



SUPERVISED GLOBAL INCOME FUND

Monthly Report - June 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.

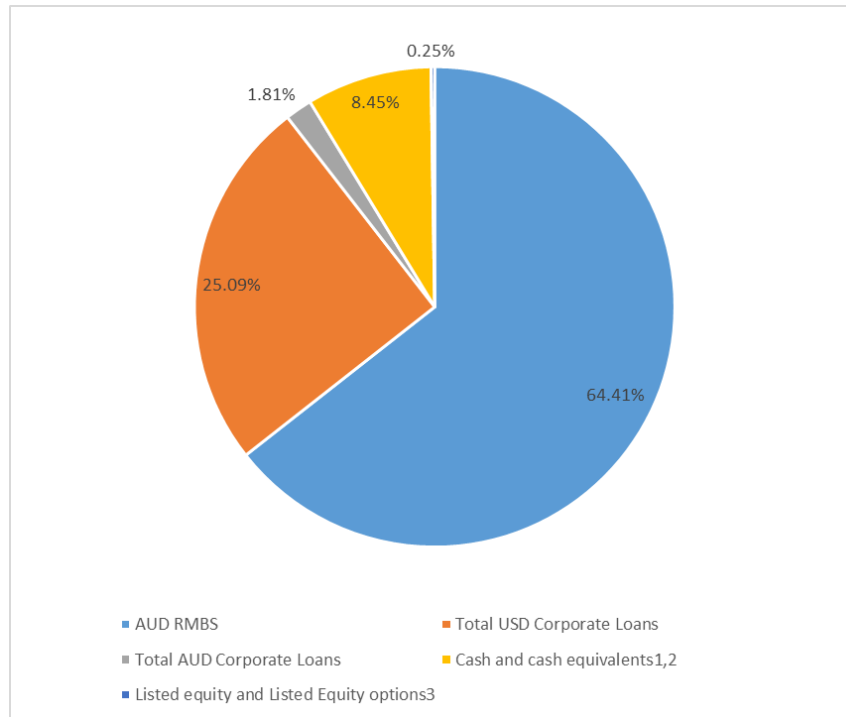
Fund Information as at 30 June 2017	\$ Value
Net asset value of fund (NAV)	\$20.369million
Pre-distribution NAV unit price	\$12.7032
Distribution paid per unit	\$0.3430
Entry/exit prices	\$12.3665/12.3541
Buy / Sell Spread	+0.05%/-0.05%

Returns to 30 June 2017 [^]	Fund	Benchmark [*]	Relative Performance
1 Month	0.45%	0.35%	0.10%
3 Months	1.19%	1.07%	0.12%
6 Months	3.42%	2.14%	1.28%
1 Year	8.25%	4.39%	3.86%
3 Years p.a.	6.04%	4.00%	2.04%
5 Years p.a.	7.39%	4.06%	3.33%
Since commencement ^{**}	9.10%	4.53%	4.57%

[^]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.

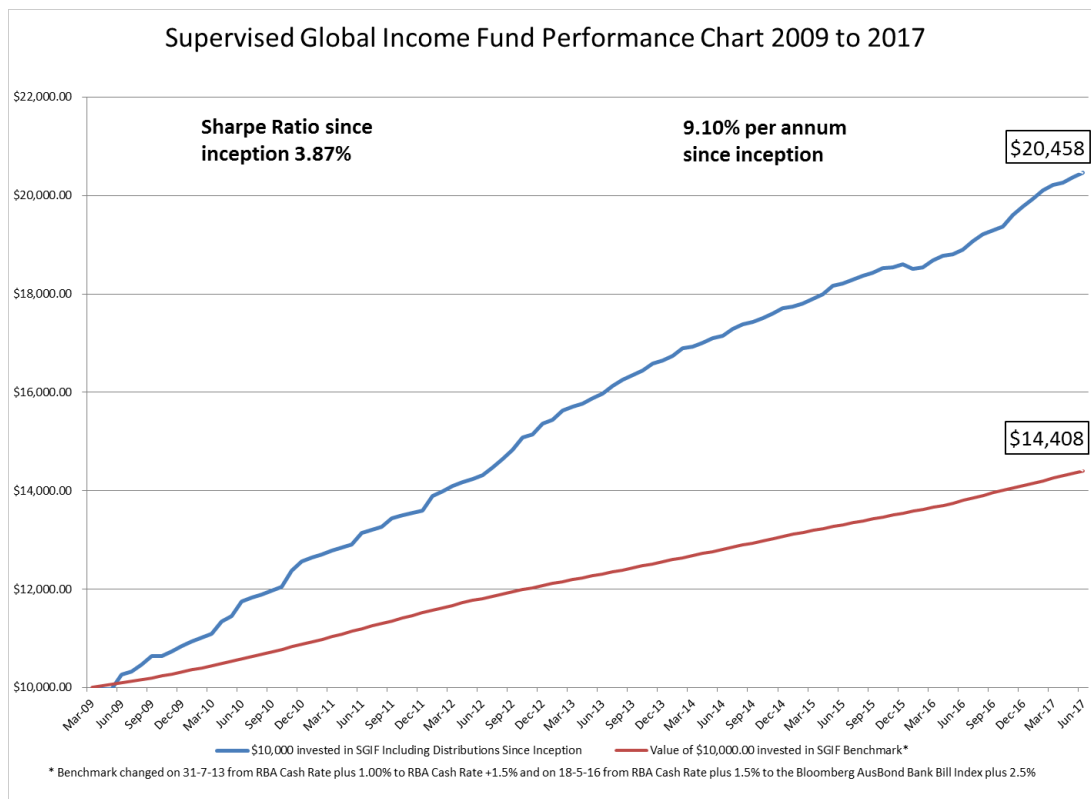
Source: Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

