



SUPERVISED INVESTMENTS
AUSTRALIA

SUPERVISED GLOBAL INCOME FUND

MAY 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.

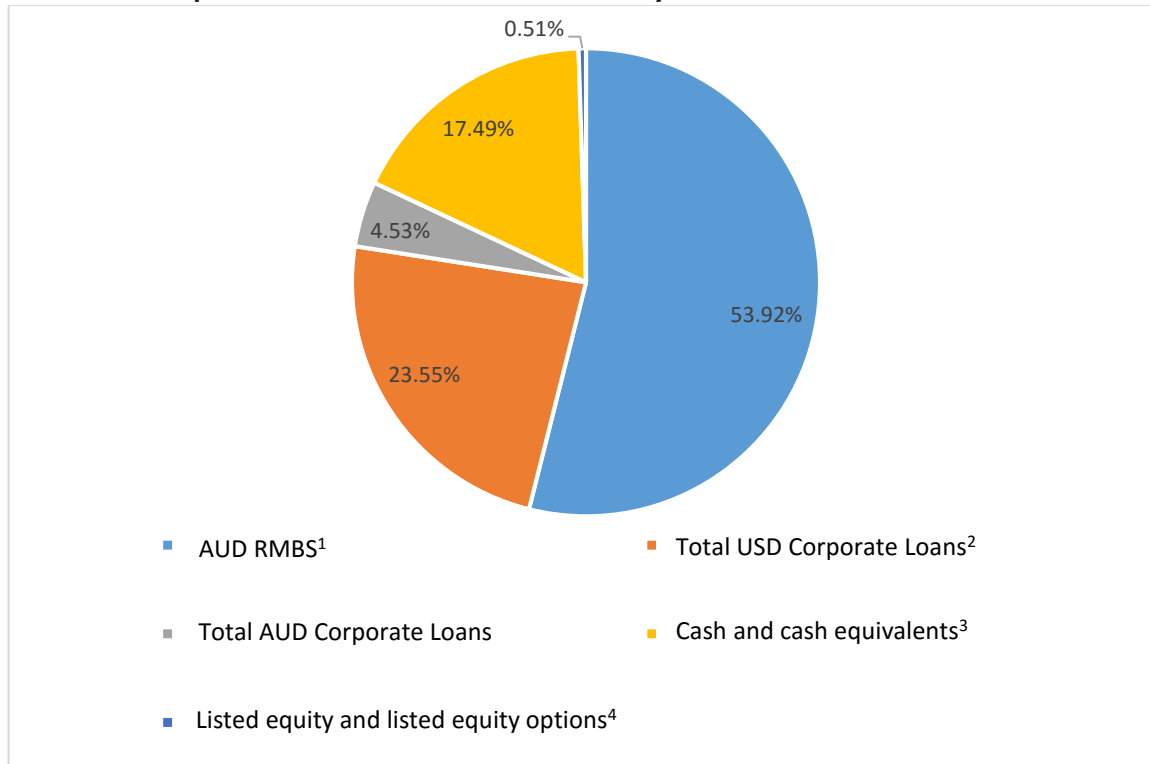
FUND INFORMATION AS AT 31 MAY 2016	\$ Value
Net asset value of fund (NAV)	\$17.858million
Pre distribution unit price	\$12.4756
Distribution paid per unit	Nil
Ex distribution unit price	\$12.4756
Buy / Sell Spread	\$0

Compound Annual Returns to 31 MAY 2016 [^]	Fund	Benchmark [*]	Relative Performance
1 Month	0.20%	0.33%	-0.13%
3 Months	1.45%	0.92%	0.53%
6 Months	1.51%	1.80%	-0.29%
1 Year	3.53%	3.60%	-0.07%
3 Years	5.82%	3.87%	1.95%
5 Years	7.82%	4.30%	3.52%
Since commencement ^{**}	9.26%	4.54%	4.72%

[^]Returns are after fees and expenses; ^{*}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%. ^{**} Fund commenced on 1 April 2009.

