



# SUPERVISED HIGH YIELD FUND

Supervised Investments Australia Limited

Conservative Opportunism

## Monthly Performance Report

September 30, 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	\$ Value
Net asset value of fund (NAV)	\$19.901 million
Pre distribution unit price	\$12.5100
Distribution paid per unit	\$0.1054
Ex distribution unit price	\$12.4046
Buy / Sell Spread	0

Compound Annual Returns to 30 September 2015 <sup>^</sup>	Fund	Benchmark <sup>*</sup>	Relative Performance
1 Month	0.36%	0.29%	0.07%
3 Months	1.20%	0.88%	0.32%
6 Months	3.00%	1.79%	1.21%
1 Year	5.70%	3.80%	1.90%
3 Years	7.52%	3.98%	3.54%
5 Years	9.02%	4.59%	4.43%
Since commencement <sup>**</sup>	9.91%	4.64%	5.27%

<sup>^</sup> Returns are after fees and expenses; <sup>\*</sup>The Fund's benchmark is the RBA bank rate plus 1.5%; <sup>\*\*</sup> 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.

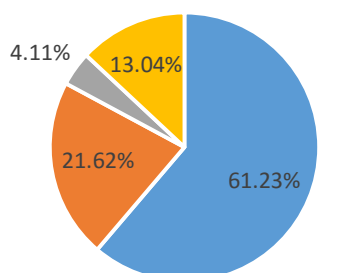
### Manager's Comment

The Supervised High Yield Fund produced a return of 0.36% (net of fees) for the month ending 30 September 2015, outperforming its benchmark (the RBA cash rate plus 1.5%) by 0.07%. For the twelve month period to 30 September, the Fund returned 5.70% (net of fees), outperforming its benchmark by 1.90%.

In the current market, returns are running at an historical low and interest rates have never been lower than over the past few years. In this environment, the Fund's management continues to seek out the highest yielding securities available subject to our chosen risk measure. In simple terms our risk management process requires that all investments taken by the Fund should survive historical worst case stress testing so the Fund aims to recover its principal investment, we therefore avoid investments that offer higher returns but present higher risk of future capital loss. Following this approach the Fund achieved a return of 9.02% per annum (net of fees) over five years to 30 September 2015, outperforming its benchmark by 4.43%.

Following on from our August report, during September international credit markets suffered a loss of confidence particularly in the United States where the Federal Reserve chose to hold its Funds rate in 0 to 0.25% range. In light of the Fed's lack of action, market participants responded by reducing exposure to risk assets in favor of increasing exposure to safe haven investments, Sovereign Bonds rallied and Junk bonds sold off with the SPDR Barclays Junk Bond index falling 3.7% from a value of 37.01 to 35.66, whilst the capital value of US 10 year Treasury notes increased by 1.67%. It seems the market interpreted the Fed's lack of action as a sign the economy was not strong enough to withstand an increase in interest rates from the zero base we have endured for the past seven years. The net effect of this market action was relatively minor for the Fund.

### Portfolio Composition as a % of NAV



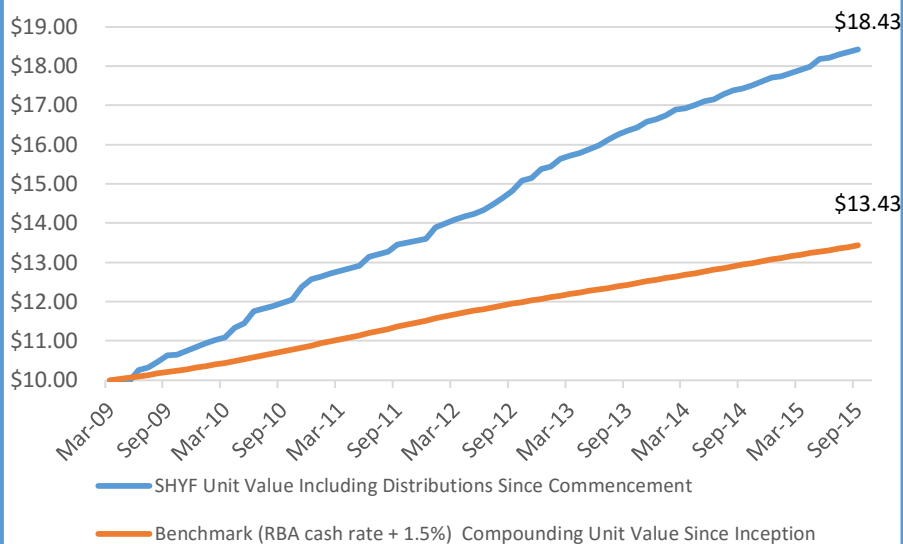
■ RMBS<sup>^</sup>

■ Total USD Corporate Loans<sup>^^</sup>

■ Total AUD Corporate Loans

■ Cash and cash equivalents<sup>^^^</sup>

### Supervised High Yield Fund Unit Value Since Inception Including Distributions



<sup>^</sup> AUD Residential Mortgage Backed Securities; <sup>^^</sup> USD Collateralised Secured Corporate Loan Obligations; <sup>^^^</sup> 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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