

24 October 2014

To Investors of the **Select Defensive Portfolio** (ARSN 102 769 406 / APIR SLT0001AU) and **Select Growth Portfolio** (ARSN 102 769 237 / APIR SLT0002AU)

Introducing the Select Real Return Fund

As an innovative asset manager, and following significant consideration, we have restructured the Select Growth Portfolio and the Select Defensive Portfolio to create an exciting new market leading investment fund for our investors: the **Select Real Return Fund**.

From today 24th October 2014, the Select Defensive Portfolio will be closed and the Select Growth Portfolio has changed its name to **the Select Real Return Fund** with the following significant enhancements:

- there will be an updated 'real returns' investment focus to the fund's objectives (see below for details of what we mean by this);
- asset allocation ranges have been enhanced providing increased flexibility;
- the management and expense recovery fees will be almost halved; and
- there will no longer be any performance fee payable to Select for managing the Select Real Return Fund.

The Select Real Return Fund provides investors with the potential for stable, risk-adjusted returns above inflation through investment in a multi-manager portfolio diversified across asset classes, sectors and geographies. The fund is actively managed, with the flexibility to rebalance its asset allocation mix within broad ranges to maintain a contemporary portfolio relevant to today's market conditions.

What action do you need to take if any?

Select Growth Portfolio investors

If you currently hold units in the Select Growth Portfolio, from today this fund is called the Select Real Return Fund. You don't need to do anything to take advantage of this restructure.

Select Defensive Portfolio investors

If you hold units in the Select Defensive Portfolio and this restructure works for you, you do not need to do anything. We will do the following:

1. Redeem your units in the Select Defensive Portfolio, with no sell spread being charged (a confirmation statement will follow), and
2. Issue units in the Select Real Return Portfolio, with no buy spread being charged (a confirmation statement will follow).

If you hold units in the Select Defensive Portfolio and would prefer instead to receive cash, rather than units in the Select Real Return Fund (or some cash and some units), please complete the attached Opt-Out Form. This form needs to be completed and returned to us by 5pm AEST on 21st November 2014.

Whether you are receiving Select Real Return Fund units or prefer cash, we expect to be able to issue you with approximately 80% of your new units or pay you about 80% of your cash in early December 2014. The remaining approximately 20% units or cash will be paid as soon as practical with the timing being dependent

on selling down the remaining assets in the Select Defensive Portfolio. We will provide you with further updates as the remaining assets are sold.

Please ensure that you read the Product Disclosure Statement (PDS) outlining full details of the Select Real Return Fund. Consult your professional adviser when deciding whether an investment in the Fund is appropriate for you. A copy of the PDS will be available at www.selectip.com.au/realreturn.

Why is change necessary now?

When launched almost 12 years ago, the Select Growth and Defensive Portfolios were state of the art, but time passes, the markets change and new and innovative funds are required to meet investors' needs. As a leader in such portfolios, we want you to stay ahead of the curve. We want you to have access to a market leading 'real return' multi-asset portfolio solution.

Why consolidate the Select Defensive and Growth Portfolios into a single portfolio?

The Select Real Return Fund can navigate between environments where either a more defensive approach or a focus on growth assets is more appropriate, hence why we are consolidating the current two portfolios.

Tell me about the fee reductions

We have decided to reduce costs for the Select Real Return Fund and the benefit passes straight to you. We have cut the management and expense recovery fees for the Select Real Return Fund almost in half, from 1.275% p.a. to 0.65% p.a. - a 0.625% p.a. fixed fee reduction. Select will also no longer charge any performance fees for managing the Select Real Return Fund.

The Select Real Return Fund – designed to meet investor needs

Real returns – The fund aims to provide a stable, medium-term real return of 5% above inflation annualised on a rolling 5 year basis. Risk mitigation strategies are applied to lower volatility and reduce the impact of adverse market events.

Dynamic - The fund has the ability to change the investment mix in order to navigate the ups and downs of the investment cycle better.

Diversification - The fund provides diversity across asset classes, sectors, geographies and investment managers.

What is the overall timing?

The changes to the Select Growth Portfolio outlined in this letter start from today. Your investor statement going forward will reference the Select Real Return Portfolio and you will receive all of the benefits of this fund.

As a Select Defensive Portfolio investor if you opt out of the transition the cash part of the redemption will be paid in early December 2014.

If you are receiving Select Real Return Fund units these will be processed with a value date of the 30th November 2014 and a statement issued to you in early December 2014.

You will receive further units or cash payments as Select sells the remaining investments in the Select Defensive Portfolio.

Where you act as an advisor

Where you act as an advisor for a client that has a holding in the Select Growth Portfolio or the Select Defensive Portfolio, please ensure that you consult with this client in relation to this communication. Select is only able to communicate with the person nominated on the investor administration system as the person to receive all investment communication.

Yours faithfully,

Select Asset Management Limited

This communication does not take into account any particular person's objectives, financial situation or needs. Investors should seek professional advice before making investment decisions. Select Asset Management Limited ABN 94 101 103 011 and AFSL No. 223271 is the issuer of interests in the Select Growth Portfolio (to be renamed the Select Real Return Fund) and Select Defensive Portfolio. © Select Asset Management Limited 2014.

