Dear Investor,

Twelve months following the collapse of Lehman Brothers, share markets have returned to some normality. Investor confidence has returned, evidenced by the sharp recovery in markets despite company profits remaining under pressure. New capital raisings have continued, debt markets have opened up and talk of new company listings are now accepted with open arms.

However, as we discuss further in our newsletter, the fallout from the financial meltdown will be felt for some considerable time to come. In keeping with this theme, the challenge facing investors today is in identifying the type of business one has. Making the distinction between a cyclical business and one in structural decline will become even more critical in an open and competitive world.

We discuss these aspects in an article titled "The Old and the New" as well as revealing our thoughts on a new business recently added to the portfolio.

During an extremely difficult and volatile period in world markets, the Fund has returned a gain of 4.5% over for the past year. Even more pleasing has been the Fund's strong performance rebound from the share market lows set in March, rising 46.5% and outperforming the Index by 26.0% during the past six months (refer statistics page 20).

Throughout this period our investment strategy remained unchanged, a fact hopefully reflected in our latest quarterly report.

Finally, we would like to once again extend our appreciation to all of our investors.

Regards

Tony Scenna
Victor Gomes
Corey Vincent

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Table of Contents

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Performance September Quarter 2009

The Fund delivered a strong last quarter; rising 20.3% and performing relatively in line with the All Ordinaries Accumulation Index which rose 21.6%.

Portfolio performance statistics are detailed on page 20.

Markets on the Mend

Investors have at times a tendency to over complicate things. Sometimes, we should just accept things for what they are - that markets occasionally provide us with extraordinary investment opportunities at extraordinarily difficult times.

In our December 2008 quarterly newsletter we wrote "Calendar 2009 will continue to produce its own set of challenges and surprises. But the investment landscape is now filled with many attractive business opportunities trading at knock-down prices. Staying focused on the stock selection process and having the confidence to grab opportunities during times of market pessimism will have its rewards."

Yet few would have predicted the dramatic turn of events that has seen share prices soar and markets rebound plus 50% off lows set in mid March. In truth, investors had simply given up all hope – throwing in the proverbial towel. While company valuations were cheap on almost any measure, the carnage leading up to March had made many seasoned investors nervous and suspicious. Rather than accepting the gifts that were on offer, investors saw risk and continued to head for the exits. In short they panicked or were put into a financially difficult situation in which the only solution was selling out. In the meantime, those that focused their energies on the opportunities at hand have been well and truly rewarded - confirming that the art of successful investment is the patient investor taking money from the impatient investor.

For our part, the Fund was able to take advantage of some wonderful new opportunities including the likes of WorleyParsons, REA Group, SEEK, IRESS Market Technologies, SIRTeX Medical and Billabong International while also adding to existing holdings, including Primary Healthcare. To this end we have continued to put countless other investment opportunities to the financial test.

All in all it seems that Jim Grant, editor of Grant's Interest Rate Observer, got it absolutely right when in an interview given last December and reproduced in our December 2008 quarterly newsletter he noted that *"Over reaction is the theme of every financial cycle as well as this one. In the thirties all markets were deranged, not* *only demoralised but deranged. That is, value was as irrelevant at the bottom as it had been at the top, which is always the way".* Perhaps it pays not to look a gift horse in the mouth too often.

Knowing the Difference between a Share Price and a Business

Wrong footing investors most often is the notion that markets behave rationally when in reality nothing could be further from the truth. Markets are all about paradoxes. Choosing to invest when everyone is streaming for the exits, while showing restraint when the full house sign goes up, may be sensible and financially rewarding but it also requires enormous courage and conviction. Going against the crowd is never an easy thing but the big mistake investors often make is in linking investment decisions to a company's share price rather than the business itself. Understanding the business qualities that make it so appealing and the management team entrusted to run it, should be an investor's primary focus. Only then should the question of price be entertained. Unfortunately, from our experience, the reverse is usually the case and we fear that as markets re-group and rebound, investors who fail to make this distinction could be in for some nasty shocks.

It is therefore important that during a time of collapsing profits and stressed economic conditions, investors clearly understand the type of business they have chosen to back. Simply backing a business with history or brand appeal can potentially hide many sins, for it may offer wonderful insights into a company's past form without necessarily shedding much light on its future prospects. The real trick is in identifying and avoiding those companies that are well past their use-by date or are in structural decline.

