



SUPERVISED HIGH YIELD FUND

Supervised Investments Australia Limited

Conservative Opportunism

Monthly Performance Report

December 31, 2015

The Supervised High Yield Fund ARSN 600 244 102 (**SHYF** or **Fund**) is an Australian Dollar hedged international Debt Securities managed investment scheme. The Manager's objective is to deliver capital preservation whilst generating a high return, low risk portfolio.

Investment Policy

The Fund is managed using an absolute return investment process. This process uses economic analysis and asset research combined with historic worst case stress testing to search out and discover the lowest risk best reward investment opportunities in the debt market. The Fund does not invest in junk bonds.

Unit Price and Performance Update

The Fund's net asset value (**NAV**) is calculated at the end of each month and represents the value of the Fund's assets less the value of the liabilities of the Fund (including the Fund's fees, costs and taxes). The value of a Fund unit is then calculated by dividing the Fund NAV by the number of units on issue in the Fund at the end of the relevant month.

Fund returns have been calculated using exit prices and reinvestment of distribution.

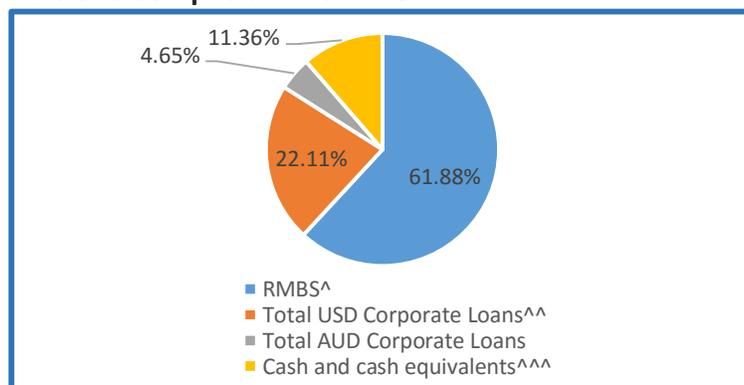
FUND INFORMATION AS AT 31 DECEMBER 2015	\$ Value
Net asset value of fund (NAV)	\$19.388 million
Pre distribution unit price	\$12.5221
Distribution paid per unit	\$0.0951
Ex distribution unit price	\$12.4270
Buy / Sell Spread	0

Compound Annual Returns to 31 December 2015 [^]	Fund	Benchmark [*]	Relative Performance
1 Month	0.37%	0.30%	0.07%
3 Months	0.95%	0.88%	0.07%
6 Months	2.16%	1.78%	0.38%
1 Year	5.08%	3.67%	1.41%
3 Years	6.58%	3.92%	2.66%
5 Years	8.16%	4.48%	3.68%
Since commencement ^{**}	9.67%	4.60%	5.07%

[^] Returns are after fees and expenses; ^{*}The Fund's current benchmark is the RBA bank rate plus 1.5%. The Fund's benchmark since commencement to June 2013 was the RBA bank rate plus 1.0% and in July 2013 it was changed to RBA bank rate plus 1.5%; ^{**} Fund commenced on 1 April 2009.

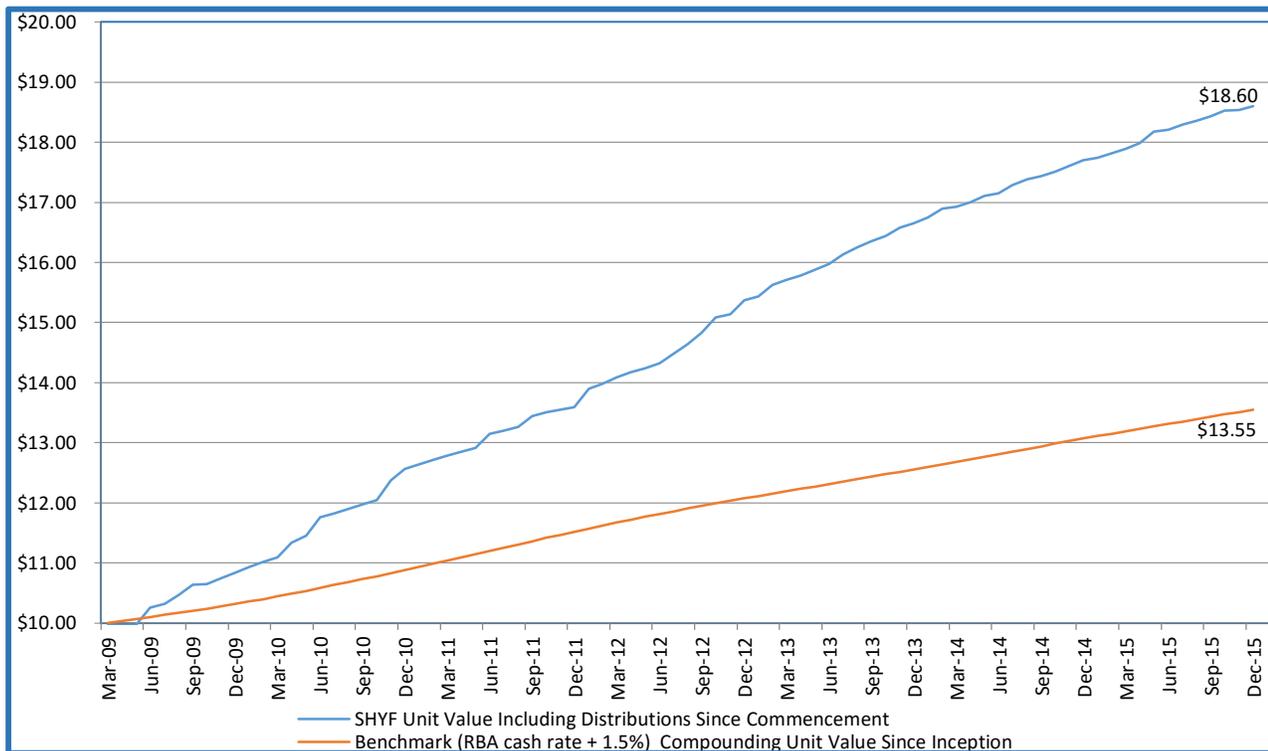
Source: Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

