

# Selector Australian Equities Fund

Monthly report – April 2024

## Market insights

This month we travelled to Europe, attending investor day briefings alongside select company meetings.

These on the ground visits, involving incredibly long distances travelled and many early flights, are invaluable. Nothing highlights this point more than the learnings we garnered from face-to-face meeting with management teams.

From a site tour of Reliance Worldwide Corporation's John Guest U.K plumbing manufacturing facilities, to individual meetings covering ARB, Flight Centre Travel Group, FINOES, Iress and Domino's Pizza Enterprises our learnings help to clarify and, in many cases, dispel mistruths.

These meetings also bring to life a company's cultural fabric. This was certainly evident at Reliance, with the EMEA team, led by Dixon Thuston and its U.S parent continuing to forge stronger cross boarder learnings.

Our time in London and in other European cities suggested an ongoing healthy travel market, despite the spectre of subdued economic output.

The International Monetary Fund (IMF) highlighted the economic growth (GDP) differential for 2024 between the U.K and U.S economies, with the former expected to expand 0.5% while the latter would grow 2.7%.

U.K headline inflation of 3.2% is now lower than the latest U.S reading of 3.5% for the first time in three years.

Santander strategist Gabriella Willis noted the Bank of England's position on interest rates was very different to that of the U.S Fed, *"All in all, we think a healthy dose of perspective is required...the big picture remains one of deflation."*

The fervour around the abilities of artificial intelligence (AI) continues, with new published research highlighting the Microsoft backed GPT-4 model achieving the same scores as all but the top scoring specialist medics in assessing ocular conditions. According to lead author commenting on these findings, *"What this work shows is that the knowledge and reasoning ability of these large language models in an eye health context is now almost indistinguishable from experts."*

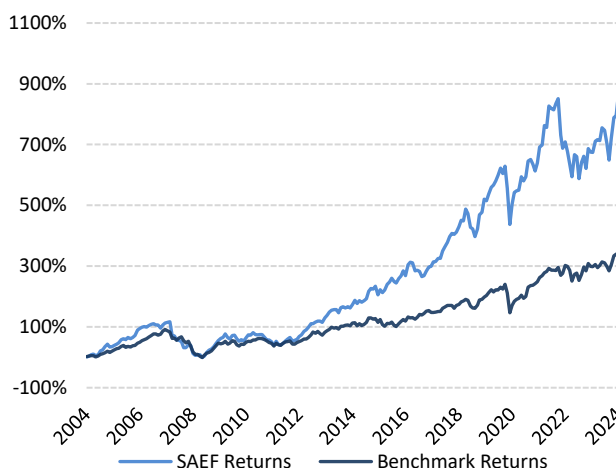
However, the bottle neck to this cutting-edge AI technology, according to Elon Musk, is *"electricity supply"*. Andy Jassy, Chief Executive Officer of leading data centre operator Amazon, affirmed this sentiment, noting that there was simply *"not enough energy right now"* to run new generative AI services.

According to the International Energy Agency (IEA), U.S data centre electricity consumption is expected to grow from 4% to 6% of total demand by 2026 while the AI industry is forecast to expand *"exponentially"* and consume at least 10 times its 2023 demand by 2026. Is it time to revisit a nuclear baseload solution?

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: 07/12/2004, Benchmark: S&P ASX All Ordinaries Accumulation Index Before fees, costs and tax, and assuming reinvestment of distributions. Past performance should not be taken as an indicator of future performance.

## Top holdings

Company name	Code	Weight (%)
CAR Group	CAR	6.83
ResMed	RMD	5.84
TechnologyOne	TNE	5.84
Cochlear	COH	5.78
James Hardie Industries	JHX	5.54
Reece	REH	4.76
CSL	CSL	4.61
WiseTech Global	WTC	4.28
Aristocrat Leisure	ALL	4.16
Altium	ALU	4.04

## Unit prices as at 30 April 2024

Entry price	\$3.0081
Mid price	\$3.0006
Exit price	\$2.9931

## Performance as at 30 April 2024\*

	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception Annualised
Fund (net of fees)	(2.52)	5.52	25.83	15.38	4.68	7.17	11.30	11.97	9.49
Fund (gross of fees)	(2.44)	5.79	26.34	16.74	6.12	8.81	13.67	15.02	12.28
All Ords Accumulation Index	(2.70)	1.52	15.97	9.94	7.15	8.38	8.06	9.52	8.00
Difference (gross of fees)	0.26	4.27	10.37	6.80	(1.03)	0.43	5.61	5.50	4.28

\*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. Performance can be volatile and future returns can vary from past returns. Returns greater than 1 year are annualised.