While the vast majority of businesses operate to the economic cycle, enjoying growing profits in good times while giving ground on the way down, there are others that are forever impacted by changes to their traditional business world. One only needs to consider how new technologies such as the humble telephone changed societies and, in the process, exposed those businesses too slow to adapt. Today, the century old telephone technology faces its own threat of extinction from the emergence of the internet. However, since progress hastens slowly, businesses and managers that are prepared to adapt, have a chance.

In his book "Only the Paranoid Survive", Andrew S. Grove, former CEO of Intel Corporation from 1979 to 1997, describes how the company, having pioneered and built a global business developing memory chips, took the extraordinary decision to exit and re-focus on computer microprocessors. Grove recounts "I experienced the confusion that engulfs you when something fundamental changes in the business and I felt the frustration that comes when the things that worked for you in the past no longer do any good….I learned some basic principles, too. I learned that the word “point” in strategic inflection point is something of a misnomer. It’s not a point: it’s a long, torturous struggle.”

While Intel’s change of tack proved fruitful, the same cannot be said of so many other businesses caught out by technological changes. For investors, the difficulty is in knowing how much one should pay for a business under siege. Berkshire Hathaway’s chairman Warren Buffett made the following observation on the subject of price at the 2006 annual meeting “it’s hard to pay a low enough multiple for a business in decline”.

But which businesses to avoid is not as straight forward as one would imagine. So often, we mistakenly attribute a business’s ability to grow its profits to its own attractive qualities when in fact it has purely benefited from surrounding buoyant conditions. In stark contrast, the current financial meltdown has been so rapid and severe, that is has actually accelerated the structural declines confronting some businesses.

When engineering giant Leighton Holdings’ veteran CEO Wal King delivered the company’s first profit fall in five years, a drop of 28% to $440 million, he confidently predicted a return to growth within a year on the back of a record amount of new work noting, “The tide is coming in, and every time the tide has come in, it’s always gone to a new high watermark”. While King’s enthusiasm speaks about his confidence in the strong demand for his company’s services, it also highlights how the group has adapted to the changing business landscape over the past decade.

In comparison, Fairfax Media is finding things even tougher. While also announcing a significant drop in net profits, to the tune of 40% to $227 million, CEO Brian McCarthy was less forthcoming on the group’s outlook adding “Among the challenges we’ve faced has been reshaping Fairfax for the future at the same time as dealing with depressed advertising markets. The emerging company will be a stronger force in the market place.” We have a great deal of respect for McCarthy but the challenges Fairfax is facing are clearly structural and while it may emerge as a “stronger force in the market place” we’re not convinced that it will generate the level of profits to match its earlier years.

To this end, picking businesses based purely on past performances is unlikely to be a successful investment strategy.

The Old and the New

Back in 1995, John Fairfax Holdings had revenues of $948 million and operating earnings of $253 million. Fourteen years on, the renamed Fairfax Media group revenues hit $2.6 billion with underlying profits of $477 million. On first blush, these comparative numbers would suggest solid top line growth offset by margin pressure. Not surprising, considering that 2009 financial year was such a horror year. However on closer examination the numbers reveal a disturbing profit trend, hidden somewhat by the group's acquisition of Rural Press for $2.5 billion in 2006.

In short, Fairfax Media is fighting the very same issues that Andrew S. Grove termed a "strategic inflection point" in our previous article. In this case, the strategic inflection point for Fairfax Media, is the internet's arrival. In particular, classified revenue, once the "rivers of gold" for the group, is now being swallowed up by online competitors. One only has to look at the growth of the online competitors to acknowledge the risk facing the business. The risks are real, they are structural and unfortunately, rather than being a point in time, it's turning out to be "a long, torturous struggle."

While classified revenues from real estate, cars and employment always suffered during cyclical downturns, they invariably came back bigger and stronger during the recovery phase. The emergence of online competitors, including the establishment of REA Group in 1995, SEEK in 1997 and Carsales.com, also in 1997 has fundamentally altered the competitive landscape. Unfortunately for Fairfax Media, while print still commands a reasonable share of advertising spend, it is fast moving to the online world where Fairfax Media clearly lacks dominance.

In fact, Fairfax Media rates second with market shares of circa 25% (MyCareer.com.au) and 21% (domain.com.au) in the employment and real estate stakes respectively and a distant third in cars, with a market share of less than 10% (drive.com.au). In contrast, the three leading online players all hold market shares of around 60%.

Former CEO Fred Hilmer acknowledged the huge task facing the group in an article that appeared in The Australian on 30 August 2008 and we highlighted in our September 2008 quarterly newsletter. He passed on the opportunity to acquire a stake in SEEK in 2003 and the group sold out its minority position in Carsales in 2006.