Questions & Answers

Investing through a platform?

Your platform administrator will tell us what it wants done - units or cash or a mix - and you need not fill in any forms. They will keep you informed. Speak to them or your professional adviser if you have any questions, or have a strong preference.

How is the Select Real Return Fund different?

The nuts and bolts are explained below.

Performance objectives

We fine-tuned the performance objectives of the Select Real Return Portfolio:

	Then Defensive	Then Growth	Now Real Return
Return objectives	We aimed for returns of 2% p.a. above the Cash Rate over rolling 3 year periods, with low to medium volatility.	We aimed for returns of 5% p.a. above the Cash Rate ¹ over rolling 5 year periods, with medium to high volatility.	We aim for returns of 5% p.a. above CPI² over rolling 5 year periods, with medium to high volatility.

Risk and investment timeframe

The Risk profile of the Select Real Return Portfolio has shifted slightly along with the recommended investment timeframes:

	Then Defensive	Then Growth	Now Real Return
Risk and investment timeframe	The defensive nature of this Portfolio gave it a low to medium risk profile, and we recommended a minimum investment timeframe of 3 years.	The growth nature of this Portfolio gave it a medium to high risk profile, and we recommended a minimum investment timeframe of 5 years.	The nature of this Fund gives it a medium to high risk profile, and we recommend a minimum investment timeframe of 5 years.

Asset ranges

We have fine-tuned the asset allocation ranges:

% of net asset value

class	Then Defensive	Then Growth	Now Real Return
Cash/fixed interest	25-75%	5-50%	10-60%
Equities	10-50%	40-80%	25-70%
Property/infrastructure	5-25%	5-25%	5-25%
Alternatives	10-35%	10-35%	10-35%

What about tax and other costs?

The tax consequences for you of the Select Defensive Portfolio being terminated depends on your own circumstances. We will send direct investors the information they will need to help with their tax return. No Buy Spread will be charged for the issue of units in the Select Real Return Fund. As when any fund terminates, there are some costs which the Select Defensive Portfolio must pay. These costs are the same whether you choose units or cash.

¹ This was the 180 day Australian Bank Bill return

² We use the 'trimmed CPI mean', a measure of inflation (or Consumer Price Index) published by the Reserve Bank of Australia (RBA), where the RBA trims the highest rises and declines in prices by a certain percentage to show a more accurate measure of core inflation

Does the Select Real Return Fund have a rating from a research house?

The Select Growth Portfolio had a rating from Australian research houses in the past, and we will have the Select Real Return Fund rated again.

Will I receive investment statements?

Yes, investors in the Select Defensive Portfolio will each receive a statement confirming their redemption from this Portfolio and where appropriate a statement confirming the subsequent issue of units in the Select Real Return Fund.

Is there any paperwork I'll need to complete?

Unless you take cash, yes, there will be. Laws recently enacted in Australia will require anyone being issued units to tell us their United States tax status. Depending on when you first invested, we may also need you to complete an identification form. We will send paperwork out to relevant investors in November 2014.

What are the terms and conditions if I take units?

You should read the PDS which gives further details. Also, by agreeing to be issued units in the Select Real Return Fund (that is, by not opting out), you are telling us that:

- you have read and understood the Select Real Return Fund PDS,
- any further monies you may invest into the Real Return Fund are not associated with crime, terrorism, money laundering or terrorism financing,
nor will monies paid to you from the Select Defensive Portfolio be used with any such association,
- you are not bankrupt or a minor, and
- you agree to be bound by the Select Real Return Fund constitution and the PDS
as supplemented, replaced or re-issued from time to time – the constitution is available free from us any time.

How do I find out more?

Call us, or speak to your professional adviser.

And on 10th November 2014 at 5 pm (EDST) we will be holding a teleconference to present how the transition will work and for you and for you to meet key members of the Select Investment Partners investment team. Details of the call will follow. Please email info@selectfunds.com.au if you would like to attend this call.

Opt-Out Form

This is an optional form for investors in the Select Defensive Portfolio only

1. Happy with the Select Real Return Fund?

If you are comfortable with the proposal, you do not need to fill out this Form.

2. Opting out

If you prefer to receive cash, or cash and some units in the Select Real Return Fund, fill out this Form and return it to us by 5pm on 21st November 2014

if you miss this deadline we can still process your instructions from when we receive your Form, and you can request a withdrawal of any units you have been issued in the Select Real Return Fund at any time.

Cash only

I'd prefer not to receive any units in the Select Real Return Fund. Instead, please pay, to my nominated account, the net cash proceeds due to me from the Select Defensive Portfolio.

OR

Cash + Select Real Return Fund units combination

I'd be happy to receive some units in the Select Real Return Fund, but I'd also like some cash paid to my nominated account. Please split my net proceeds as follows:

Cash	%
Select Real Return Fund units	%
Total	100%

I appreciate that my units will arrive first.

3. Confirm your bank details please

Account name		
BSB		
Account number		
Sign here	Sign	Your name
Sign here	Sign	Your name

4. Return the Form to us

Select Fund Services
 Attention: Select Defensive Portfolio – opt out
 Level 5, 10 Spring Street
 Sydney NSW 2000
 email info@selectfunds.com.au
 fax 02 8022 7448