



## Key Facts

## APIR SIA0002AU

Fund Commencement	1 <sup>st</sup> December 2007
Legal Structure	Wholesale Managed Investment Trust
Investment horizon	Recommended 3 – 5 years plus.
Benchmark	RBA Cash Rate + 1.00%
Base currency	Australian Dollar
Distribution Policy	Annual; interest & realised capital gain receipts
Dealing Day for Fund Redemptions	First Business Day of Every Month
Entry Fee	Nil
Exit Fee	Nil
Management Fee	1.25%pa (plus GST)
Performance Fee	20% (plus GST) of any return above the Benchmark subject to an annual high water mark
Minimum Investment	AUD 25,000.00
Additional Investment	AUD 25,000.00

## Fund Objective

The objective of The Supervised Fund (TSF) is to deliver competitive returns from global equities whilst avoiding the risk of losing capital.

## Investment Management

The investment team of Mr. David Constable AM and Mr. Mitch Taylor. Mr. Constable was a member of the ASX from 1961 until 1998 and during that time was Chief Executive and Senior Partner of two different stockbroking firms. He has considerable experience in the Financial Planning industry as Chairman a large Australian firm and a Director of Towry Law PLC. Mr. Taylor is an experienced financial analyst. He has previous experience at a tier one New York based credit hedge fund and a boutique merchant bank in Sydney. Mr. Taylor been employed by Supervised Investments since 2010. Mr. Constable founded Supervised Investments Limited in 1999 while he was a resident of the UK living in London. This USD vehicle subsequently merged with TSF in 2009.

## Investment Policy

The management process is founded on the philosophy of “conservative opportunism”. The portfolio is typically comprised of long positions in a range of global equities, investments in managed funds, currencies and occasionally commodities and bonds. The fund focuses on small cap equities however will invest in larger capitalised equities from time to time.

## Performance at 30 September 2015

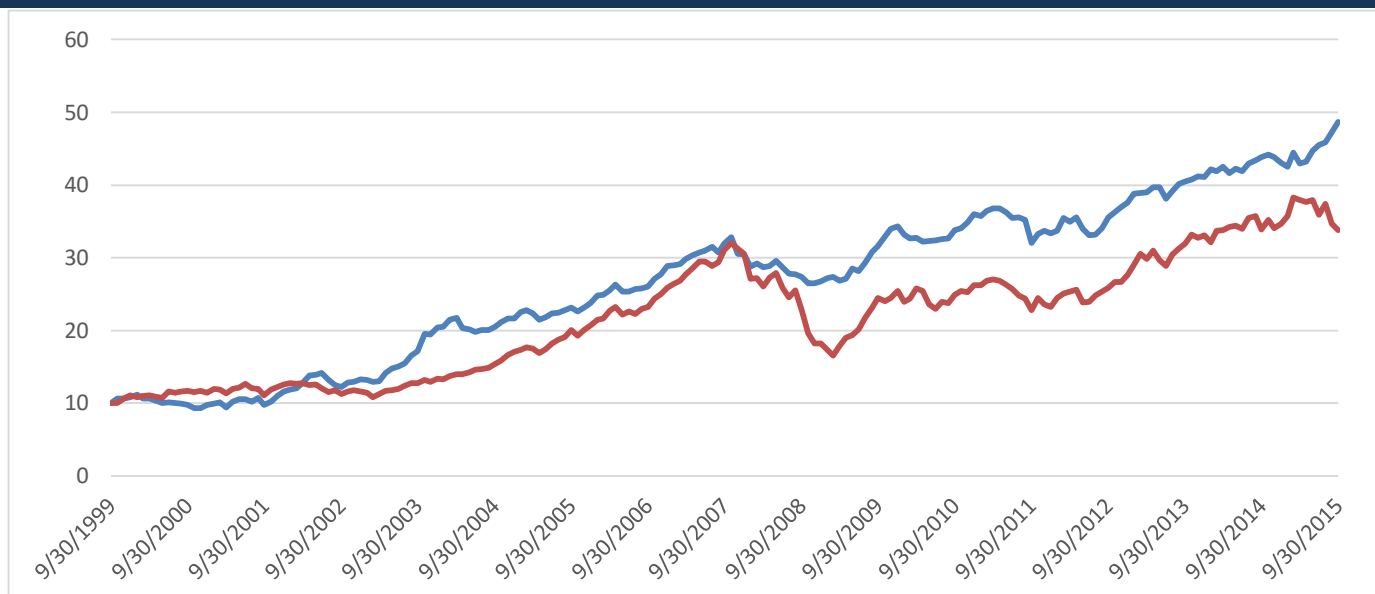
	1 month	3 months	6 months	1 year	3 years p.a	5 years p.a	Inception* p.a
TSF (After all fees) %	2.9	6.9	13.3	10.9	11.0	7.6	10.3
ASX All Ords Accumulation %	-2.5	-5.8	-11.0	-0.2	9.3	6.3	7.9
Outperformance %	5.4	12.7	24.3	11.1	1.7	1.3	2.4

Financial Year	2015	2014	2013	2012	2011	2010	2009
TSF (After all fees) %	8.5	10.0	15.3	-6.8	9.4	15.1	-1.7
ASX Small Ords Accumulation %	0.4	13.1	-5.3	-14.6	16.4	17.0	-28.6
ASX All Ords Accumulation %	5.7	17.6	20.7	-7.0	12.2	13.8	-22.2

\*Includes net returns from previous USD denominated Supervised Investments Limited which commenced in September 1999 and merged with TSF in 2009.