"I found no media model for a broadsheet, classified-dependent newspaper organisation that would pull me out of the hole I found myself in at Fairfax. In hindsight I should have seen that classifieds tend to gravitate to the leading site in any category… I should have done something other than try to compete head-to head."

Current management has taken steps to mitigate the online damage but the "leaking out of the bottom of the bucket when it comes to lineage classified advertising" is reflected in Table 2.

Table 2: Financial Comparison - Old and the New

$'M	Fairfax Media*	SEEK**	REA Group***	Carsales.com****
Traditional / other	2,339.3	40.9		
online	262.7	168.9	167.8	95.9
Total Revenue	2,602.0	209.8	167.8	95.9
Traditional / other	496.3	6.9	(16.7)	
online	108.7	90.9	83.5	43.7
Total EBITDA	605	97.8	62.3	43.7
NPAT	487.8	55.3	36.7	30.7
Share Price $	1.65	5.59	7.40	3.80
Issued Capital	2351.9	335.8	127.3	231.9
Market Capital $	3880.6	1877.1	942.0	881.2
Net Debt / (Cash) $	1782.3	69.9	(41.1)	3.0
Enterprise Value $	5662.9	1947.0	900.9	884.2
EV/EBITDA	9.4x	19.9x	14.5x	20.2

* Reflects underlying earnings performance pre-significant items as reported by company
** Other revenue line refers to all business other than online employment contribution
*** Other earnings contribution ex Australian online property / Results shown pre-significant items
**** All financials as per prospectus document 2009

The most striking point to note from the figures shown in Table 2 is the contribution that online makes to the Fairfax Media group and how that compares to the pure online market leading competitors in each of the three classified categories of employment, real estate and cars. Interestingly, investors are prepared to pay a much higher price for the pure online players, perhaps reflecting a general view that the migration of revenue from print to online has some distance to go.

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In fact, if you were to tally up the current market capitalisation amounts of the three online players, it would amount to $3.7 billion, almost equaling Fairfax Media's $3.9 billion, with the only significant difference being the large amount of net debt that the group continues to carry compared its rivals.

We're not about to write off Fairfax Media just yet, nor underplay the risks that even the online players could face in future years but there is sufficient evidence to suggest that paying up for an industry that is undergoing such dramatic and fundamental shifts in how business is carried out deserves some caution. And if any further evidence was required as to its impact, one needs to look no further than recent comments made by the three main newspaper providers, News Corporation, Fairfax Media and APN News & Media. In particular, News Corp chairman and CEO Rupert Murdoch got things rolling when, in announcing the full year profit numbers on 6 August, added "We intend to charge for all our news websites. I believe that if we are successful, we will be followed by other media. Quality journalism is not cheap, and an industry that gives away its content is simply cannibalizing its ability to produce good reporting."

While APN News and Media CEO Brendan Hopkins joined in a month later highlighting the impact that search engines were having on the industry. "To use an analogy, I see search engines as breaking into our homes, itemising the contents, walking out and listing everything for everyone to see. And they get money out of that process. The only problem is, I don't see any revenue being paid directly from Google, Yahoo! or Microsoft in our company profit and loss accounts."

So there you have it. Everyone is in agreement that someone should pay. The only problem is we haven't come up with the game plan that makes it all happen or the rules that everyone will be willing to play along by. Until then, it is hard to see how the rot can be stopped.

SIRTeX Medical (SRX) added to the portfolio

SIRTeX

In our June 2009 quarterly newsletter we reviewed two businesses forming part of the Fund's investment holdings. In this edition, we review SIRTeX Medical, a business that we have followed since its listing in 2000. The Fund began adding SIRTeX to its portfolio during May ($2.75 entry price). Table 2 provides a snapshot of the group's climb over the years, culminating in a record financial result for 2009.

