



SUPERVISED INVESTMENTS  
AUSTRALIA

# SUPERVISED GLOBAL INCOME FUND

JUNE 2016

## Investment Policy

The Supervised Global Income Fund (previously Supervised High Yield Fund) ARSN 600 244 102 (**SGIF** or **Fund**) is an Australian Dollar hedged international Debt Securities managed investment scheme.

The Investment Manager aims to provide returns through investing in a portfolio of debt securities and derivatives, using economic analysis and asset research which is combined with historic worst case stress testing to search out and discover the lowest risk/best reward investment opportunities in the global and domestic debt markets.

The Investment Manager will invest within the global and domestic debt markets. These investments may include but are not restricted to debt instruments such as government treasury bonds, corporate bonds, bank bills, commercial paper, bank loans, mortgage backed securities, asset backed securities, mortgages, secured corporate loans, discounted bills, repurchase agreements and debt/equity hybrid securities, forward foreign exchange agreements, interest rate futures, options and interest rate swaps. The Investment Manager does not intend to borrow or use leverage in the Fund.

## 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.

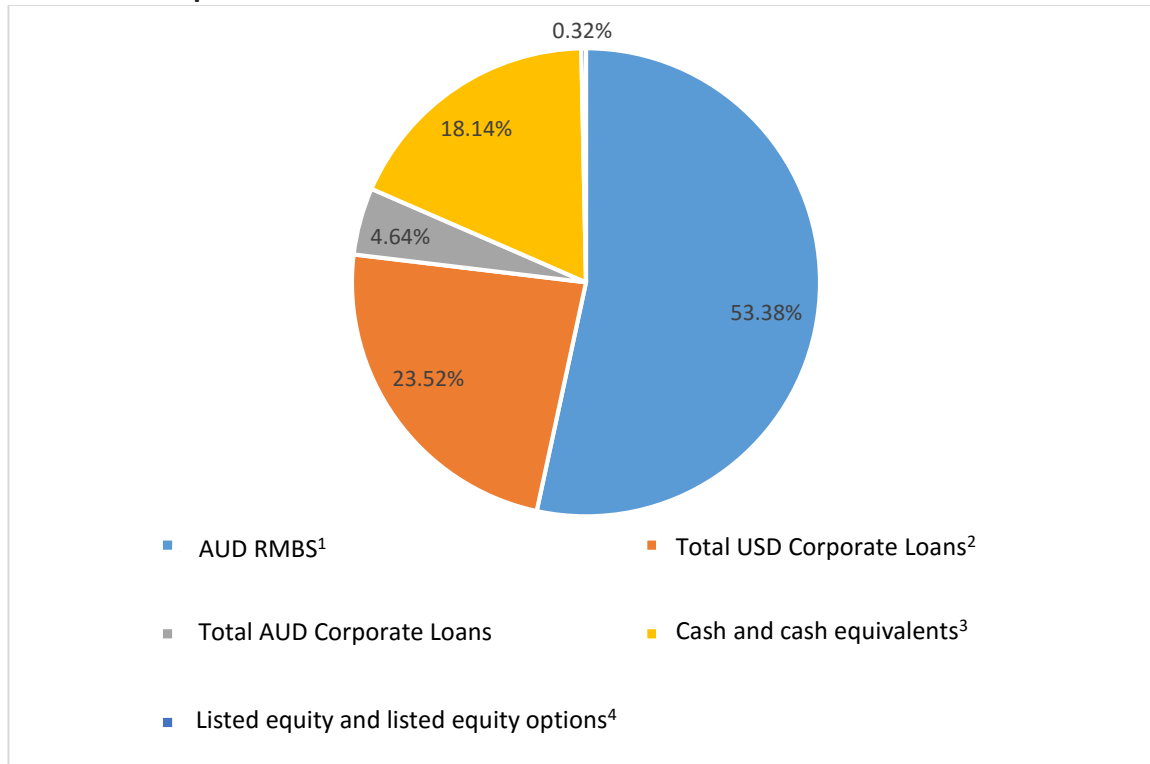
FUND INFORMATION AS AT 30 JUNE 2016	\$ Value
Net asset value of fund (NAV)	\$17.963million
Pre distribution unit price	\$12.5322
Distribution paid per unit	\$0.2872
Ex distribution unit price	\$12.2450
Buy / Sell Spread	0.15%/0.15%

