



SUPERVISED GLOBAL INCOME FUND

Monthly Report - January 2017

Investment Policy

The Supervised Global Income Fund ARSN 600 244 102 (**SGIF** or **Fund**) is an Australian Dollar 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.

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 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 month.

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

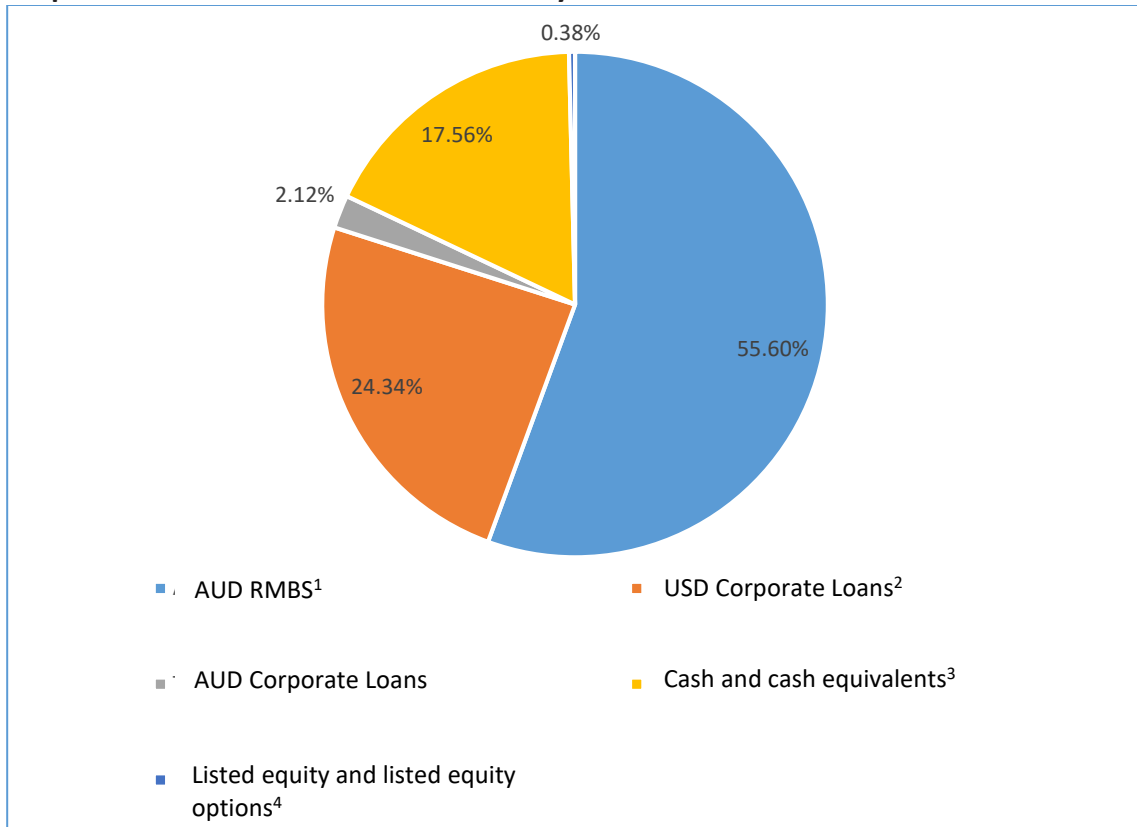
Fund Information as at 31 January 2017	\$ Value
Net asset value of fund (NAV)	\$19.255million
Pre distribution NAV unit price	\$12.6056
Distribution paid per unit	\$0
Entry/exit prices	\$12.6119/12.5993
Buy / Sell Spread	+0.05%/-0.05%

Returns to 31 January 2017 [^]	Fund	Benchmark [*]	Relative Performance
1 Month	0.78%	0.37%	0.41%
3 Months	2.91%	1.08%	1.83%
6 Months	4.56%	2.18%	2.35%
1 Year	7.71%	4.19%	3.52%
3 Years p.a.	5.99%	3.96%	2.03%
5 Years p.a.	7.49%	4.12%	3.37%
Since commencement ^{**}	9.25%	4.59%	4.66%

[^]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.