**Past performance is no guarantee of future performance and no guarantee of future performance is implied**

## Returns Analysis\*



The above chart illustrates the comparative total return of The Supervised Fund after all fees (Blue) vs the total return of the All Ordinaries Accumulation index (red). The analysis includes net returns from previous USD denominated Supervised Investments Limited.

## Portfolio Analysis – Current

Large Holdings	Main Business	Country	% Assets
Cash	Risk free interest generation	Australia	23.2
Kangaroo Island Plantation Timbers Limited	Land, Timber Plantation	Australia	23.1
HGL Limited	Import and Distribution	Australia	8.4
Australian Vintage Limited	Vertically Integrated Wine	Australia/UK	8.2
Gale pacific Limited	Building Materials	International	5.9
Samuel Terry Absolute Return Fund	Managed Fund	International	4.7
St Barbara Limited	Gold Mining	International	3.3
Bell Financial Group Limited	Financial Services	Australia	3.3
Po Valley Energy Limited	Gas Production and Development	Italy	3.0
Hunter Hall International Limited	Funds Management	International	3.0
Co-Operative Bank Common Equity	Retail Banking	UK	2.8
Sirtex Medical Limited	Medical devices	International	2.7
Molopo Energy Limited	Investment Holding Company	Australia, Canada	1.9
Keybridge Capital Limited	Investments, Funds Management	International	1.8
Net assets (as at 30/9/2015)			A\$11,957,629

## Commentary

Dear investor,

The Supervised Fund continued to outperform major local and global stock market indices during the first quarter of the 2015/2016 financial year.

The biggest contributor to the return was **Kangaroo Island Plantation Timbers Limited** (22% of the fund) which rose 28% as the company neared a resolution on a port solution. Without a cost effective port, the company's vast timber assets cannot be harvested. The shares are still trading at less than half of the hard asset value – including timber. During the quarter we attended the company's AGM where we were impressed with new director appointments and the managements continued progress on environmental, political and (of course) economic issues concerning the port.

Other meaningful contributors include **Gale Pacific Limited** (5.9% of the fund) which rose 47% on strong earnings, cash flow and a seemingly successful outlook for the company's turnaround. **St Barbara Limited** (3.3% of the fund) rose 83% as the company repaid debt and reported better than expected cash flow and earnings. We realised profits on half of our investment as the stock neared our target price. **Australian Vintage Limited** (8.2% of the fund) was the biggest loser during the quarter, more on this later.

Unlike most long only fund managers we were able to produce significantly positive returns for unitholders during a period categorised by uncertainty and broad market selling. We believe this is a testament to our investment strategy and our approach of allocating capital to positions which we expect have a good chance of making our unitholders a profit regardless of underlying market conditions.

At the present time market uncertainty is elevated. Key macroeconomic indicators including Chinese credit growth, Chinese output, US employment and European growth are all particularly difficult to call. What's worse however is even if one can accurately forecast these factors they must successfully estimate the impact on interest rates and risk spreads. To do this, the macroeconomic forecaster must get inside the thought processes of central bank policy makers. Furthermore, there seems to be heightened political risks inherent in the world which require careful contemplation.

Usually we would provide a brief holding update at this point in the report. We pride ourselves on transparency and want unitholders to understand exactly what they are investing in when they invest with us. In line with this thinking we have initiated an investing blog. This blog will be updated monthly with a detailed explanation of each of our holdings. We have started the blog with the explanation of why we are long Australian Vintage Limited. We encourage all current and potential investors to read our explanation [here](#). The document will also be available on our website. We will not remove the reports in the future even if we are wrong, we hope they will serve as a record of our performance and investment strategy going forward.

If investors have any questions about the fund, its holdings or managers please don't hesitate to contact us.

Kind regards,

David Constable AM and Mitch Taylor  
October 2015

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Investors should consider the TSF Information Memorandum (IM) issued by SIAL before making any decision regarding the Fund. The IM contains important information about investing in the Fund and it is important investors obtain and read a copy of the IM before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial advisor before making an investment decision in relation to the Fund. A copy of the IM and continuous disclosures may be obtained from <http://supervisedinvestments.com>

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## SUPERVISED INVESTMENTS AUSTRALIA

### How to Apply

Applications can be made by completing the Subscription Form contained in the Information Memorandum and posting or faxing it to the Fund's Administrator TMF FundServices (Australia) Pty Ltd. Units will be issued on the first day of each month. The Information Memorandum can be downloaded from the website [www.supervisedinvestments.com](http://www.supervisedinvestments.com). Please contact any of the Directors for further information.

The minimum initial investment is AUD25,000 if the investor meets the definition of a Wholesale Client; refer to the Information Memorandum for details.

#### Trustee

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AFSL: 317 155

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Mr David Young  
Dr John Harvey AO  
Mr Damien Cooper

#### Support

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