Compound Annual Returns to 30 JUNE 2016 <sup>^</sup>	Fund	Benchmark <sup>*</sup>	Relative Performance
1 Month	0.45%	0.37%	0.08%
3 Months	1.14%	0.99%	0.15%
6 Months	1.59%	1.87%	-0.28%
1 Year	3.78%	3.68%	0.10%
3 Years	5.77%	3.89%	1.88%
5 Years	7.54%	4.27%	3.27%
Since commencement <sup>**</sup>	9.22%	4.54%	4.68%

<sup>^</sup>Returns are after fees and expenses; <sup>\*</sup>The Fund's current benchmark is the Bloomberg AusBond Bank Bill Index plus 2.5%. Since commencement to June 2013, the Fund's benchmark was the RBA bank rate plus 1.0% and in July 2013, the benchmark was changed to the RBA bank rate plus 1.5%. On 18 May 2016 the benchmark was changed to the Bloomberg AusBond Bank Bill Index plus 2.5%. <sup>\*\*</sup> Fund commenced on 1 April 2009.

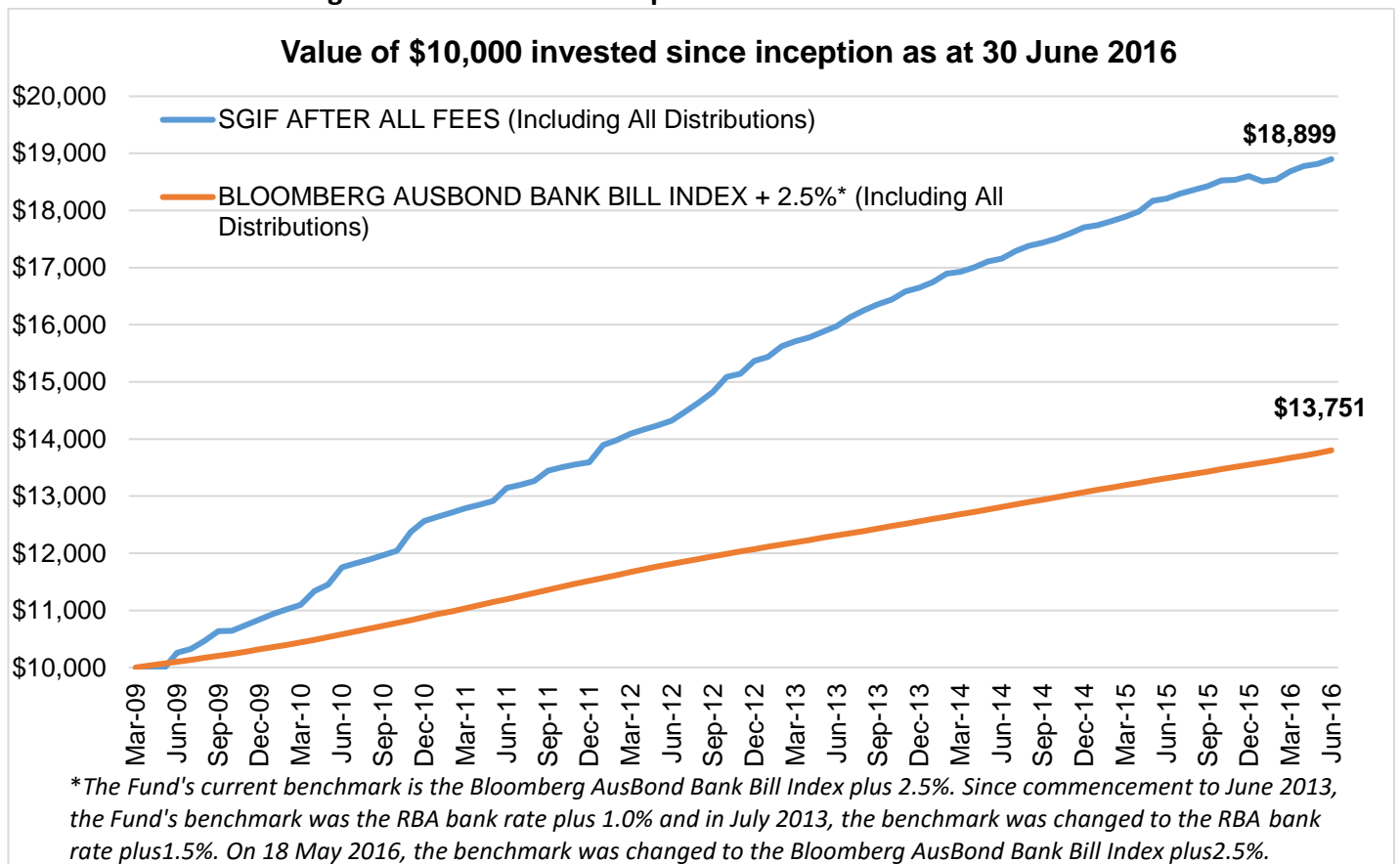
**Source:** Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

