Monthly Report: December 2010
Select Dynamic Allocation Portfolio

ARSN 143 234 262

Performance Overview

It was a sound month for the Select Dynamic Allocation Portfolio with a return of 2.24%, bringing the total return in the five months since inception (in August 2010) to 9.07%. Excluding cash, the fund continues to hold 15 investments.

Highlights for the month included the Magellan Flagship Fund (+6.6%), Epoch Global Equity Yield (+4.7%) and Global Mining Investments (+4.8%). Our listed gold equities exposures via ETFs – fully currency hedged – also did well (GDX +4.1% and GDXJ +6.1%) although the local Gold Bullion ETF was negative (-2.5%), impacted by the strong Australian dollar. Our recently introduced commodities exposure though H3 Global Advisors also had a strong month (+7.8%), as did our fully currency hedged Japanese exposure through the iShares ETF (IJP) (+5.0%). The Proshares Ultrashort Treasury ETF had another good month (+6.5%) as bonds continued to sell off. Our main exposure to the Australian share market via the State Street ASX/S&P 200 ETF (STW) was also positive (+3.6%).

One slight negative performer was the Ardea Australian Inflation Linked Bond Fund (-0.02%) as bond markets globally weakened and nominal and real yields increased. However, Australian inflation linked bonds remains one of the few areas of the fixed interest spectrum where we still see attractive value. Another negative performer was PrimeAg (PAG) (-0.7%), which came off recent highs on concerns over flooding impacts on some of their cotton crops.

We selectively added to several areas during the month including PAG, IJP and various unlisted funds. We also added to the Australian equity position late in the month and lifted the STW target to 12.5% on a view that the rally in risk assets would continue into 2011. We also increased the weighting in SG Hiscock Property Income Fund (added to the Portfolio last month) from 2.5% to 3.5% given expectations of an improvement in the relative performance of AREITs following Westfield's recent capital raising.

Our core asset/themes remain unchanged:

- Core global equities exposure focused on large capitalisation and quality global companies.
- Low cost passive exposure to Australian sharemarket – and willingness to adjust the level of exposure in the short term.
- Global listed private equity as a beneficiary of improving activity/high corporate cash levels globally.
- Commodities and commodity related equities to benefit from secular bull market and excess liquidity, with a particular focus on resources and agriculture.

Key Facts at a glance

Unit price~	A$1.0807
Monthly return	2.24%
Portfolio size	A$83.8m
Dec dist. (CPU) ^	1.00c

~Unit price stated is ex 31 Dec 2010 distribution.
^ (CPU) refers to cents per unit.

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.

- Japanese equities given attractive valuations and contrarian opportunity.
- Gold and gold equities as beneficiary of ongoing currency debasement and sovereign debt concerns.
- Australian inflation linked bonds as one of the better value areas across the fixed interest spectrum.
- A hedge to US long bonds where we expect higher rates.
- Global infrastructure and Australian REITs given attractive income yields.

As noted above, we had been expecting a continuation of the recent rally in risk assets into early 2011. While this has been the case globally for equity and some commodity markets, the local Australian market and the Australian dollar have been more tentative given the negative impacts (both real and on sentiment) of the Queensland and northern New South Wales floods. While some businesses are clearly being negatively impacted, and a substantial impact on GDP growth is likely, there is a risk of overreaction in markets, especially on the Australian dollar which often bears the brunt of adverse short term sentiment.

As such, we have not dramatically altered strategy - continuing to hold a reasonable equity exposure with a continued high cash weighting to take advantage of any significant market weakness. We have also continued to hedge our major passive currency exposures. We would not be surprised to see a rally emerge in both local equities and the currency, as the flood situation settles down and the impacts clarified.

However, looking further out we maintain some serious concerns about ongoing imbalances in the global financial system. In particular, we are concerned that the world may be seeing only the beginning of a series of sovereign debt crises that may increasingly impact markets over coming years. To date, these concerns have focused on peripheral Europe. While further negative developments there are likely, sovereign debt crises in other major countries with high public debt levels (including UK, Japan and the US) cannot be ruled out in coming years and these could have dramatic implications for global markets. This is not currently our core view but it is an increasing possibility given the reluctance of some governments to tackle the issues adequately, and the fragile confidence of markets in the fiscal and monetary policies being adopted. Extreme currency volatility and the possibility of trade and broader geopolitical tensions could be associated with this scenario. We think quality, large cap global equities are in a reasonable position to deal with such an environment, although they would not be immune in the short term from adverse valuation and other impacts.

The possibility of this scenario is therefore a strong reason to have minimal exposure to most nominal sovereign bonds and supports the case for maintaining some gold related exposures in the years ahead. It is also encouraging us to investigate further the introduction of some put option protection on both our equity exposure and on the Australian dollar.

Fund Statistics (Net of Management Costs[1]) as at 31 December 2010

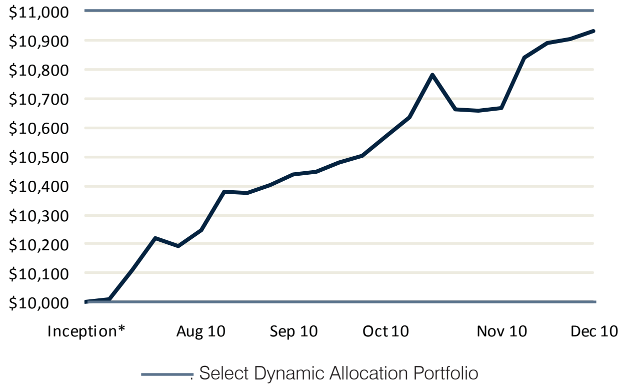
Performance Summary

	Select Dynamic Allocation Portfolio
1 month	2.24%
From inception (2 Aug 10)	9.07%
Risk p.a. (Standard Deviation)	n/a
% Profitable months	100%

Asset Class Exposure[2,3]

Cash & Fixed Interest	Property & Infrastructure	Equities	Alternatives
38.49%	11.32%	39.91%	6.51%

Total Return of a A$10,000 Investment[1]



Key Sector Holdings

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

Key Information

Fund Structure	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 Costs[1]**	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		

* 2 August 2010
[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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Important Information