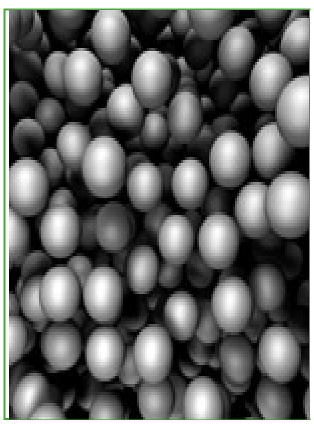
Table 2: SIRTeX Medical Limited Corporate History 1997-2009

Year	Event
1997	Company incorporated in 1997 as Paragon Medical, name changed to SIRTeX Medical.
1997	SIRTeX acquired three technologies relating to treatment of liver cancer, developed by Cancer Research Institute and Dr Bruce Gray.
1997	SIRTeX lead product SIR-Spheres targets tumors and irradiates it by process known as Selective Internal Radiation Therapy (SIRT), destroying the tumor and leaving normal cells unaffected.
1998	SIR-Spheres gains marketing approval from Australia's Therapeutic Goods Administration.
2000	Lists on 24 August, with a $15 million raising at $1.00 per share, valuing group at $54 million.
2000	Shares debut strongly, closing first day at $2.04 per share, hitting $4.90 in August.
2001	US approval delays impact sentiment, shares hit all time low 46 cents 30 September.
2002	Approval for treatment of secondary liver cancer received from United States Food and Drug Administration.
2002	First US patient treated on 22 May.
2002	European CE Mark approval gained for the treatment of all forms of liver cancer in October.
2002	SIR-Spheres available in 22 countries, September quarterly sales exceed $1.3 million.
2002	Shares hit all-time high $5.94 per share on 9 December.
2002	Chairman Chris Roberts resigns replaced by Gray as executive chairman.
2003	January, monthly sales exceed $1.0 million for first time.
2003	US based biopharmaceutical company Cephalon Inc. makes cash takeover for company at $4.85 per share on 12 February, valuing SIRTeX at $271 million, subject to 90% acceptance condition.
2003	Founder and major shareholder Gray enters into deed to sell 19.9% of stock with intentions of selling remaining balance of 17.7% holding into Cephalon offer.
2003	Cephalon CEO notes product sales could reach $US175 million on 25% market penetration.
2003	Cephalon bid closes 27 May unsuccessful with 88% acceptance level, falling short of 90% target.
2003	CEO Colin Sutton resigns 6 June replaced by Gray.
2003	First treatment with SIR-Spheres undertaken in Germany, group sales hit $10.2 million.
2004	US hospitals fully reimbursed for SIR-Spheres set at $US14,000 per dose.
2004	December 22, University of Western Australia (UWA) launches legal action against Gray, alleging intellectual property infringement, involves SIRTeX in action.
2005	Current CEO Gilman Wong appointed 26 May.
2005	Public funding in Australia approved for liver cancer treatment.
2005	SIRTeX shares sold down to $1.14 after failed takeover offer for company.
2006	Gray steps down as Chairman on 22 August, Richard Hill appointed.
2006	SIRTeX revenue exceeds $20 million for first time, along with initial net profit of $1.8 million.
2007	CEO Wong undertakes a series of new clinical trials, significantly expands R&D program.
2007	Company enters Korean, Indian & Taiwanese markets under licensing agreements.
2007	Revenue exceeds $30 million, unit dose sales top 2,000 for year.
2008	United States FDA approval received for new purpose built production facility in Wilmington, Massachusetts, to supply US market with a plant capacity of 10,400 per annum.
2008	Federal Court of Australia finds in favour of SIRTeX in action taken by UWA, awarded costs.
2009	SIRTeX records 42% rise in unit dose sales to 3,664, reported net profits jump to $18.2 million, net cash on hand increased to $26.4 million.
2009	Prestigious Journal of Clinical Oncology publishes independent editorial supporting the role of selective internal radiation therapy (SIRT) in treating patients with secondary liver cancer.

What started out as an innovative liver cancer treatment pioneered by company founder and largest individual shareholder Dr Bruce Gray, has continued to gain international acceptance under the leadership of CEO Gilman Wong.

However, it hasn't been all smooth sailing. In fact, in just under a decade, SIRTeX has enjoyed significant regulatory approval, been the subject of a $4.85 per share all cash bid from US based Cephalon Inc. that ultimately failed and successfully defended a court case brought against it by the University of Western Australia alleging intellectual property infringement by its then CEO Gray. In short, the media has had a field day and investors have had to pick up the pieces on more than one occasion. So why our interest?

Despite the best intentions of so many to derail the business, the group has weathered the storm and now finds itself in superb shape, with a growing revenue stream and a strong balance sheet. Importantly, the technology that the business is built on continues to gain global recognition.



What are SIR-Spheres Microspheres?

