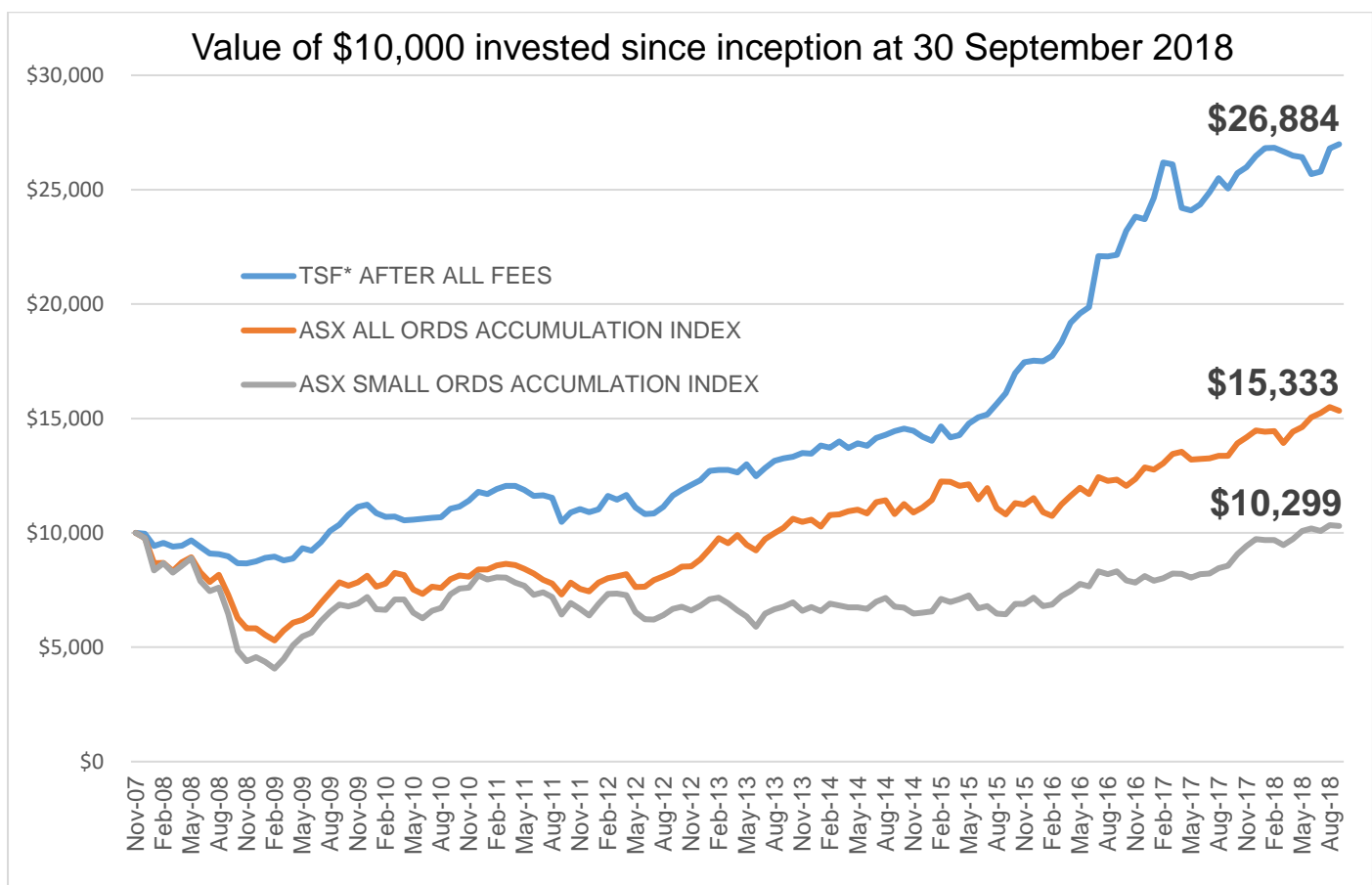


The Supervised Fund (TSF)

