



Key Facts

APIR SIA0002AU

Fund Commencement	1 st 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
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 June 2015

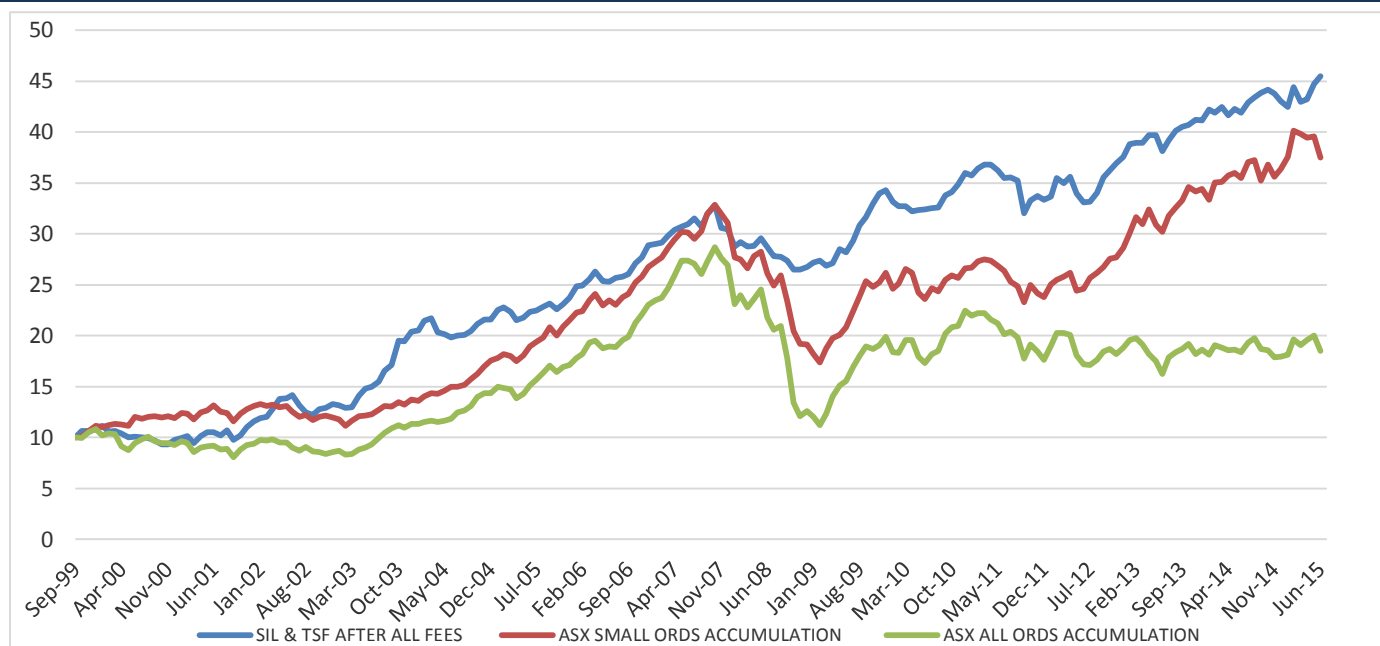
	1 month	3 months	6 months	1 year	2 years p.a	5 years p.a	Inception* p.a
TSF (After Perf. Fees) %	1.78	5.95	5.74	8.52	9.23	7.01	10.04
ASX Small Ords Accumulation %	-7.77	-3.22	2.97	0.44	6.59	1.35	3.96
ASX All Ords Accumulation %	-5.40	-5.51	3.32	5.67	11.50	9.36	8.40

Financial Year	2015	2014	2013	2012	2011	2010	2009
TSF (After Perf. Fees) %	8.52	9.95	15.30	-6.81	9.43	15.10	-1.73
ASX Small Ords Accumulation %	0.44	13.11	-5.32	-14.61	16.41	16.98	-28.58
ASX All Ords Accumulation %	5.67	17.64	20.67	-7.04	12.17	13.78	-22.15

*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*



*Includes net returns from previous USD denominated Supervised Investments Limited

Portfolio Analysis – Current adjusted for July distribution

Large Holdings	Main Business	Country	% Assets
Cash	N/A	N/A	22
Kangaroo Island Plantation Timbers Limited	Land, Timber Plantation	Australia	18.4
HGL Limited	Import and Distribution	Australia	8.8
Australian Vintage Limited	Vertically Integrated Wine	Australia/UK	7.4
Samuel Terry Absolute Return Fund	Managed Fund	International	5.0
Gale Pacific Limited	Building Materials	Australia/International	5.0
Sirtex Medical Limited	Medical Devices	International	4.1
Short AUD vs USD FX**	N/A	N/A	3.4
Po Valley Energy Limited	Gas Production and Development	Italy	3.2
Co-Operative Bank Common Equity	Retail Banking	UK	3.1
Hunter Hall International Limited	Funds Management	Australia/International	2.5
Momentum Trading Portfolio	Various	International	2.3
Total net assets (as at 30/6/2015)			A\$12,048,723

**This represents the gross exposure of the futures contracts, less than 0.2% of unitholder capital has been used to fund this position.

Commentary

The fund ended the 2015 financial year with a solid quarter of returns and continues to outperform local and global equity indices. Presently, more than 20% of unit holder capital has been allocated to cash. Of the remaining capital more than half is invested in companies with net cash on their balance sheets. We continue to have a large bias to small and micro cap Australian equities and believe the fund has much more stock-specific rather than market exposure when compared to peers.