SIR-Spheres microspheres are tiny resin microspheres that are loaded with yttrium-90, a radioisotope that emits pure beta radiation. Yttrium-90 has a "half life" of about 64 hours. The radiation from yttrium-90 is largely confined to a tissue depth of 2 - 3 mm. After injection into the artery supplying blood to the tumors, the spheres are trapped in the tumour's vascular bed, where they destroy the tumour cells by delivering the beta radiation. The radiation is targeted and contained within the patient's body and after 14 days the majority of the radiation effect has occurred. SIR-Spheres microspheres are considered a regional treatment as the radiation is directed to the liver and does not affect other organs in the body.

SIRTeX has largely remained a one product company, focused on the treatment of liver cancers. Conventional treatment would see a patient diagnosed with the disease either undergoing surgery in a minority of cases or exposed to general chemotherapy. In contrast, Gray pioneered a novel and targeted approach to fight the disease which he labeled SIRT – Selective Internal Radiation Therapy – performing the first ever SIRT procedure on a patient in 1987.

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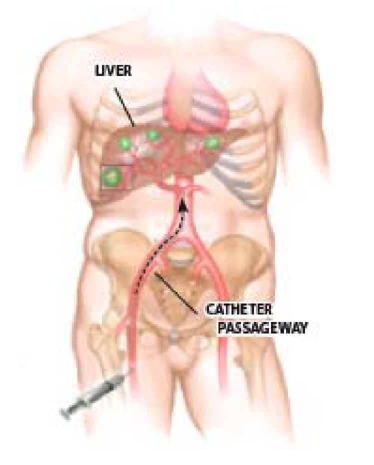
As opposed to external radiation therapy that damages healthy cells as well as diseased cells, SIRT is an internal radiation therapy. The thinking is that if radioactive materials can be placed in direct contact with the tumor, then greater amounts of radiation can be applied, since there is less danger of affecting healthy tissues and more chance that the cancer cells can be irradiated away. This kind of treatment is called brachytherapy.

The procedure typically takes about an hour, is administered by specially trained radiologists and is similar to the traditional method of placing chemotherapy in a patient's hepatic artery (one of two blood vessels that feed the liver) except that the chemotherapy drugs are replaced with the radioactive element yttrium-90. These microspheres are one third the width of a human hair and are lodged into the smaller blood vessels that feed the tumor, preventing blood flowing to the tumor while emitting radiation that helps to destroy the cancerous cells. Due to the targeted nature of this approach, it can deliver a much more potent dose of radiation, up to 40 times conventional radiation therapy and is less harmful to healthy liver tissue.
However it was not until results of a phase III trial in 1997 comparing chemotherapy with SIRT that others started to take notice. While the patient numbers were small, by 1999 the trial showed that 42% of patients who got a SIRT treatment were still alive verses just 26% for those just receiving chemotherapy.

The SIRTeX treatment has gained traction over the years, offering real progress in the treatment of this fatal disease - being the fifth most widespread cancer and one of the deadliest. The company notes that more than 600,000 new cases of primary liver cancer develop worldwide each year and at least 200,000 secondary liver cancer cases. In ninety percent of cases, the tumors are inoperable thereby relying on new therapies such as SIRT to treat the patient.

At the time of the takeover bid for the company in 2003, Cephalon CEO Frank Baldino noted "In the US alone, where the incidence of metastatic cancer is more than 50,000 cases annually, the product could reach sales of $US175 million ($A291 million) based on the $US14,000 per dose cost and a 25% market penetration." Similarly the European market is estimated to exceed $US850 million while Asia remains the wild card.

While it is early days, SIRTeX has made steady progress in changing the mindset of the industry's gate keepers, the oncologists. Currently, the SIRT treatment is seen as a last line therapy rather than the preferred first-line treatment option. Under the steady guidance of Wong, management has significantly stepped up its investment in funding new clinical trials. At last count, 15 clinical trials into primary and secondary liver cancer were underway, with the group outlaying some $8.9 million on research and clinical trials during the past year. Of these, SIRTeX is sponsoring 4 trials while 8 are investigator led. And the investment seems to paying off with a growing number of independent trials confirming the treatment's effectiveness when compared to traditional chemotherapy regimes, including the most recent publication of clinical trial results in the prestigious Journal of Clinical Oncology that noted "…yttrium 90 radio-embolization may become the therapy of choice compared with other forms of ablation."



A specially trained interventional radiologist administers SIR-Spheres microspheres. Other specialists experienced in the treatment of liver tumours will review the individual treatment plan. The procedure is usually performed as an outpatient procedure under local sedation in the radiology suite. A small incision will be made in the patient's groin and a flexible catheter will be guided into the liver under x-ray vision. The catheter is moved through the hepatic artery and positioned by the interventional radiologist to allow for targeted infusion of the SIR-Spheres microspheres to the liver tumours. SIR-Spheres microspheres take about 15 minutes to be infused and the whole procedure takes about one hour from beginning to end.

