



SUPERVISED HIGH YIELD FUND

Supervised Investments Australia Limited

Conservative Opportunism

Monthly Performance Report

October 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 OCTOBER 2015	\$ Value
Net asset value of fund (NAV)	\$19.330 million
Pre distribution unit price	\$12.4712
Distribution paid per unit	\$0.00
Ex distribution unit price	\$12.4712
Buy / Sell Spread	0

Compound Annual Returns to 31 October 2015 [^]	Fund	Benchmark [*]	Relative Performance
1 Month	0.54%	0.30%	0.24%
3 Months	1.27%	0.88%	0.39%
6 Months	3.01%	1.78%	1.23%
1 Year	5.83%	3.76%	2.07%
3 Years	7.09%	3.96%	3.13%
5 Years	8.99%	4.56%	4.43%
Since commencement ^{**}	9.87%	4.63%	5.24%

[^] Returns are after fees and expenses; ^{*}The Fund's benchmark is the 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.

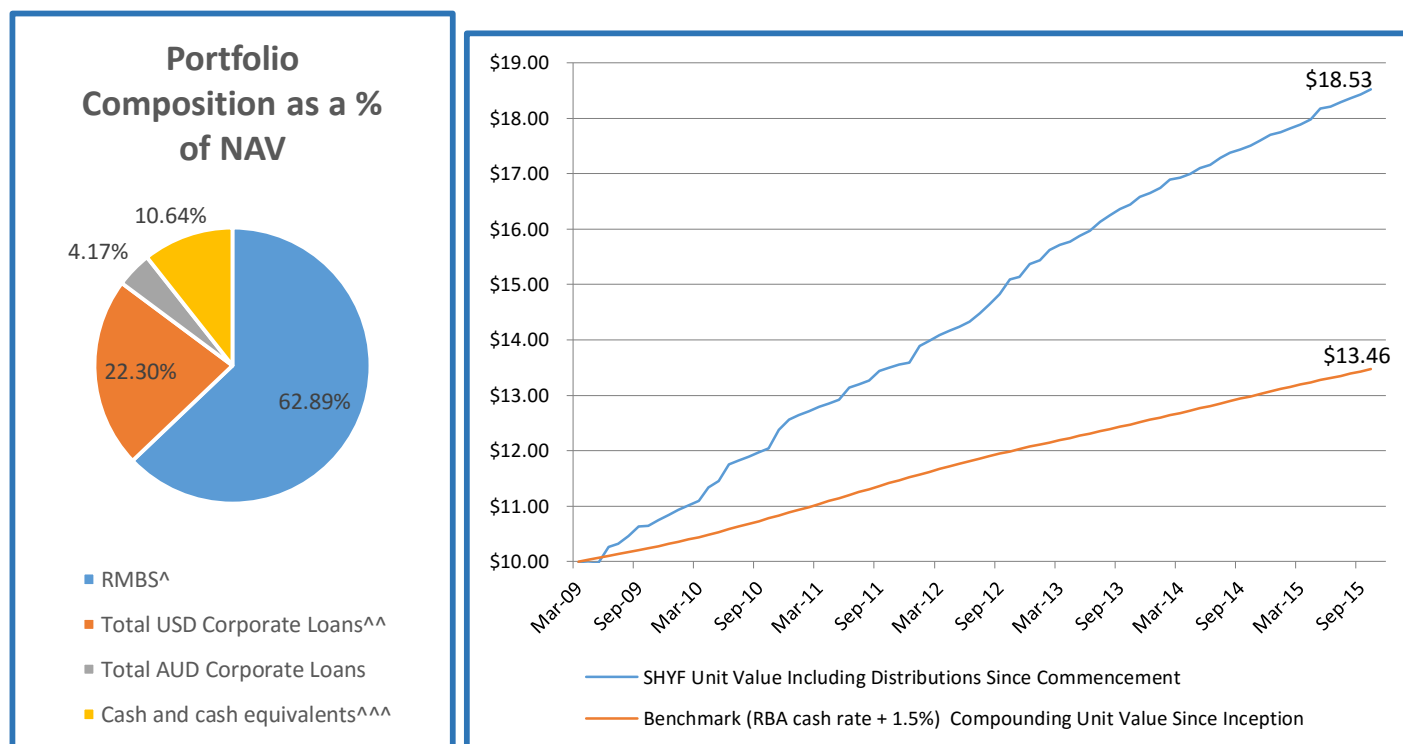
Manager's Comment

The Supervised High Yield Fund produced a return of 0.54% (net of fees) for the month ending 31 October 2015, outperforming its benchmark (the RBA cash rate plus 1.5%) by 0.24%.

Since the Fund's inception, we have capitalised on some good opportunities, such as buying discounted RMBS securities in the aftermath of the GFC, enabling the Fund to achieve a return of 9.87% per annum (net of fees), an outperformance of its benchmark of 5.24%.

However in the current environment debt security income levels have been squeezed across the globe as central banks re-liquefy financial markets and the global investment community progressively chases yield, thus compressing returns to the historically low levels we see today. For instance in the world's largest and most liquid debt securities market, the US 10 year Treasury Note, the yield is 2.2%, whilst annualised change in CPI this calendar year is running at 2.7%, making the real rate of return negative 0.5%. A phenomenon that could be the result of bond investors expectations being so bearish that they are prepared to invest at minus 0.5% in expectation of lower CPI growth in the year ahead; and/or the Federal Reserves protracted zero interest rate policy and quantitative easing has distorted the value of US 10 year Treasury Notes to the point where they look expensive and overvalued.

Our analysis indicates that the future strength of economic performance in the US will surprise these investors. We are of the view that we appear to be at a major turning point in the global interest rate cycle and in this environment we look to create an investment portfolio that can benefit from increasing levels of market volatility in a rising interest rates environment. This has been the approach adopted for the Fund this calendar year and it has delivered very stable returns to our unit holders. For the twelve months to 31 October the Fund returned 5.83%(net of fees), outperforming its benchmark by 2.07%.



[^] 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.

Disclaimer.

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Further Information:

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To Download a Product Disclosure Statement or Application Form visit <http://oneinvestment.com.au/supervised/>

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