



SUPERVISED HIGH YIELD FUND

Supervised Investments Australia Limited

Conservative Opportunism

Monthly Performance Report

February 29, 2016

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.

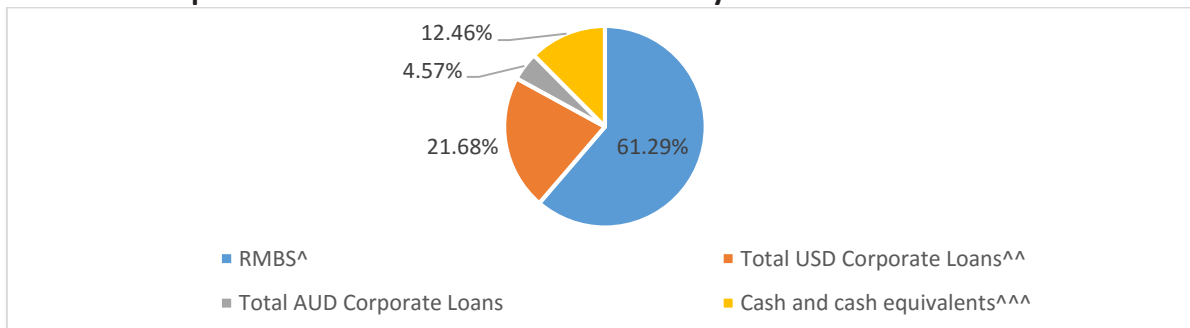
FUND INFORMATION AS AT 29 FEBRUARY 2016	\$ Value
Net asset value of fund (NAV)	\$million
Pre distribution unit price	\$12.3879
Distribution paid per unit	\$0.00
Ex distribution unit price	\$12.3879
Buy / Sell Spread	0% / 0%

Compound Annual Returns to 29 FEBRUARY 2016 [^]	Fund	Benchmark*	Relative Performance
1 Month	0.20%	0.27%	-0.07%
3 Months	0.06%	0.87%	-0.81%
6 Months	0.99%	1.75%	-0.76%
1 Year	4.11%	3.60%	0.51%
3 Years	5.87%	3.89%	1.98%
5 Years	7.84%	4.40%	3.44%
Since commencement**	9.38%	4.57%	4.81%

[^]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.

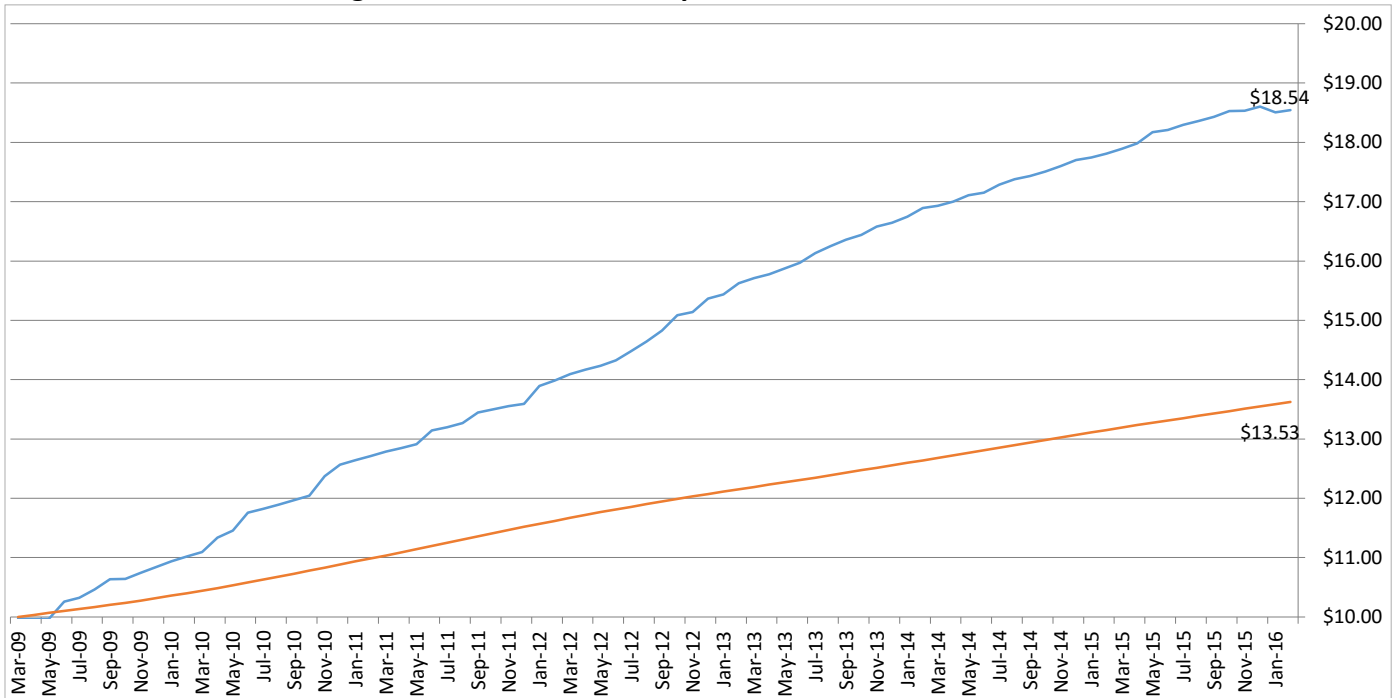
Source: Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