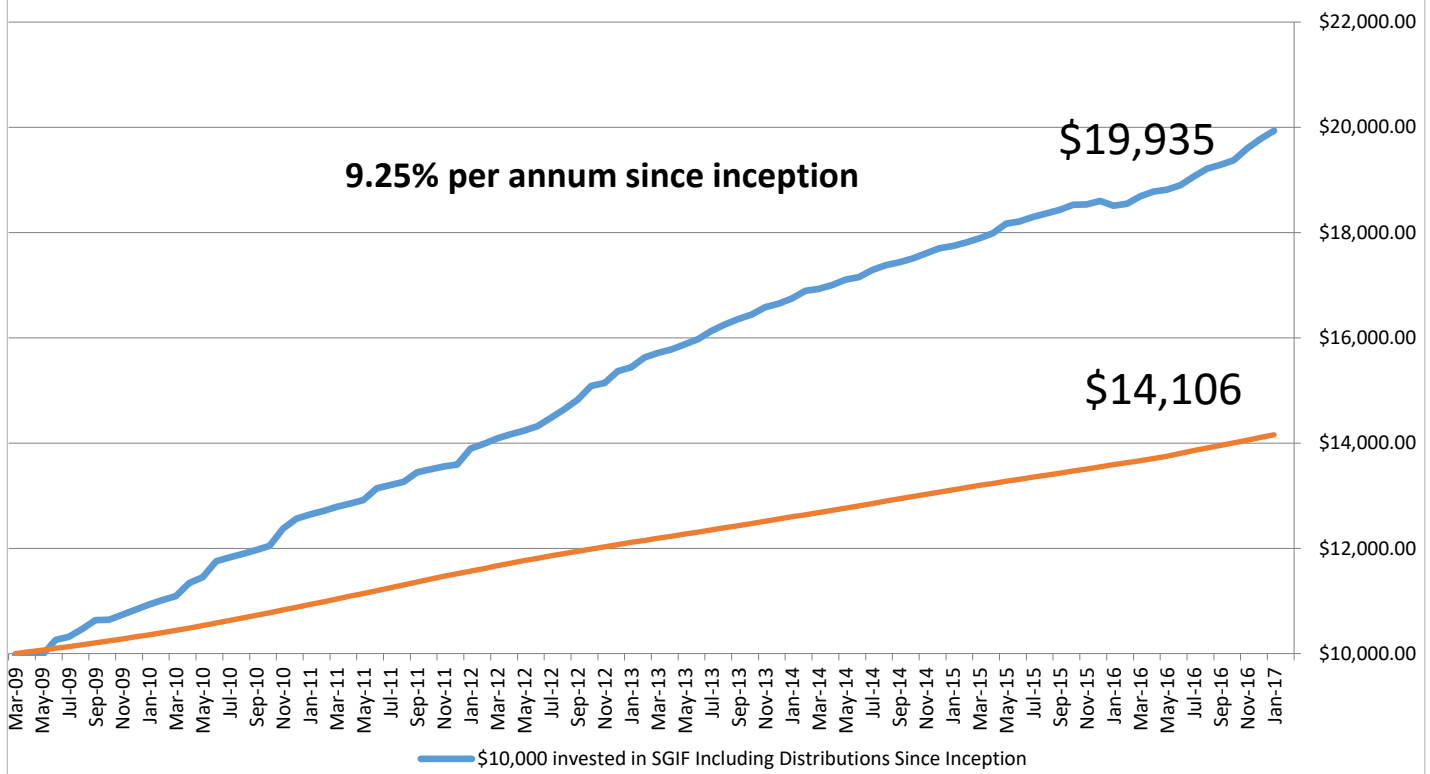
Portfolio Composition as a % of NAV as at 31 January 2017



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.