Portfolio Composition as a % of NAV



[^] AUD Residential Mortgage Backed Securities; ^{^^} USD Collateralised Secured Corporate Loan Obligations; ^{^^^} Includes cash at bank, cash held in margin accounts plus other receivables less payables. **Source:** Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

Fund Unit Value Including Distributions since inception versus its Benchmark*



*The Fund's current benchmark is the RBA bank rate plus 1.5%. The Fund's benchmark since commencement to June 2013 was the RBA bank rate plus 1.0% and in July 2013 it was changed to RBA bank rate plus 1.5%.

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Manager's Comment

The Supervised High Yield Funds unit price in December 2015 increased by 0.37% (net of fees) and its annual return was 5.08% per annum (net of fees), outperforming its benchmark (the RBA cash rate plus 1.5%) by 0.07% and 1.41% respectively. This performance marks our 81st month of consecutive month on month positive results, in stark contrast to the results seen in equity markets during the same period.

Investments in Australian corporate debts performed well over the month as the market value of some of those investments increased; whilst in the US Corporate Debt market, values of corporate loans generally fell offsetting the Australian gains. The Fund is now positioned to collect the benefits of any increase in Floating or Fixed rates in both Australia and the US.

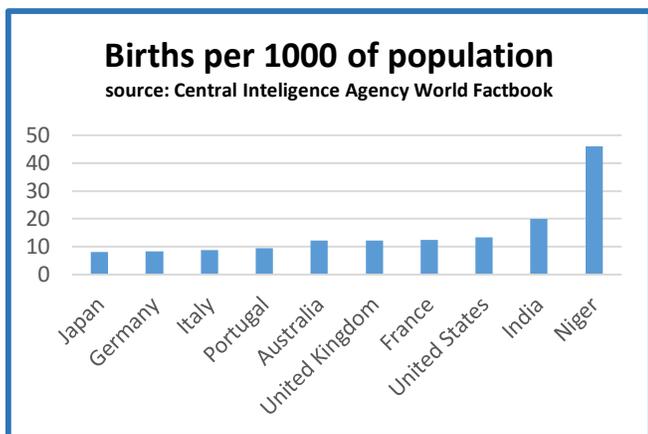
As referred to in my October comment, in the current environment debt security income levels have been squeezed across the globe as central banks re-liquify financial markets and the global investment community progressively chases yield, thus compressing returns to the historically low levels we see today. This is reflected in the progressive contraction in the Fund's month on month returns.

Our primary goal as Fund Manager is to provide investors with a secured debt investment portfolio that delivers capital growth combined with returns that compete favourably with the unsecured term deposit investment options offered by the Australian Banks.

We choose this investment management goal because we understand the importance for investors of the relationship between risk, volatility and reward.

In achieving our goal over the past seven years we hope to build credibility and earn your confidence.

As we approach the end of the coming decades to 2040, the population in the western world is ageing, birth rates are slowing. An ageing population becomes more reliant on the productivity and credibility of its savings and less reliant on the productivity of its labour. The following chart compares birth rates per 1000 of population in the West with India and Niger.



A young population such as was present in the West in the Decades after World War II relies upon labour, entrepreneurial spirit and will invest at risk to produce wealth. An ageing population will rely upon safe secure investments to produce a secure retirement income. After a life time of saving for retirement one never knows what lies ahead in the market. So invest in credible and stable investments that have a strong track record of stability and consistent positive returns.

Disclaimer.

Supervised Investments Australia Limited ACN 125 580 305 AFSL 317155 (**SIAL**) is the investment manager of the Supervised High Yield Fund (ARSN 600 244 102) (**SHYF or Fund**).

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Contact the Portfolio Manager, Philip Carden, at phil@supervisedinvestments.com or on 02 8459 0095

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