

Selector Australian Equities Fund

Monthly report – December 2025



Market insights

In 1976, Vanguard group launched the first publicly accessible index fund – the origins of passive investing. Assets in products of this type grew slowly through the 1990's, trailing active funds. Fast forward to 2015, passive strategies overtook active ones when measured by annual inflows, and in 2024, they surpassed active funds in total assets under management (AUM). This style of investing has been adopted by superannuation managers, ('index hugging'), so to avoid regulatory scrutiny or penalties as a result of index underperformance. The result? Trillions of super dollars funnelled into passive strategies, contributing to the structural overvaluation of Australian mega-cap stocks. A recent research paper, *Passive Investing and the Rise of the Mega Firms* (Jiang, Vayanos, Zheng), provides insights into how inflows into passive funds disproportionately elevates the prices of the largest firms. As mega-caps boast such dominant index weights, they receive a systematic bias to higher valuation as a result of market cap weighted capital allocation.

The top four index ETFs in the U.S. have an AUM of roughly US\$2.2t. Australia's top four A\$46b. Over the past year these have grown by 15% and 20% respectively (exclusive of market movements). Should these rates of growth be maintained, this would see each group having grown its AUM by 45% and 67% just three years from now, further diminishing active managers' share of the market. In the fullness of time, this may prove passive investing's undoing with a shift back to common sense.

U.S. bourses continued to climb in what was a choppy year under a new administration, with key indices S&P 500 and Nasdaq posting calendar year gains of 16.4% and 20.4% respectively. One can also not look past materials, notably gold and silver posting their biggest annual gains since 1979, boosted by the Federal Reserve's interest rate cuts, central bank buying, and momentum-chasing investors. Australian indices posted annual gains, with the ASX200 Materials Index up 31.7%, driving the All-Ordinaries Index up 7.1%.

We continue to seek businesses with:

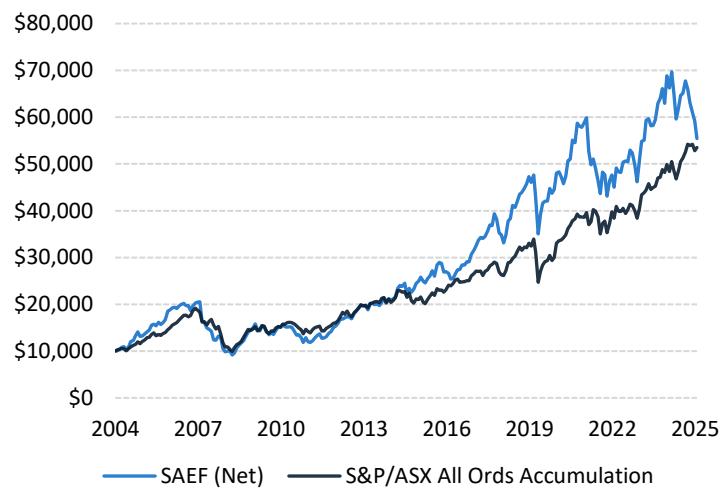
1. Competent management teams
2. Business leadership qualities
3. Strong balance sheets
4. A focus on capital management

Performance as at 31 December 2025¹

	1 Month	3 Month	6 Month	1 Year	3 Year ²	5 Year ²	10 Year ²	15 Year ²	20 Year ²	Since Inception ²
Fund (gross of fees)	(6.30)	(11.87)	(14.35)	(15.47)	8.36	4.09	9.81	11.44	9.89	11.09
Fund (net of fees)	(6.39)	(12.12)	(14.81)	(16.35)	7.15	2.79	7.96	8.75	7.25	8.46
All Ords Accum. Index	1.26	(0.80)	4.41	10.56	11.66	9.72	9.49	8.50	7.58	8.28
Difference (net of fees)	(7.65)	(11.32)	(19.22)	(26.91)	(4.51)	(6.93)	(1.53)	0.25	(0.33)	0.18

¹Performance 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. Past performance is not a reliable indicator of future results. ²Returns greater than 1 year are annualised.

Net value of \$10,000 invested since inception



Inception Date: 07/12/2004. Benchmark: S&P/ASX All Ordinaries Accumulation Index. Fund returns are after fees and costs, and assuming reinvestment of distributions. Past performance is not a reliable indicator of future results.

Top holdings

Company name	Code	Weight (%)
Resmed	RMD	6.76
Nanosonics	NAN	6.58
Aristocrat Leisure	ALL	6.37
TechnologyOne	TNE	6.34
CAR Group	CAR	6.32
FINEOS Corporation Holdings	FCL	6.14
Pro Medicus	PME	5.38
Cochlear	COH	5.30
Breville Group	BRG	5.18
James Hardie Industries	JHX	4.91

Unit prices as at 31 December 2025¹

Entry price	\$2.7954
Mid price	\$2.7884
Exit price	\$2.7814

¹Unit prices quoted are for the last business date of the month.

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Performance contributors

Top five	Contribution (%)	Bottom five	Contribution (%)
Reece	0.23	Pro Medicus	(1.03)
Flight Centre Travel Group	0.18	Telix Pharmaceuticals	(0.91)
James Hardie Industries	0.09	CAR Group	(0.78)
Medical Developments International	0.01	Resmed	(0.61)
PolyNovo	0.00	Nanosonics	(0.50)

About Selector

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.

Disclaimer

This update has been prepared by Selector Funds Management Limited ("Selector") ACN 102 856 347 AFSL 225316 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 any 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.

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