Expanding the indications of use is as important as the opening of new markets. While Gray successfully opened up the US market following the group's FDA approval in 2002, it has been Wong that has built the all important foundations to grow the business. SIRTeX is now represented in over 25 countries and the SIRT treatment enjoys full reimbursement funding in the US, Australia, Germany, Belgium and Turkey, while Spain and Italy are offered on a regional basis. In the group's largest market, the US, SIRTeX operates in 41 states and has its SIR-Spheres actively used in over 140 treatment centres. Unit sales have compounded by 41% over the

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past five years with the group selling 2,304 doses during 2009 at a price of US$14,000 per dose. In Europe, the group is gaining real traction with dose sales up 117% to 983 over the past year at an average selling price of 12,000 Euro per dose. Importantly, SIRTeX enjoys the support of the oncologists to promote its treatment option. At present, the group operates in Germany, Austria and Spain with 68 centres and 15 countries in total. Expectations are that the UK and French markets will open during the 2010 year and discussions with the UK National Institute for Clinical Excellence (NICE) are expected to recommend funding for SIRT treatment.

These important advancements are necessary for the group to stay at the forefront of product development and competitive threats. The company has a number of issued patents covering the SIR-Spheres technology and accompanying R&D pipeline of new products. The cornerstone US patent protecting the SIR-Spheres expires in January 2014 although extensions have been obtained via the group's manufacturing process. In terms of direct competitors, only one is currently evident, namely Canadian based MDS Nordion distributing the product TheraSpheres. The delivery of TheraSpheres is essentially identical to that of SIR-Spheres except that it uses glass microspheres as opposed to SIR-Spheres' biocompatible resin based microspheres. More importantly TheraSpheres are only approved by the FDA as a humanitarian device, while SIRTeX enjoys full approval.

However as we briefly noted earlier, far more destabilising has been the ongoing battle between Gray and current SIRTeX board members. While the UWA court case against the company has been thrown out with some $5.5 million in legal costs expected to be recouped, Gray continues to pursue his own agenda of change, including the removal of the current chairman. Despite holding just under 30% of issued capital, shareholders have successfully resisted Gray's numerous attempts and for good reason.

As Table 3 highlights, the financial numbers are moving in the right direction. A growing top line and an improving bottom line have allowed management to position the group for solid growth. With no net debt and a cash balance of $26 million, SIRTeX is well placed to execute on its market rollout. Wong's confidence in the future is reflected in an investor update provided in September 2008 "We believe our treatment is moving out of the early adaptor stage, where clinicians tried it as a new technology. We're now looking at transitioning into more main stream acceptance of our treatment. We believe sales growth is not only sustainable but should accelerate as we move forward." Commenting on the latest set of numbers, Wong remains confident "SIRTeX continues to take significant strides forward with each of our regional businesses successfully building the awareness and reputation of SIR-Spheres….The outlook for the coming year is very promising as we continue to drive the SIRTeX business forward."

Table 3: **SIRTeX Medical Financial Snapshot**

Quant Screen

$'M	2003	2004	2005	2006	2007	2008	2009	2010
Revenue	10.2	9.5	11.8	22.6	33.3	38.1	65.6	85.0
Operating Margin (%)	12.6	14.2	19.5	24.8	21.9	23.5	26.4	28.1
EBITDA (adj)	1.2	(0.3)	(1.1)	5.8	4.7	3.1	16.4	23.9
EBITA (adj)	1.0	(0.6)	(1.4)	5.5	4.3	2.5	15.6	22.9
NPAT (adj)	3.2	0.7	(1.4)	1.8	1.6	1.2	13.3	16.7
Net Debt / (net cash)	(10.2)	(9.7)	(6.0)	(10.0)	(10.7)	(10.0)	(26.4)	(43.1)
Market Capitalisation	229.6	127.2	77.6	129.2	191.6	167.4	251.1	251.1
Enterprise Value	219.4	117.5	71.6	119.2	180.9	157.4	224.7	224.7
Unit Dose number	407	581	739	1,368	2,102	2,575	3,664	5,100
Earnings Yield (%)	0.5	n/a	n/a	4.6	2.4	1.6	6.9	10.0
ROCE (%)	16.4	-6.0	-6.0	24.0	23.0	15.0	96.0	137
Cover ratio	n/a	n/a	n/a	n/a	n/a	n/a	53	n/a
GOCF / EBITDA (%)	n/a	115	214	66	34	54	121	90
Earnings per share (¢)	5.8	n/a	n/a	3.2	2.8	2.2	23.9	30.0
PER	72	n/a	n/a	73	123	136	19	16.5
Share Price 30 June ($)	4.16	2.30	1.40	2.32	3.44	3.00	4.95	4.95
Issued Capital million	55.2	55.3	55.4	55.7	55.7	55.8	55.8	55.8