Monthly Report – September 2018

Performance Analysis (as at 30 September 2018)	TSF after all fees	All Ords Accumulation	Small Ords Accumulation	Benchmark
1 month	0.3%	-1.1%	-0.4%	0.4%
1 quarter	4.7%	1.9%	1.1%	1.2%
1 year	7.3%	14.7%	20.3%	5.0%
2 years p.a.	10.2%	11.6%	11.3%	5.0%
3 years p.a.	18.6%	12.4%	17.0%	5.0%
5 years p.a.	15.2%	8.4%	8.7%	5.0%
7 years p.a.	14.4%	11.2%	7.0%	5.0%
10 years p.a.	11.6%	7.7%	4.8%	5.0%
Since inception p.a. (Dec. 2007)	10.0%	4.2%	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 30 September 2018

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

- 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 September 2018	Contribution to fund return	Gross return	Losers in September 2018	Contribution to fund return	Gross return
Spicers Limited	0.6%	36.1%	Kangaroo Island Plantation Timbers Limited	-0.8%	-3.4%
Hillgrove Resources Limited	0.5%	3.8%	Po Valley Energy Limited	-0.3%	-2.0%
Silver Heritage Group Limited	0.5%	50.0%	Coro Energy Limited	-0.2%	-7.0%

The share price of Spicers continued to appreciate following its impressive yearly results released in late August, in addition to the announcement of the sale of its Asian operations. This will contribute \$15m in cash to the company plus the future proceeds from a planned divestment of land in Singapore. This is a significant transaction for a company capitalised at \$115m. Hillgrove shares increased on no news, likely impacted by the price of copper, which rallied by 6% during the month due to a cooling in negative sentiment about the economic impact of the US/China import tariffs and a favourable demand/supply balance.

In September, we took a small position (1% of unitholder capital) in Silver Heritage, which has casino operations in Nepal and Vietnam. The company had recently completed the construction of a major casino in Nepal, yet the opening was delayed for various reasons including monsoonal weather. Consequently, the casino's cash generation was postponed, and the company had begun to breach its debt covenants. Accordingly, its creditors requested Silver Heritage undertake a recapitalisation, which it did through a 1-for-1 rights issue. We participated as sub-underwriters, on the basis that the rights issue price was at a 50% discount to the net tangible asset value per share (accounting for dilution after the issuance of the new shares). Historically, the stock has traded as high as five-times its net tangible asset value per share. Additionally, if the new Nepalese casino, which is now cash-positive, continues the positive trend of its first nine months of operations, the rights issue price would be about four-times 2020 earnings per share. The stock last traded at a 50% premium to the issue price.

The shares of KPT, PVE and Coro all declined on no negative news. After market-close on the final day of the month, KPT submitted a draft environmental impact study (EIS) for its proposed export facility. The draft EIS is being reviewed by the South Australian Minister for Planning, who will subsequently advise when the study is available for public consultation, which will last for six weeks. Formal submissions made during the public consultation period will be answered by KPT in a Response Document. The draft EIS and Response Document will then be lodged with the State and Commonwealth governments for their ultimate decision. Whilst protracted, the completion of the draft EIS is a significant step in the approval process as KPT is confident it has adequately addressed the major issues raised by opponents of the export facility. The company hopes the public consultation period will be complete by Christmas 2018, meaning the development of the facility could be approved in the first half of 2019. This would have a material impact on the Fund and we will continue to update unitholders on the progress.

David Constable

17 October 2018

The Supervised Fund's Historical Performance

	TSF after all fees	All Ords Accumulation	Small Ords Accumulation
Since inception p.a. (Dec 2007)	10.0%	4.2%	0.3%
Financial year to date	4.7%	1.2%	-1.0%
Calendar year to date	1.6%	5.3%	3.6%
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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