Global stock markets have been subject to a bull market since March 2009. This has been driven by low interest rates, slowing CAPEX, increasing corporate buy-backs and recently a pick-up in corporate gearing. We continue to believe in equity and credit cycles. We do not know when the bull market will end, nor expect to be able to accurately forecast the events that will ultimately engender the next bear market. Based on historical analysis however it seems very likely markets are closer to the top than the bottom of the cycle at present. The Australian market seems to be at an interesting cross roads facing probable declines in local interest rates whereas the US and Europe are facing the opposite. Theoretically a lower Australian dollar and local interest rate is bullish for market valuations, however given more than 50% of our stock index is made up of banks and mining companies, industries facing uncertainty, we are not so sure.

Perhaps the most contentious macroeconomic issue effecting our local stock market is the margin call fueled Chinese stock market sell-off. We don't have an investigative edge on the Chinese story but do believe there exists significantly more cross-exposure to financial asset prices on the balance sheets of Chinese listed companies than perhaps any other listed peer group. In other words, we believe there is risk because in many cases it seems management of listed vehicles have bet shareholder funds on non-core property and equity speculation which is not effectively portrayed to shareholders in reported financial statements. We don't know how this situation will play out but continue to be very weary of placing a bet against the powerful Chinese government. We are however comfortable in our expectation of continued volatility in this market.

Since inception in 1999 our returns have been 48% correlated with the ASX200 Accumulation Index. Over the past two years this figure has dropped to 16%. This means that our net asset value has not necessarily grown just because global stock markets have rallied. Rather it has grown because our management team has picked stocks which have increased despite the market return. We think this will continue and believe this to be particularly relevant given the present outlook.

Holding Update: HGL Limited – 8.8%

HGL Limited is a distributor of branded products into niche markets. The company distributes and markets school uniforms, headwear, fabrics, collector model cars, beauty care products and lighting equipment. It is structured as a mini-conglomerate with a corporate team overseeing each business unit. Over the past 12 months although the shares have declined by more than 30% and the dividend has been suspended we have continued to accumulate at these levels. The balance sheet shows net cash and the current enterprise value is just under \$15m.

Two and a half years ago a new management team was appointed. They have completely changed the structure of operations to focus on cash generation and client acquisition. There has been significant head count reduction and products with high sales volatility and low margins have been discontinued. The turnaround as we call it has been progressing for two years now and while several of the business units have performed exceptionally, others experienced losses eroding shareholder value. We have spent considerable time getting to know each of the underlying businesses and at the very least expect the historically underperforming business units to cease losing money. This belief is not due to expectations of improving economic conditions but rather due to the seemingly successful execution of management's stated strategy.

HGL has a very high corporate charge when stated as a percentage of EBIT. This often leads to an argument that the company should be delisted and placed in run off. The shares are trading at about 35c (including 6c of cash) and we think the run off value of the assets is in the order of 65c per share but think it would cost 6-8c per share in corporate fees and two years to achieve this. While this is obviously appealing, we are more attracted to the business as a going concern. In its current form we expect HGL to generate annualised earnings of 5 – 5.5c per share within 12 months. Over a three year period we believe earnings will be in excess of 7c per share. Furthermore, the company has substantial tax losses which will enable cash earnings

to very closely match statutory profits even while the company invests in working capital for growth purposes.

We're expecting fully franked dividends per share of 4c in 2016 and 5c in 2017. This means the stock is trading on forward gross yield of 16%, and 18% of the market cap is backed by net cash. We aren't expecting too much help from the underlying economy and if anything expect a bit of margin pain from a declining AUD given some of the businesses are price takers.

The board has been criticized in recent years for a lack of turn-over and management oversight. We believe they have picked a winner with the new CEO and accordingly see more value for HGL as a going concern than a run off. For full disclosure we wish to advise the Constable family are the second largest shareholders and Mitch Taylor also has a meaningful (to him) stake in HGL. We hope to report success in this position in the coming quarters.

Mitch Taylor - July 2015.

DISCLAIMER

Supervised Investments Australia Limited CAN 125 580 305 AFSL 317155 (SIAL) is the Investment Manager and Trustee of The Supervised Fund (TSF or Fund).

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>

SIAL believes that the information contained in this document is accurate when issued. SIAL does not warrant that such information or advice is accurate, reliable, complete or up to date, and to the fullest extent permitted by law, disclaims all liability of SIAL and its associates. This document should be regarded as general information only rather than advice. In preparing this document, SIAL did not take into account the investment objectives, financial situation and particular needs of any individual person.

The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of SIAL, and SIAL accept no liability whatsoever for the actions of third parties in this respect. It is present for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. Any opinions expressed in this document may be subject to change. SIAL is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgement and investigation. Neither SIAL nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in this document.

SIAL does not guarantee the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law SIAL, including its directors, senior executives, employees, consultants, advisors, officers and authorized representatives, are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. SIAL only provides services to wholesale clients, as defined in section 761G of the Corporations Act. Past performance is not indicative of future performance. Information in this document is current as at 30 June 2015.



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. 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

Supervised Investments Australia Ltd.
Suite 431, 5 Lime Street
Sydney NSW 2000
T: +61 (2) 8459 0095
www.supervisedinvestments.com
ABN: 45 125 580 305
AFSL: 317 155

Directors

Mr David Constable AM (Chairman)
Mr David Young
Dr John Harvey AO
Mr Damien Cooper

Support

Auditor

Ernst & Young
680 George Street
Sydney NSW 2000
+61 (2) 9248 5555
www.ey.com/au

Custodian

JP Morgan
83 Castlereagh Street
Sydney NSW 2000
+61 (2) 9003 8888
www.jpmorgan.com.au

Fund Administrator

TMF FundServices Pty Ltd.
GPO Box A2224
Sydney South NSW 1235
+61 (2) 8988 5819
www.tmf-group.com

Legal Advisor

Henry Davis York
44 Martin Place
Sydney NSW 2000
+61 (2) 9947 6660
www.hdy.com.au