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## Portfolio commentary

### CSL (CSL:ASX)

During the month, CSL, a global biotech company held a site tour of its Behring and Seqirus facilities in Melbourne.

Behring, the group's blood plasma division represents 70% of the company's revenue and operates in over 40 countries. The division has six manufacturing sites globally, with the Melbourne facility in Broadmeadows operating since 1994 and hosting over 1200 employees. Over the last decade, the company has invested nearly \$2b in expanding manufacturing and plasma collection capacity to fuel the next phase of growth. With the program nearing completion, the company has shifted focus to operational efficiency through improved donor experience, collection times and manufacturing processing capabilities to deliver a higher plasma yield per unit volume of donated blood.

Located adjacently, in Tullamarine, is the new state of the art Seqirus facility. Seqirus is the global influenza vaccine leader by revenue, operating in over 15 countries. The division represents 15% of group revenue and has three manufacturing sites globally. The Tullamarine facility is a specialised cell-based manufacturing facility, designed to support Seqirus' newest generation of differentiated influenza vaccines that deliver superior clinical efficacy. The facility is expected to begin production in the first quarter of 2026 and increase seasonal and pandemic cell-based influenza capacity by 50%.

CSL has a market capitalisation of \$133b.

### ResMed (RMD:ASX)

ResMed delivered a strong 3Q24 result, with revenue up 7% to US\$1.2b and net income up 29% to US\$301m. Growth was driven across all segments with global device sales up 5% to US\$638m, Masks and other accessories rising 10% to US\$411m and SaaS increasing 8% to US\$148m.

Underlying gross profit margins expanded 240 percentage points over the prior corresponding period to 58.5% driven by lower freight costs and manufacturing improvements. Management continues to see further opportunity to improve gross profit margins over financial year 2025.

ResMed remains the global leader in Sleep Apnea, in a market experiencing growing patient awareness through new technology and pharma. In February, Samsung became the first smartwatch company to receive U.S. regulatory approval to detect signs of moderate to severe sleep apnea over the age of 22. The feature is expected to launch in the new Galaxy watch later this year. Additionally, emerging evidence of GLP-1 weight loss drugs has shown the ability to improve sleep health but not cure the condition. This supports the company's internal data of over 660,000 GLP-1 patients who remain on CPAP therapy. ResMed data shows these patients are more compliant with a 3.1% higher consumable resupply rate after one year and 5% higher after two years compared to patients not on GLP-1 therapy.

Offering the two leading CPAP devices in the market as well as a fully cloud-connected ecosystem, ResMed remains the only global player at meaningful scale.

ResMed has a market capitalisation of US\$31.6b.

## Performance contributors

Top five	Contribution (%)
ResMed	0.51
Fisher & Paykel Healthcare	0.24
Pro Medicus	0.16
FINEOS Corporation Holdings	0.14
Nanosonics	0.13
Bottom five	Contribution (%)
James Hardie Industries	(0.77)
CAR Group	(0.45)
Aristocrat Leisure	(0.32)
Domino's Pizza Enterprises	(0.28)
TechnologyOne	(0.25)

## Industry exposure

Industry group	Weight (%)
Software & Services	22.06
Health Care Equipment & Services	20.93
Media & Entertainment	14.72
Consumer Services	11.55
Capital Goods	6.33
Materials	5.54
Pharmaceuticals, Biotech & Life Sciences	4.67
Automobiles & Components	2.82
Commercial & Professional Services	2.65
Consumer Durables & Apparel	2.50
Financial Services	2.26
Insurance	2.04
Cash & Other	1.95

## About the Fund

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Selector Australian Equities Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

The Investment Manager, Selector Funds Management ("Selector"), specialises in high conviction, index agnostic, concentrated portfolio management. The investment team have a high level of experience, are owners of the business and invest in the funds alongside clients.

This update has been prepared by Selector to provide you with general information only. In preparing this update, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Selector, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. Selector does not guarantee the repayment of capital, payment of income or performance.

Selector's Target Market Determination is available [here](#). A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

### Contact Us

Telephone: +61 2 8090 3610  
Email: [admin@selectorfund.com.au](mailto:admin@selectorfund.com.au)  
Address: Level 8, 10 Bridge Street  
Sydney NSW 2000  
[www.selectorfund.com.au](http://www.selectorfund.com.au)

**John Maragiannis | Executive Director**  
[imaragiannis@axiuspartners.com](mailto:imaragiannis@axiuspartners.com)  
Telephone: +61 419 689 503