Overcoming obstacles has been a real feature of the group since listing in 2000. Apart from the $15 million raised at the time of its float, the group has not seen the need to raise additional capital and sits with a current market capitalisation of just $275 million. The group's financial metrics are on the rise and based on our assessment, this year's outlook is promising. The threat of further board ructions can't be ruled out, however, shareholders are unlikely to tamper with a winning formula.

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While the rising Australian dollar will impact the group's top line during 2010, sales are expected to rise strongly from this year's 3,664 doses to our estimate of 5,000. Based on our assessment, SIRTeX is expected to lift sales to $85 million, leading to operating profits of $23 million and a bottom line contribution of $17 million, up from last year's adjusted net profit of $13.3 million.

Having navigated his way through some tough periods, Wong has a clear sight of the horizon and based on recent events the outlook suggests better times lay ahead.

Part 2 - Governments – "Perfecting the art of stealing"

Australian Government

When Prime Minister Kevin Rudd apologised to the aboriginal community and in particular the "stolen generation" on 13 February 2008, there was broad community acknowledgement that some justice had finally been delivered.

While the circumstances of those affected are by no means comparable, today there are some 1.4 million Australians feeling isolated and financially violated. They are the Telstra warriors, those that invested in the belief that what they bought in good faith, on three separate occasions through a government public offering, was outside the scope of others to forcibly take back. Unfortunately they didn't allow for a government returning one day, hell bent on stealing those very same assets under the guise of economic reform for the so called good of the nation. The following extract appeared in the 9 October 2006 T3 document, promoting the company's wares in the last of the government's sell downs to the unsuspecting investing public:

"The Commonwealth considers the telecommunications industry is currently in transition to full competition and that appropriately targeted regulation is in place to facilitate this outcome. Overall, the Commonwealth regards the regulatory legislation as settled."

One only has to consider the self imposed title that Minister Stephen Conroy has seen fit to run with – *Minister for Broadband, Communications and the Digital Economy* - to know that he takes himself so seriously that he is prepared to undermine the basic legal right that any owner of an asset class has in the pursuit of proper justice.

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Source: newmatilda.com

When Minister Conroy handed down his ultimatum to Telstra CEO David Thodey on 15 September, it was just that, an ultimatum. Either Thodey agrees to structurally separate the wholesale and retail sides of the Telstra business, or it will be denied access to new wireless spectrum as well as being forced to divest both its cable fibre network and its 50% stake in pay TV operator Foxtel.

And to rub salt into the wound, the Conroy plan is so cunning that since the onus is on Telstra to voluntarily separate, the Government escapes the real and present danger of compensation claims from aggrieved owners. One has to hand it to Conroy, for he has certainly perfected the art of stealing.

In our June 2008 quarterly newsletter we highlighted the growing and present danger of governments repossessing assets. First it was the Victorian Premier John Brumby's government deciding to exclude Tabcorp and the Tatts Group from bidding for the state's new gaming licence but in the process failing to honor clearly stated compensation payments if such an event arose. Secondly, both the Western Australian and Queensland governments saw fit to slug owners with new and higher royalty charges on both oil and coal, in an effort to offset growing debt levels.

We shouldn't really be surprised by such action but it does beg the question of who will ultimately pay. Unfortunately we will all pay. Already such past decisions are having an impact on financial markets and the propensity of prospective owners to pay up. While investors may be seen as gullible they are not entirely stupid. In recent times the proposed float of TOTE Tasmania has been shelved despite earlier talk that a value north of $300 million was on the cards. It seems that a host of bidders abruptly pulled out of the tender because of uncertainty over TOTE's wagering tax exemptions in Victoria. And while on the subject of Victoria, Premier Brumby has been so keen to raise taxes and bleed the wagering and gaming industry dry, that the task of flogging these assets again is attracting fewer bidders. Heaven help us if they are forced to actually retain and run these assets due to lack of interest.

