



SUPERVISED INVESTMENTS  
AUSTRALIA

# SUPERVISED GLOBAL INCOME FUND

AUGUST 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

Effective 15<sup>th</sup> August 2016, the Fund's net asset value (**NAV**) is calculated daily 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 Business Day.

Fund returns have been calculated using NAV unit prices and assumes reinvestment of distributions.

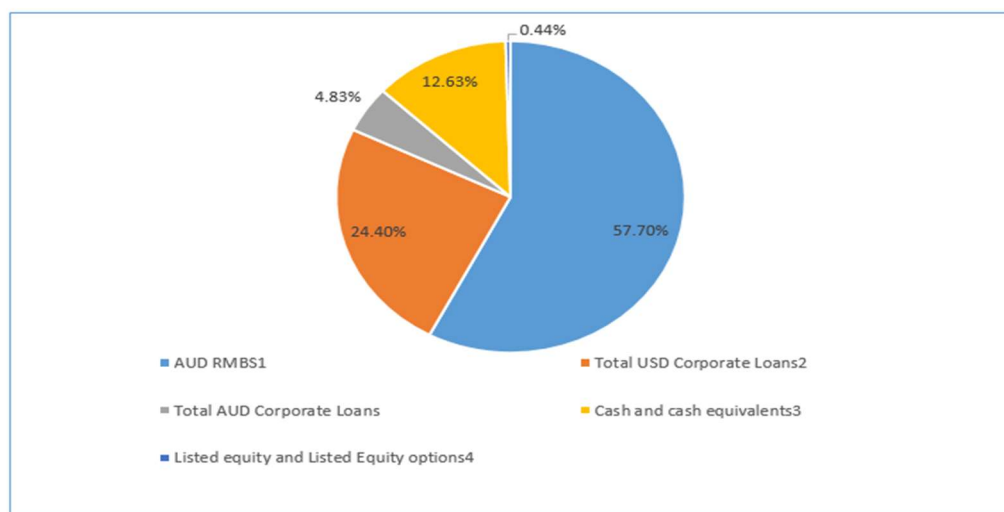
FUND INFORMATION AS AT 31 August 2016	\$ Value
Net asset value of fund (NAV)	\$17.988million
Pre distribution NAV unit price	\$12.4520
Distribution paid per unit	N/A
Ex distribution NAV unit price	\$12.4520
Buy / Sell Spread	+/- 0.05%

Compound Annual Returns to 31 August 2016 <sup>^</sup>	Fund	Benchmark <sup>*</sup>	Relative Performance
1 Month	0.80%	0.38%	0.42%
3 Months	2.15%	1.14%	1.01%
6 Months	3.63%	2.07%	1.56%
1 Year	4.66%	3.86%	0.80%
3 Years	5.75%	3.93%	1.82%
5 Years	7.70%	4.23%	3.47%
Since commencement <sup>**</sup>	9.25%	4.55%	4.70%

<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.

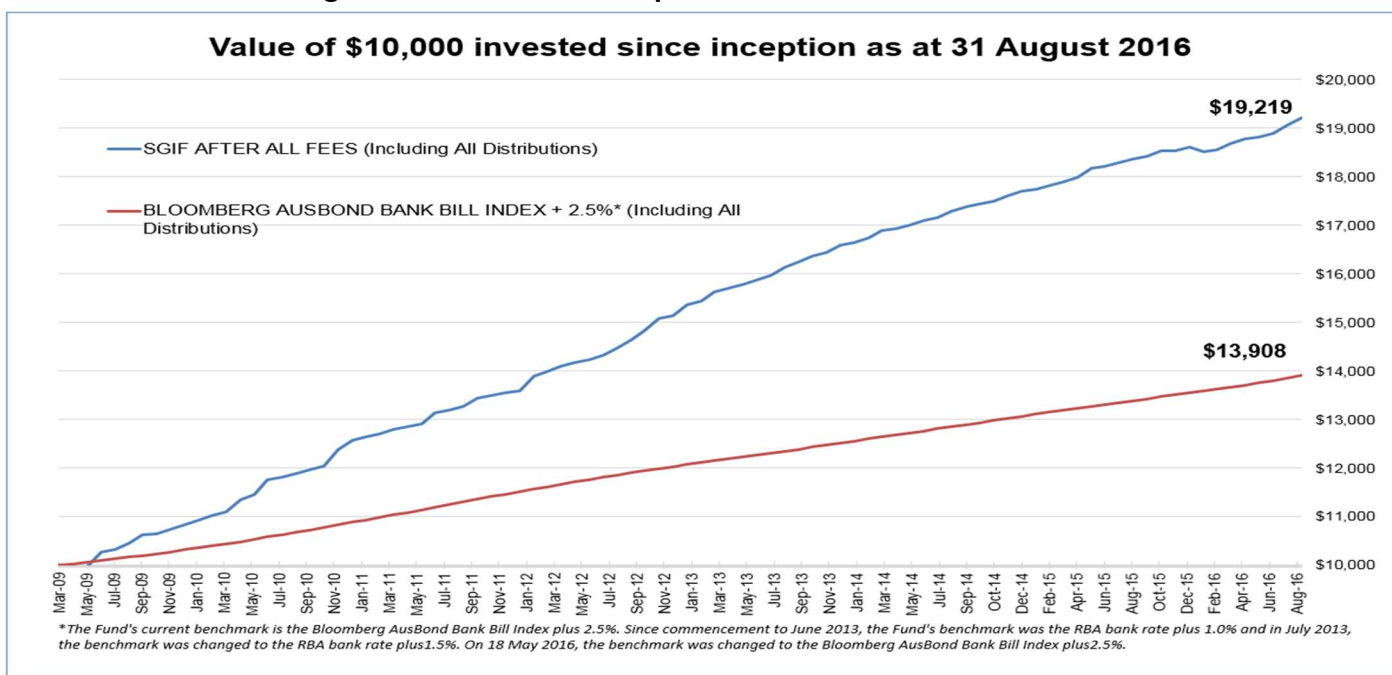
**Source:** Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

## Portfolio Composition as a % of NAV as at 31 August 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 (SGIF) unit price in August 2016 increased by 0.80% (net of fees).

Contributing to the August results were increased capital profits sourced from the early repayment of a USD Collateralized Corporate Loan pool (CLO) in which the Fund held a discounted floating rate note. Credit margins also continued to fall adding to the capital gains on the Fund's units and underlying this were consistent high coupon interest flows.

As stated last month, management of the SGIF expect credit spreads to continue their trend down over the year ahead leading to further capital profits for those investors who are already invested.

In the current environment we are experiencing strong levels of liquidity in the sub investment grade bond market, where new issues of BB and B rated notes are consistently oversubscribed with investors being scaled back at issue. Liquidity conditions can however change over time.

In the United States the US Federal Reserve Board are meeting on the 20<sup>th</sup> and the 21<sup>st</sup> of September to weigh the case for an increase in the Federal Funds Rate. Our research indicates the US Federal Reserve Board will increase rates at the upcoming meeting from the current band of 0.25% - 0.50%, to a higher band of 0.50% to 0.75%. If our expectations are realised there may be some renewed strength in the US Dollar and weakness in the Equity markets. For investors in floating rate debt securities, such as the SGIF, this will be a welcomed event as it will deliver higher returns, however in the fixed interest debt securities market an increase in the US rates could be received with trepidation leading to falling fixed rate bond prices.

We see plenty of opportunity ahead for renewed investment opportunities for the Fund.



#### Disclaimer

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