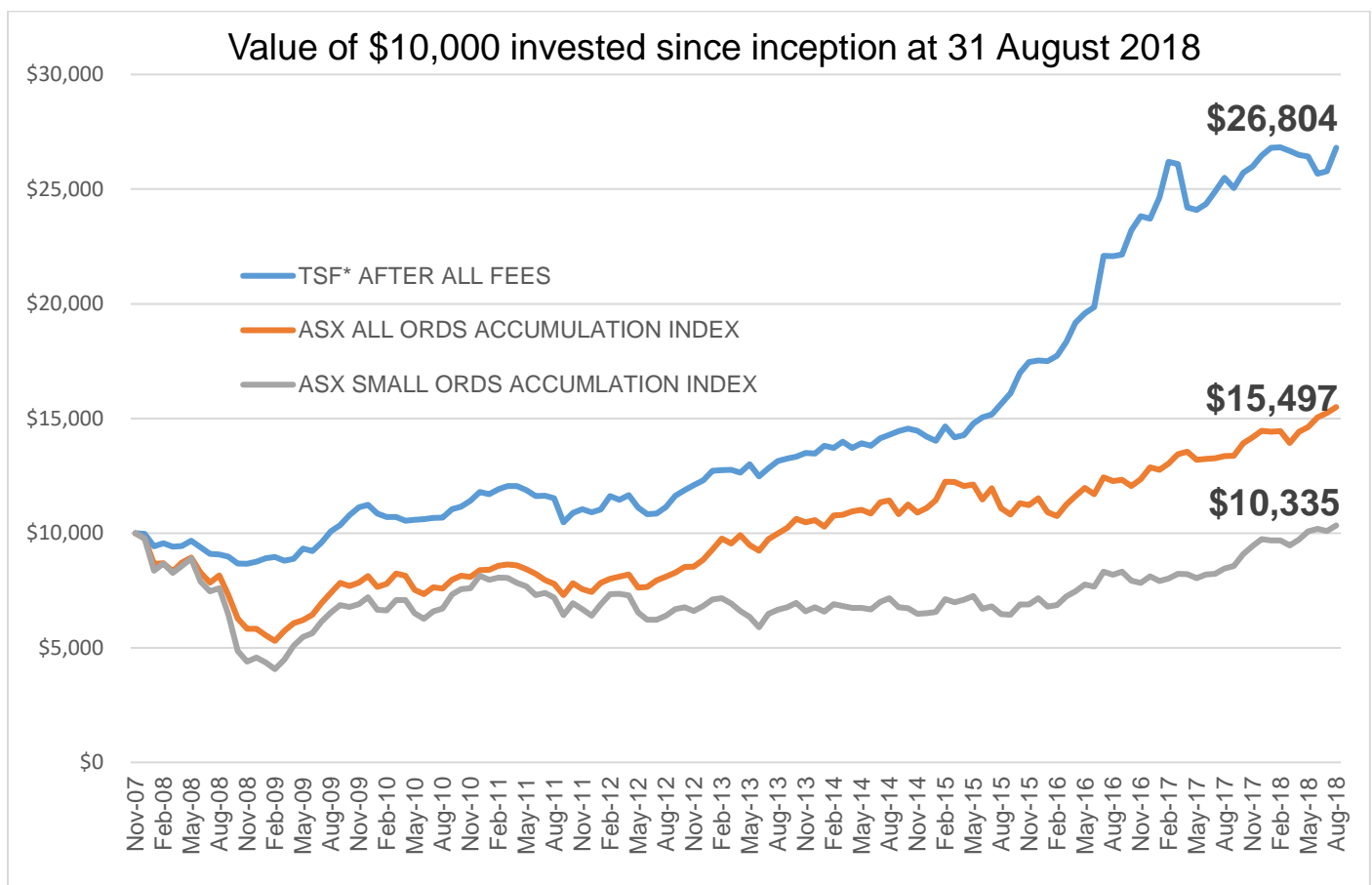


The Supervised Fund (TSF)

Monthly Report – August 2018

Performance Analysis (as at 31 August 2018)	TSF after all fees	All Ords Accumulation	Small Ords Accumulation	Benchmark
1 month	3.9%	1.7%	2.5%	0.4%
1 year	5.1%	16.0%	22.3%	5.0%
2 years p.a.	10.2%	12.4%	12.4%	5.0%
3 years p.a.	19.7%	11.8%	16.9%	5.0%
5 years p.a.	15.3%	9.2%	9.2%	5.0%
7 years p.a.	12.8%	10.3%	5.3%	5.0%
10 years p.a.	11.4%	6.6%	3.1%	5.0%
Since inception p.a. (Dec. 2007)	9.9%	4.3%	0.3%	5.0%

Past performance is no indication of future performance



*Please note TSF return assumes reinvestment of all distributions (as do the indices).