But we digress. Telstra has its hands full and with few friends judging by the media editorials. However, if Telstra management were to embrace the threat and reinvent itself in much the same way that Intel's Grove did during the group's own strategic inflection point, then the outcome may be a lot better than what is currently hoped. If not, it is hard to see how any organisation can succeed when one party, who can make the rules, chooses to continually change the rules.

Perhaps, future decades from now, another government will see reason to apologise to Telstra's stolen generation of investors.

Finally, when this Government comes knocking on your door, flogging their new shiny national broadband network (NBN) , you may want to reminisce about the good old days when honour and commitment meant something and politely decline the gracious offer.

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The Directors and our associates take no responsibility for error or omission; however all care is taken in preparing this document.

The Directors and our associates may hold units in the fund and may hold investments in individual companies mentioned in this document.

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Company visit diary September Quarter 2009

July

ASZ	ASG Group management meeting	14/07/09
PXS	Pharmaxis conference call	23/07/09
REF	Reverse Corp conference call	29/07/09
MYS	MyState Financial management meeting	31/07/09

August

CXD	CathRx management meeting	03/08/09
NVT	Navitas full year results briefing	05/08/09
ASZ	ASG Group full year results briefing	05/08/09
NWS	News Corporation 4Q and full year conference call	06/08/09
TAH	Tabcorp full year results briefing	06/08/09
RMD	ResMed 4Q and full year results conference call	07/08/09
CRG	Crane Group full year results briefing	10/08/09
COH	Cochlear full year results briefing	11/08/09
PRY	Primary Healthcare full year results briefing	10/08/09
TLS	Telstra full year results briefing	13/08/09
LEI	Leighton Holdings full year results briefing	14/08/09
NHF	NIB Holdings full year results briefing	17/08/09
SAI	SAI Global full year results briefing	18/08/09
MND	Monadelphous Group full year results briefing	18/08/09
CSL	CSL full year results briefing	19/08/09
ORG	Origin Energy full year results briefing	19/08/09
WPL	Woodside Petroleum interim results briefing	19/08/09
REF	Reverse Corp full year results briefing	20/08/09
DOW	Downer EDI full year results briefing	20/08/09
QBE	QBE Insurance Group interim results briefing	20/08/09
IRE	IRESS Market Technology interim results briefing	21/08/09
REA	REA Group full year results briefing	21/08/09
BBG	Billabong International full year results briefing	21/08/09
PTM	Platinum Asset Management full year results briefing	21/08/09
WOR	WorleyParsons full year results briefing	24/08/09
FXJ	Fairfax Media full year results briefing	24/08/09
ALL	Aristocrat Leisure interim results briefing	25/08/09
SEK	SEEK full year results briefing	25/08/09
FLT	Flight Centre full year results briefing	25/08/09
IFL	IOOF full year results briefing	26/08/09
TSE	Transfield Services full year results briefing	26/08/09

CAB	Cabcharge Australia full year results briefing	27/08/09
WOW	Woolworths full year results briefing	27/08/09
CWN	Crown full year results briefing	27/08/09
TTS	Tatts Group full year results briefing	27/08/09
BKL	Blackmores full year results briefing	28/08/09

September

GBT	GBST Holdings management meeting	09/09/09
SIP	Sigma Pharmaceuticals interim results briefing	14/09/09
SRX	SIRTeX management meeting	15/09/09
REA	REA Group management meeting	16/09/09
MCR	Mincor Resources Mining & Exploration conference	21/09/09
COV	Corvette Resources Mining & Exploration conference	21/09/09
WSA	Western Areas Mining & Exploration conference	21/09/09
CAH	Catalpa Resources Mining & Exploration conference	21/09/09
MAK	Minemakers Mining & Exploration conference	21/09/09
CSO	Consolidated Tin Mines Mining & Exploration conference	21/09/09
ERM	Emmerson Resources Mining & Exploration conference	21/09/09
POL	Polaris Metals Mining & Exploration conference	21/09/09
ECM	East Coast Minerals Mining & Exploration conference	21/09/09
MLM	Metallica Minerals Mining & Exploration conference	21/09/09
CBX	Cape Alumina Mining & Exploration conference	21/09/09
KCN	Kingsgate Consolidated Mining & Exploration conference	22/09/09
HIG	Highlands Pacific Mining & Exploration conference	22/09/09
DMM	DMC Mining Mining & Exploration conference	22/09/09
IRE	IRESS Market Technology management meeting	22/09/09
ASX	ASX annual general meeting	30/09/09

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