



SUPERVISED GLOBAL INCOME FUND

Monthly Report - May 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 by 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 for 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 unit is then calculated by dividing the Fund's NAV by the number of units on issue in the Fund.

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

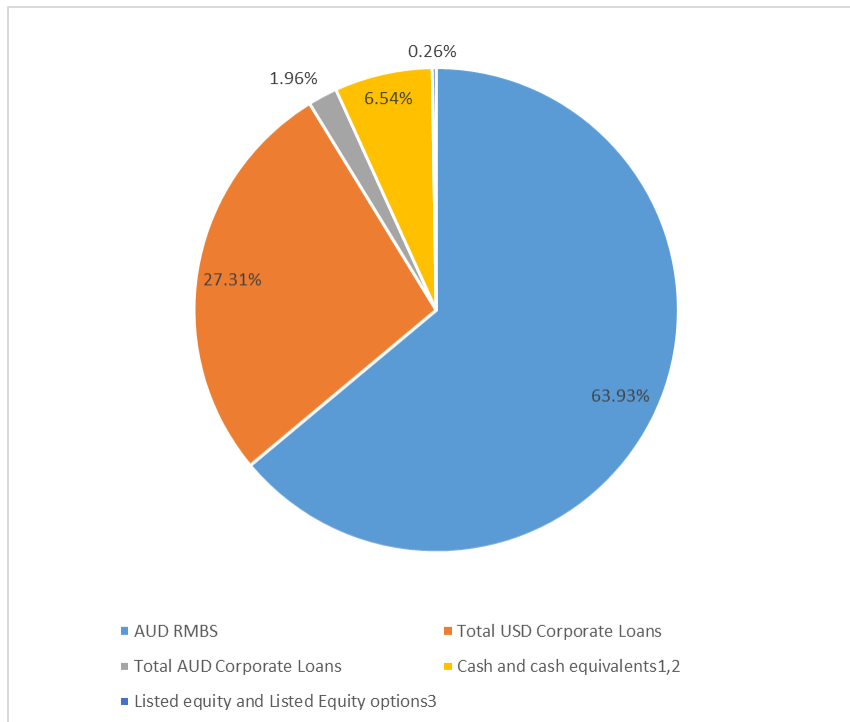
Fund Information as at 31 May 2017	\$ Value
Net asset value of fund (NAV)	\$19.356million
Pre-distribution NAV unit price	\$12.6469
Distribution paid per unit	\$0
Entry/exit prices	\$12.6533/12.6406
Buy / Sell Spread	+0.05%/-0.05%

Returns to 31 May 2017 [^]	Fund	Benchmark [*]	Relative Performance
1 Month	0.52%	0.36%	0.16%
3 Months	1.28%	1.08%	0.20%
6 Months	3.91%	2.15%	1.76%
1 Year	8.25%	4.42%	3.83%
3 Years p.a.	5.99%	3.99%	2.00%
5 Years p.a.	7.43%	4.06%	3.37%
Since commencement ^{**}	9.14%	4.53%	4.61%

[^]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.

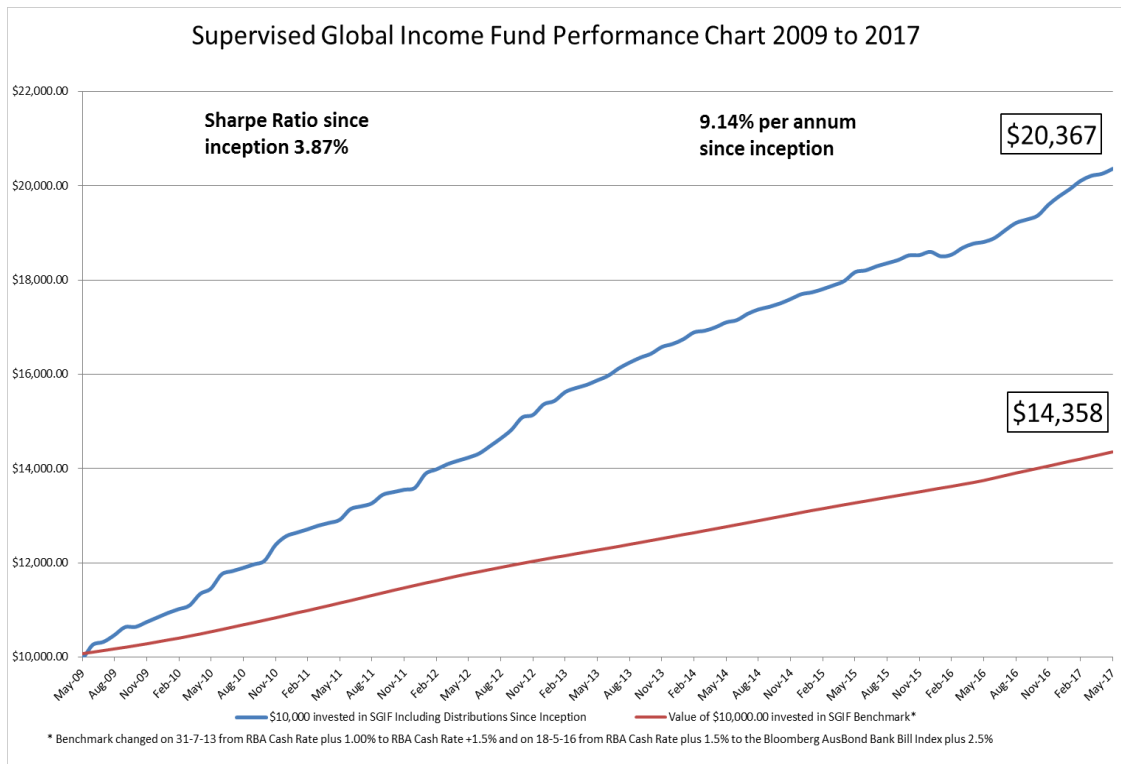
Source: Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