Portfolio Composition as a % of NAV as at 29 February 2016



[^] 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*



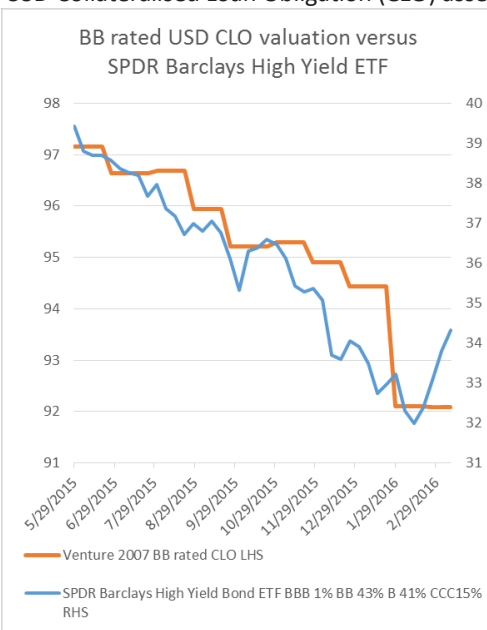
— SHYF Unit Value Including Distributions Since Commencement
 — Benchmark (RBA Cash rate plus 1.5%)* Compounding Unit Value Since Inception

*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%.

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 Funds unit price in February 2016 increased by 0.20% (net of fees). This performance was reasonable given market conditions. The following chart illustrates the extent by which the Barclays SPDR High Yield Exchange traded Fund prices has fallen over the past nine months versus the independent valuation of one of the Supervised High Yield Fund's BB rated USD Collateralised Loan Obligation (CLO) assets, the Venture 2007 BB rated CLO.



Also illustrated in this chart is the extent by which market prices for corporate bonds have recently recovered; whilst independent valuations have not recovered. With this in mind we anticipate that individual valuation prices should follow recent market price activity pointing to improved performance in the period ahead for the type of assets held in the Supervised High Yield Fund

The recent price action in the USD corporate bond market is not a solitary event, rather all markets, be they commodity, equity or treasury bond have reversed much of the panic price behaviour seen in January and early February of 2016. In the first half of March 2016 the reversals in price direction have continued with Treasury Bonds selling off whilst Corporate notes and bonds have been increasing in value along with commodities and equities. This price reversal underlies the fundamental reason why investors should keep a level head during times of panic and look for the fundamental reality in markets and value opportunities.

This is the part of the investment process employed in managing the Supervised High Yield Fund that has assisted us in delivering positive returns since inception of the fund.

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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