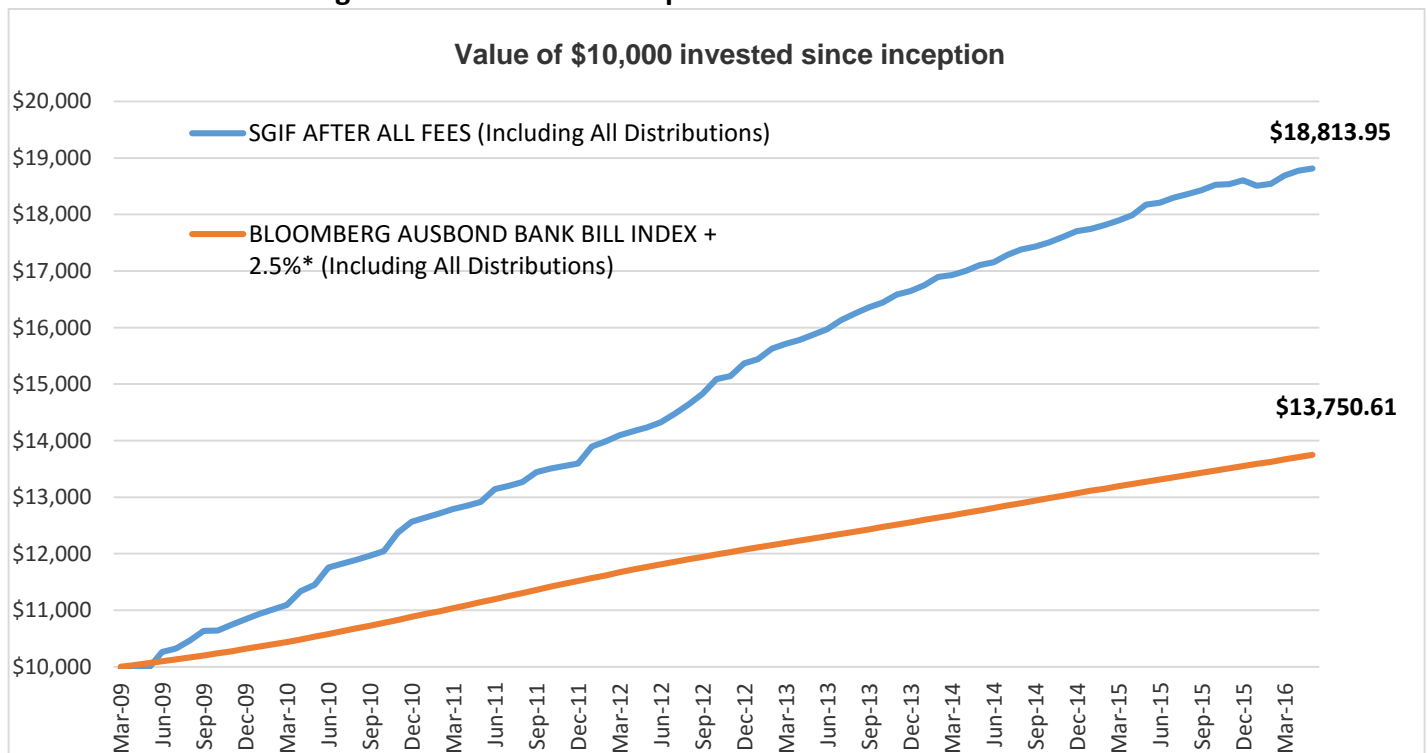
Source: Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

Portfolio Composition as a % of NAV as at 31 May 2016



¹AUD Residential Mortgage Backed Securities; ²USD Collateralised Secured Corporate Loan Obligations; ³Includes cash at bank, cash held in margin accounts plus other receivables less payable; ⁴Convertible 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*



*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%.

Manager's Comment

The Supervised Global Income Fund's unit price in May 2016 increased by 0.20% (net of fees). It was pleasing to see another positive performance in the low interest rate environment prevailing in financial markets around the globe.

On 18 May, the SGIF issued a new Product Disclosure Statement (**PDS**) and Additional PDS Disclosure. Some notable changes effective 18 May, were the removal of the Manager's performance fee, change of the Fund's name and the adoption of a new fee structure, under which fees and costs charged to the Fund by the Manager are now capped at 1.00% per annum on the gross assets of the Fund. This marks a significant reduction in fees charged to Unit Holders.

During May the markets prepared for the BREXIT vote scheduled for 23rd June. Market expectations were for the "Remain" vote to prevail. Now in late June we know the outcome was the reverse of this with the UK voting to "leave". Market volatility on Friday 24th and Monday 27th of June has been extreme. For instance, the US ten year Treasury Note traded down 0.35% then up 0.20%, then down 0.16% finally resting back up 0.04% to close at a yield of 1.45% a mere six basis points (0.06%) from the lowest level yield ever recorded For the US 10 Year Treasury Note recorded on 24th July 2012.

On that day in 2012 the headline CPI rate in the US was 1.41% and today it is 1.12%, so real interest rates have not changed over that time.

This reflects a fear of the unknown. In 2012 it was the unknown future for Greek Sovereign debt and today it is the unknown outcome of BREXIT. For those investors who through fear, retreated to the safe haven of a US Treasury Note at 1.39% in July 2012 they soon discovered what they thought was a haven was actually a loss making investment. Those 1.39% bonds quickly traded back up to a high yield of 3.06% in December 2013 precipitating significant capital losses for those who bought in July 2012.

Looking at the price of investing in the same haven today, 1.45%, we expect the result will be similar to that which occurred between July 2012 and December 2013.

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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