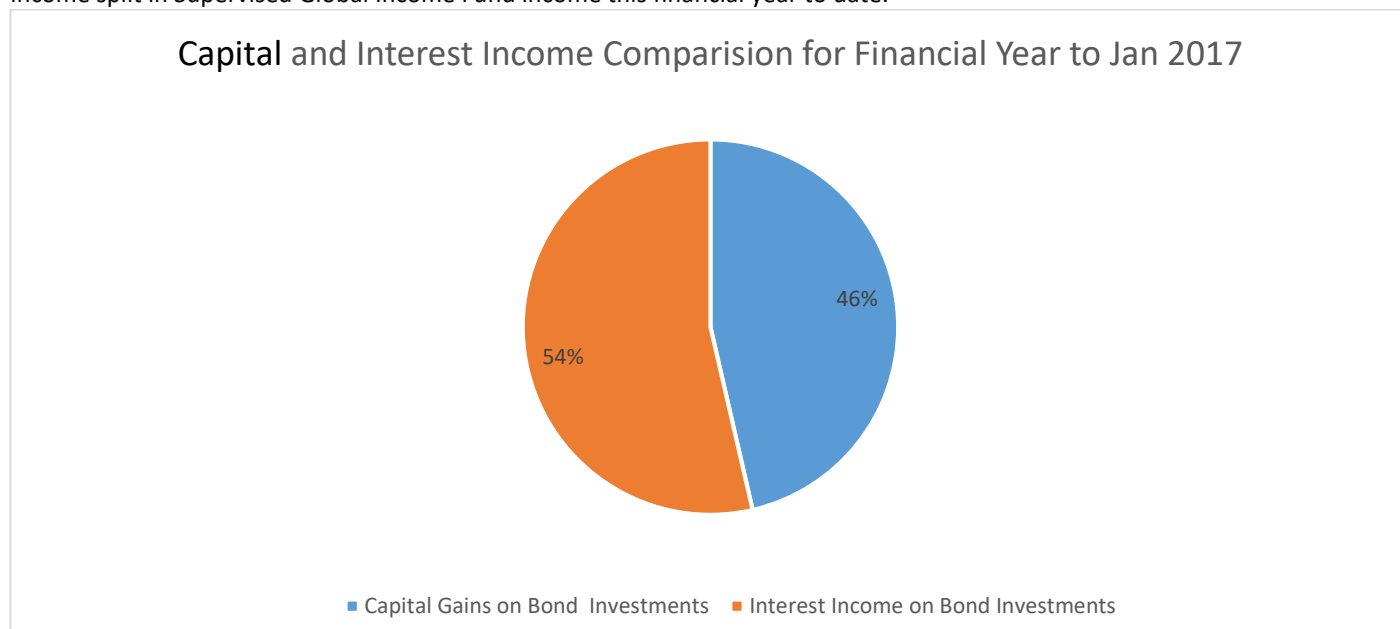
Fund Unit Value including distributions since inception versus its Benchmark*

Supervised Global Income Fund Performance Chart 2009 to Jan 2017



Manager's Comment

The Supervised Global Income Fund (SGIF) unit price in January 2017 increased by 0.78% (net of fees). This result continues what has been a good run for the Supervised Global Income Fund this financial year. The Fund has delivered a return of 7.71% for the past twelve months and 4.56% over the past six months (9.25% annualized). The following chart illustrates the capital to interest income split in Supervised Global Income Fund income this financial year to date.



Conditions in credit markets globally and in Australia are continuing to react to the recent policy changes bought by the new government in the United States. Investors are seeking protection from increased inflationary expectations bought on by the expansionary tax and infrastructure policies of the new government.

This is augmented by investors seeking a realigning their debt investments away from Fixed Rate Treasury securities in favor of floating rate corporate debts. Adding this all up it appears we may well have commenced a long term capital flow of investment dollars away from the perceived safety of Fixed Rate Treasury Bonds, and towards Floating Rate Corporate and Mortgage debt securities. These markets are relatively smaller than the Treasury bond markets, and so when capital flows out of Treasury debt and into corporate debt the resultant price changes can be large, long term and beyond the market's current ability to predict.

With this in mind Supervised Investments Australia Limited, the Manager of the Supervised Global Income Fund, intends to remain invested 100% into short term floating rate high yield corporate loan and mortgage backed securities. This will be monitored on a daily basis to ensure the proposed new fiscal policies of the U.S government are enacted through legislation during the Republican's first new year of government. Any signs of resistance in the House or the Senate to the implementation of policy can be seen as threatening the strength in corporate floating rate debt security markets.

Further effects of this fiscal policy change can be expected in the structure of the US Federal Reserve's interest rate policy. Here we have year on year inflation running at 2.4% and the Federal Funds rate at 0.50 – 0.75%. Expect monetary policy to be adjusted aggressively away from its current "accommodative" stance back to "neutral". This change in Fed Funds policy stance could lead to a Funds Rate in the 2.5% to 3.0% range in the near term. Management at Supervised Global Income Fund will maintain a close to ZERO interest rate duration whilst there is a risk of change to the Federal Reserve's Monetary Policy Stance.



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