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



^{1,2}Includes cash at bank, cash held in margin accounts plus other receivables less payable; ³Convertible 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*



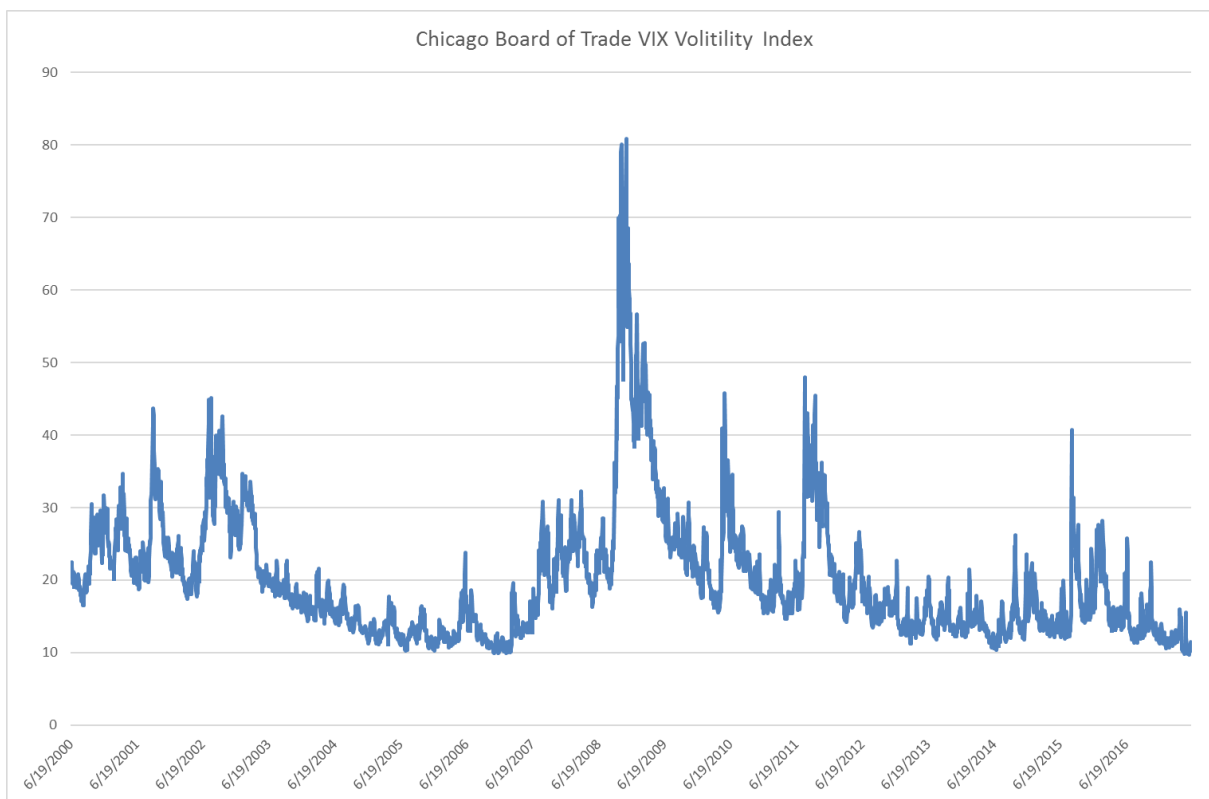
* Benchmark changed on 31-7-13 from RBA Cash Rate plus 1.00% to RBA Cash Rate +1.5% and on 18-5-16 from RBA Cash Rate plus 1.5% to the Bloomberg AusBond Bank Bill Index plus 2.5%

Manager's Comment

The SGIF has earned 7.77% in the current financial year to the end of May 2017, when annualized this is equivalent to 8.50% per annum.

The SGIF continues to perform in line with the objectives of its investment thesis, producing consistent month on month positive capital returns and abundant cash distributions over the medium 2-3 year time frame. This is a validation of our investment process and the discipline we employ, even when market conditions are unfavorable.

