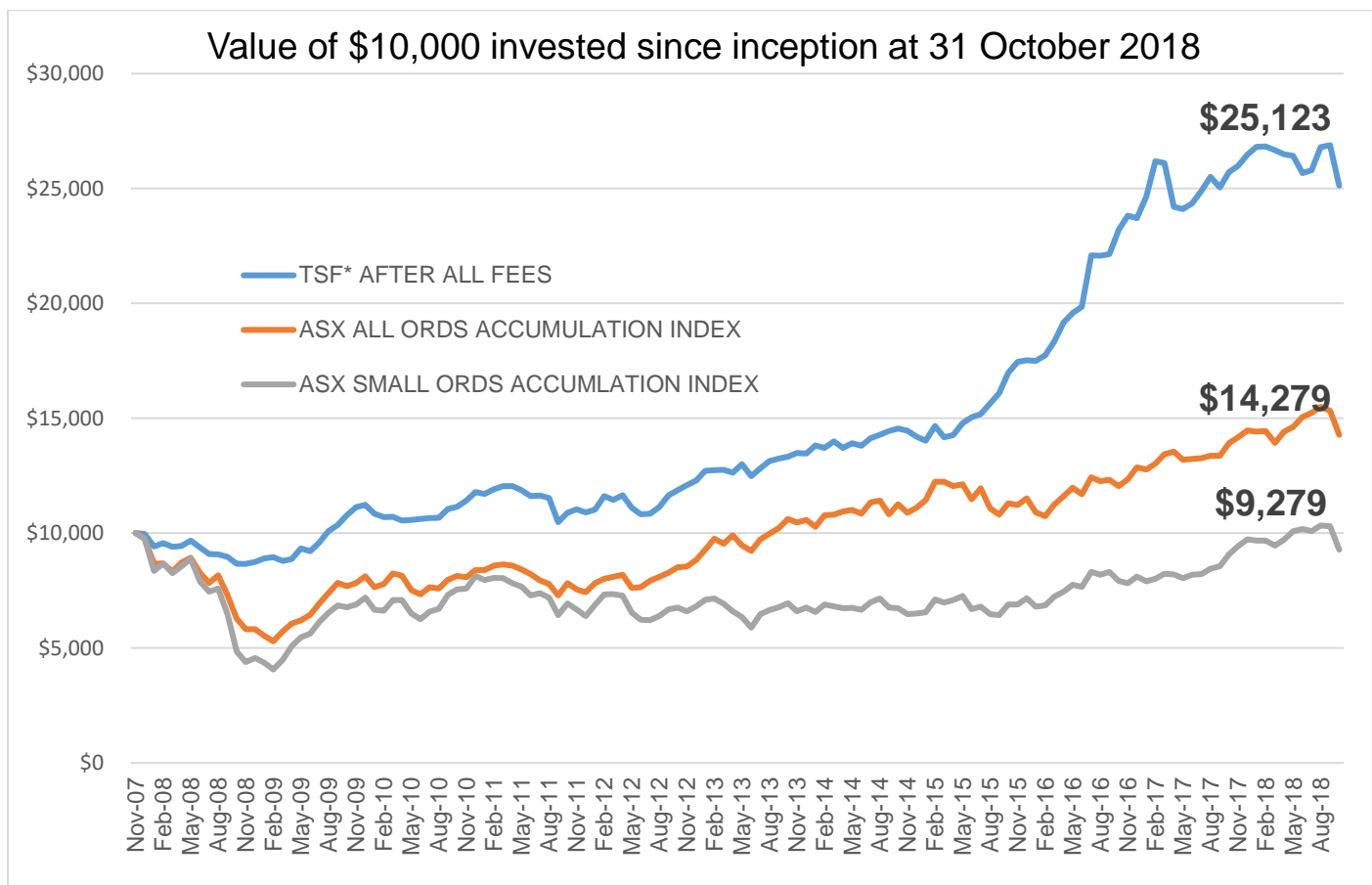


The Supervised Fund (TSF)

Monthly Report – October 2018

Performance Analysis (as at 31 October 2018)	TSF after all fees	All Ords Accumulation	Small Ords Accumulation	Benchmark
1 month	-6.6%	-6.9%	-9.9%	0.4%
1 quarter	1.2%	-2.6%	-6.3%	5.0%
1 year	-2.3%	2.6%	2.2%	5.0%
2 years p.a.	4.1%	8.8%	8.2%	5.0%
3 years p.a.	13.9%	8.1%	10.4%	5.0%
5 years p.a.	13.5%	6.1%	5.9%	5.0%
7 years p.a.	12.7%	9.0%	4.2%	5.0%
10 years p.a.	11.2%	8.6%	6.7%	5.0%
Since inception p.a. (Dec. 2007)	9.2%	3.5%	-0.7%	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 30 October 2018

Top 10 Positions	% of NAV
Kangaroo Island Plantation Timbers Limited	25%
Po Valley Energy Limited (equity and convertible notes)	12%
HGL Limited	11%
Hillgrove Resources Limited	11%
Cash	11%
Engenco Limited	7%
Bisalloy Steel Group Limited	6%
Physical Gold ETF	5%
Coro Energy Limited	2%
Vintage Energy Limited	1%

- 0.1% of capital is invested in put options over stock market indices.
- 3% 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.
- 81% of capital is invested in companies with market capitalisations of less than \$150m.

Commentary

Winners in October 2018	Contribution to fund return	Gross return	Losers in October 2018	Contribution to fund return	Gross return
Physical gold	0.2%	4.6%	HGL Limited	-1.9%	-17.8%
Put options over S&P	0.1%	170.9%	Po Valley Energy Limited	-1.1%	-8.6%
Spicers Limited	0.0%	3.7%	Engenco Limited	-0.9%	-11.9%

October was a particularly difficult month for The Supervised Fund. Global markets were weak, with the S&P falling by 6.9% as investors became increasingly worried about rising interest rates in the US and trade tensions between China and the US. This had a ripple effect, putting downward pressure on the Australian market. Most of our stocks were detrimentally impacted by this decline. However, we believe the underlying businesses are still in good shape. With low to no debt, most will not be impacted by increased global borrowing rates. If the trade tensions between China and the US curb Chinese economic growth, this could have a detrimental impact on Australian companies, particularly those exposed to Chinese demand for raw materials. Our three largest holdings, KPT, Po Valley and HGL, are generally protected from such a trend, each with its own discrete catalyst. Three of our holdings are more exposed to the resources sector: Hillgrove, Engenco and Bisalloy. Nevertheless, these also have discrete catalysts unrelated to global occurrences. Consequently, we took the opportunity to increase our shareholding in some of our existing positions where we felt the stock was trading at an attractive discount to its inherent value.

While we remain confident in the prospects of our existing holdings, we are continuing to look for undervalued stocks, which we hope will be more plentiful in a depressed market. In the meantime, we have increased our cash position to 11%.

David Constable

15 November 2018

The Supervised Fund's Historical Performance

	TSF after all fees	All Ords Accumulation	Small Ords Accumulation
Since inception p.a. (Dec 2007)	9.2%	3.5%	-0.7%
Financial year to date	-2.2%	-5.1%	-8.9%
Calendar year to date	-5.1%	-1.3%	-4.6%
FY18	5.4%	13.7%	24.2%
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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