investment</b>	Initial: \$10,000 Subsequent: \$5,000	<b>Management Costs<sup>1</sup></b>	Est. 1.525% p.a. (incl. irrecoverable GST)
<b>Withdrawals</b>	Weekly and last business day of each month	<b>Published Unit Prices</b>	www.morningstar.com.au www.officiumcapital.com.au
<b>Distributions</b>	Bi-annually	<b>ARSN</b>	143 234 262
<b>Unit Prices</b>	Weekly and last business day of each month		

\* 2 August 2010

<sup>1</sup> 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.

<sup>2</sup> Exposures are estimates.

<sup>3</sup> 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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