Looking ahead regarding the SGIF's asset mix, we see a period of stability as demand for the style of assets SGIF is invested in, builds in the market. Financial asset price volatility, as measured by the market's estimate of future volatility as traded on the Chicago Board of Trade's Options Exchange SPX Volatility Index is currently trading at all-time lows. The following chart illustrates this.

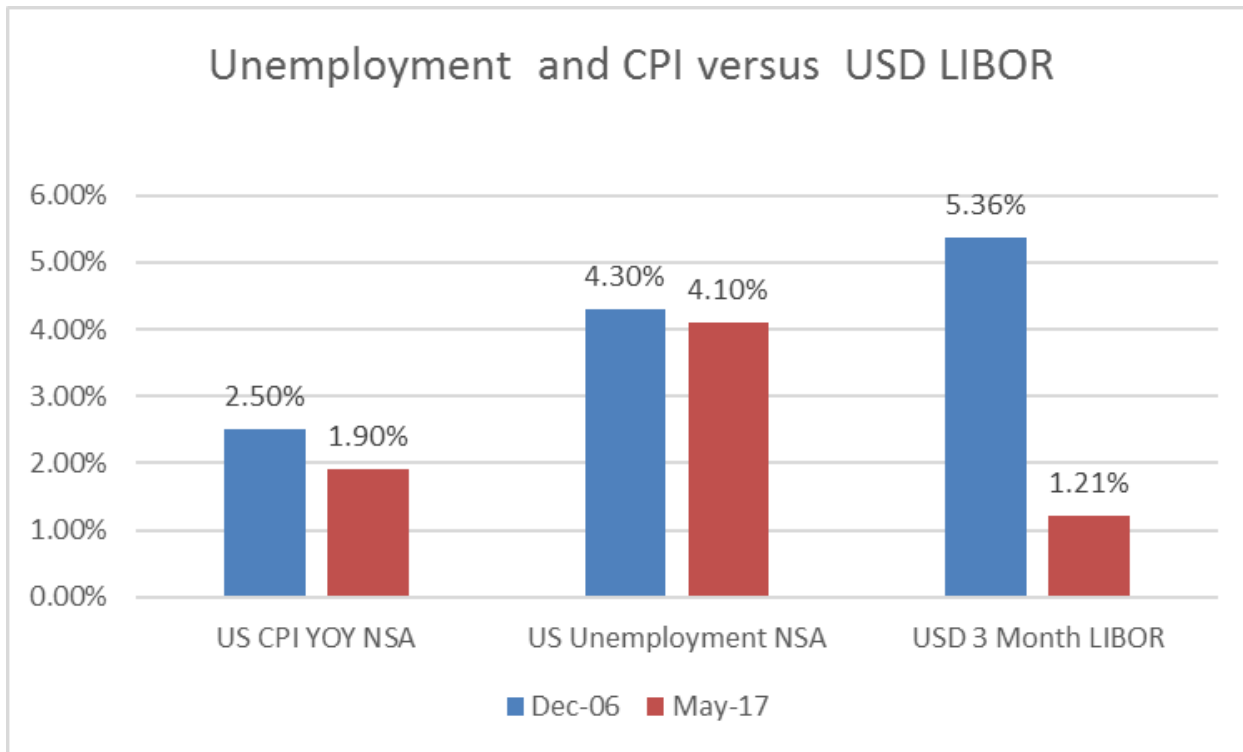


Source: Supervised Investments, Bloomberg

Clearly the market is now expecting a period of stability. However, looking at an historic chart of the USD Three Month LIBOR rate against US Inflation and Unemployment data, one can construct an argument that expectations of low volatility ahead should not be applied to interest rates in the United States. The following charts illustrate this point if you consider the current level of USD Three Month LIBOR relative to the US CPI and Unemployment rates across time. Clearly, there is a lot of room for the Three-Month USD LIBOR rate to move up.

Looking at this chart, we observe in 2006-2007 the SPX Volatility index was at an all-time low of 10%, the Unemployment rate was 4.0%, whilst the CPI rate was 2.0% with Three-Month USD LIBOR trading at 5.35%.

Today in 2017, the SPX Volatility index is again at an all-time low of 10%, the Unemployment rate is at 4.1%, whilst the CPI rate is at 1.9%, having recently peaked at 2.7% and Three Month USD LIBOR is trading at only 1.21%. We believe something will change; either unemployment will head higher whilst inflation heads lower or LIBOR is about to increase.



Source: Supervised Investments, Bloomberg



Source: Supervised Investments, Bloomberg

With the Volatility Index so low and the interest rates also historically low relative to the main interest rate drivers of CPI and unemployment, we believe an opportunity presents itself for the Fund.

In such instance, the Fund could buy interest rate volatility in the United States and wait for the LIBOR, CPI and unemployment rates to converge.

This is a good example of the SGIF's investment thesis identifying a new investment opportunity.



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Supervised Investments Australia Limited ACN 125 580 305 AFSL 317155 (**SIAL**) is the investment manager of the Supervised Global Income Fund (previously Supervised High Yield Fund) ARSN 600 244 102 (**SGIF or Fund**).

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