## Portfolio Composition as a % of NAV as at 30 June 2016



<sup>1</sup>AUD Residential Mortgage Backed Securities; <sup>2</sup>USD Collateralised Secured Corporate Loan Obligations; <sup>3</sup>Includes cash at bank, cash held in margin accounts plus other receivables less payable; <sup>4</sup>Convertible Loans converted into equity and equity options. **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\*



## Manager's Comment

The Supervised Global Income Fund's unit price in June 2016 increased by 0.45% (net of fees), outperforming its benchmark by 0.08%. It was pleasing to see yet another positive performance in the low interest rate environment prevailing in financial markets around the globe.

Contributing to the Fund's return for June 2016 was interest income and the Fund's position in US Treasury Note Exchange Traded Options, whilst the value of some Residential Mortgage Backed Securities (**RMBS**) and Collateralised Corporate Loan Obligations (**CLO**) Mezzanine securities fell detracting from the Fund's returns. When market prices for debt securities such as RMBS and CLOs held by the Fund are falling in response to market uncertainty, we experience increased levels of volatility in debt markets. This was the case throughout the 2016 financial year and more notably in June 2016 in response to the BREXIT vote. The increasing level of market price volatility created increases in the value of options over those assets. Given that the SGIF is exposed to market risk in its portfolio of debt securities, the Fund Manager buys exchange traded options over US Treasury Note Exchange Traded Futures Contracts to hedge market price risk. It was pleasing to see our hedge positions acting to maintain both consistent returns and low volatility in those returns during June and in the year to June 2016.

For the year to June 2016 the Fund achieved a total return of 3.78%, and paid four cash distributions summing to 57.9186 cents per unit. The distributions represent an income return of 4.73% on the June 2015 year end unit price of \$12.362.

For the three years to the end of June 2016, which aligns to the Funds investment time frame objective, the Fund achieved a total return of 5.77% p.a, versus its benchmark which returned 3.89% p.a. Income distributed for this period equated to a compounded annual return of 5.74%. Over this same three year period the Reserve Bank of Australia (RBA) cash rate has gone from 2.75% to 1.75%. Therefore over the three year period to the end of June 2016 the Fund provided more income than the RBA cash rate, while at the same time preserving capital, with a modest 0.02% in capital growth.

The Fund has been awarded a **5 Star quantitative rating by Morningstar\*** in the category of Multi-Strategy Income and as at 30 June 2016 the Fund is the highest performing fund in the category over 5 years and third over 3 years and one year (out of 144 funds).



### Disclaimer

Supervised Investments Australia Limited ACN 125 580 305 AFSL 317155 (**SIAL**) is the investment manager of the Supervised Global Income Fund (previously Supervised High Yield Fund) ARSN 600 244 102 (**SGIF or Fund**).

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**\*Morningstar Disclaimer**

The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision.

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