Portfolio at 31 August 2018

Top 10 Positions	% of NAV
Kangaroo Island Plantation Timbers Limited	24%
Hillgrove Resources Limited	13%
Po Valley Energy Limited (equity and convertible notes)	12%
HGL Limited	12%
Engenco Limited	8%
Bisalloy Steel Group Limited	6%
Cash	6%
Physical Gold ETF	5%
Spicers Limited	3%
Coro Energy Limited	2%

- 0.1% of capital is invested in put options over stock market indices.
- 9% of capital is invested in non-ASX listed investments (excluding cash and government bonds).
- 29% of capital is invested in oil, gas and resources companies (excluding gold).
- 6% of capital is invested in physical gold and gold mining companies.
- 75% of capital is invested in companies with market capitalisations of less than \$150m.

Commentary

Winners in August 2018	Contribution to fund return	Gross return	Losers in August 2018	Contribution to fund return	Gross return
Po Valley Energy Limited	1.6%	14.6%	HGL Limited	-0.5%	-3.3%
Kangaroo Island Plantation Timbers Limited	0.7%	3.0%	OneMarket Limited	-0.1%	-5.0%
Spicers Limited	0.5%	19.8%	S&P Put Options	-0.1%	-39.4%

The share price of Po Valley appreciated in line with the Italian natural gas price, which has now increased by 52% in six months due to continued supply issues from northern Africa and Russia and rising demand from the Italian industrial sector. Kangaroo Island appreciated on no news, while Spicers' rose due to positive yearly results, with net profit after tax up 108% year-on-year.

HGL shares depreciated on no news.

In August, the annual results reporting season was in full swing. We attended sixteen company presentations at various broking houses. It was a mixed bag as always, but the recurrent themes on the positive side were the significant expenditure in infrastructure, increasing capex in the resources sector, and the general buoyancy of the Australian economy. On the negative side, there was heightened concern over the residential property sector in the Eastern states, with the cost of debt expected to continue its gradual rise in the medium term. Additionally, frequent mention was made of the high valuations of Australian tech stocks, indicative of the large multiples investors are willing to pay for growth. This could make any correction correspondingly painful. Lastly, there was apprehension over the future growth of China's economy, where a slowdown could threaten Australia's exports, particularly in the resources sector.

Only three of our stocks reported results which were meaningful to the market. We have already mentioned Spicers. Engenco announced net profit after tax was up 56% year-on-year. The company has further room

for growth as it solidifies its position as a trusted provider of railway maintenance and power and propulsion solutions. Its prospects are aided by the numerous upcoming railway infrastructure projects in Victoria. In addition, Bisalloy reported an increase in net profit after tax of 138%. This was largely due to the increased demand for their quenched and tempered steel in the resources and defence sectors. We believe there is considerable scope for growth in the latter, with Bisalloy tendering for such projects as the \$50bn Collins Class submarine replacement project and the \$5bn LAND 400 combat vehicle project. Bisalloy is the only Australian producer of quenched and tempered steel, so they should be in a strong competitive position.

David Constable

6 September 2018

The Supervised Fund's Historical Performance

	TSF after all fees	Small Ords Accumulation	All Ords Accumulation
Since inception p.a. (Dec 2007)	9.9%	0.3%	4.3%
Financial year to date	0.4%	-1.0%	1.2%
Calendar year to date	-2.6%	3.6%	5.3%
FY17	22.6%	13.1%	7.0%
FY16	32.0%	2.0%	14.4%
FY15	9.0%	5.7%	0.4%
FY14	10.6%	17.6%	13.1%
FY13	15.3%	20.7%	-5.3%
FY12	-6.8%	-7.0%	-14.6%
FY11	9.4%	12.2%	16.4%
FY10	15.1%	13.8%	11.2%
FY09	-1.7%	-22.1%	-28.6%

The Fund's benchmark is 5% per annum. Small Ords Accumulation and All Ords Accumulation are included for the sake of comparison to the predominant Australian equity indices.

DISCLAIMER

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