Portfolio Composition as a % of NAV as at 30 June 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*



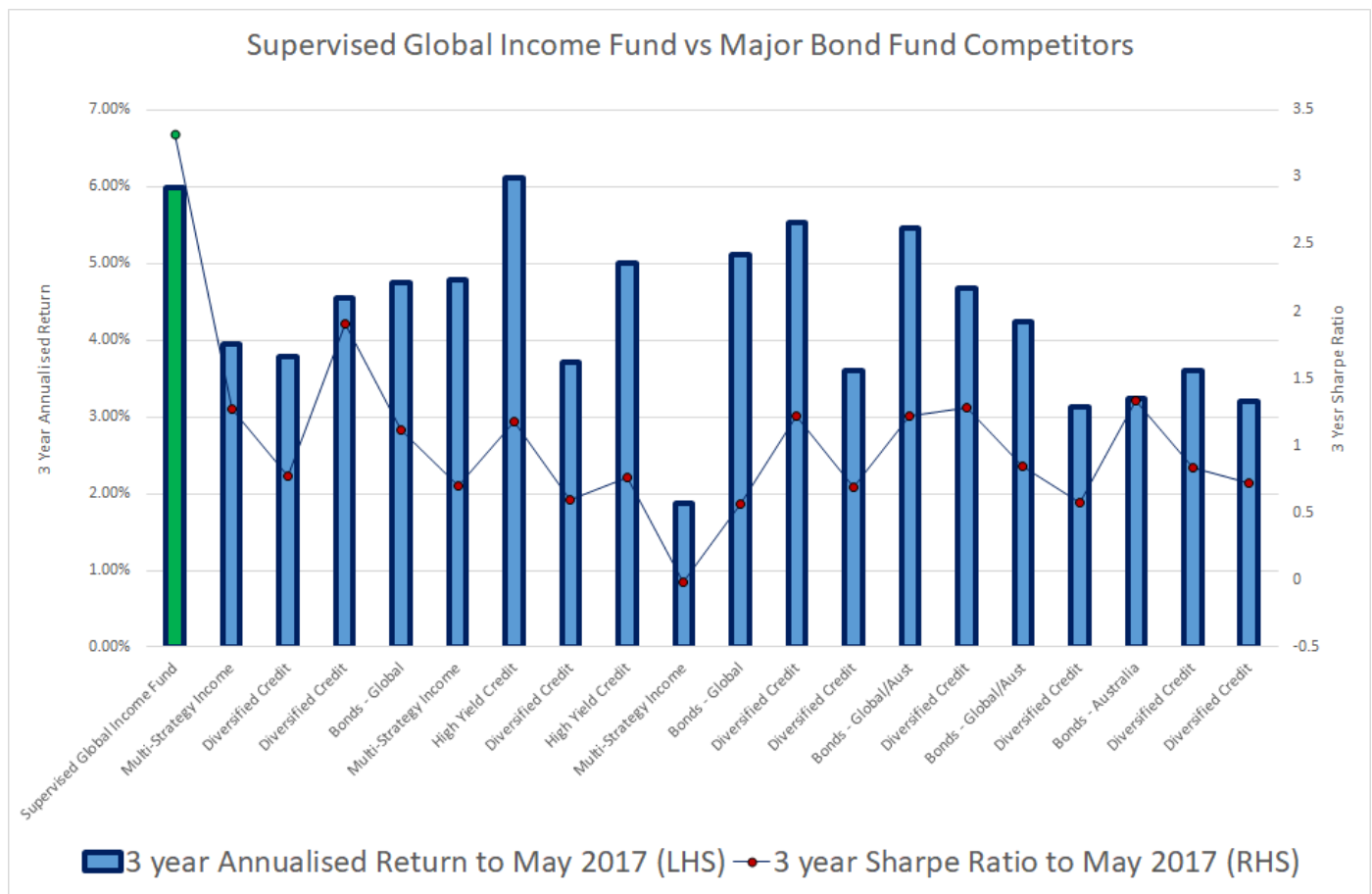
* Benchmark changed on 31-7-13 from RBA Cash Rate plus 1.00% to RBA Cash Rate +1.5% and on 18-5-16 from RBA Cash Rate plus 1.5% to the Bloomberg AusBond Bank Bill Index plus 2.5%

Manager's Comment

The Supervised Global Income Fund (SGIF) delivered 8.25% net of fees for the Financial Year to 30th June 2017. This is the Fund's highest Financial Year return since the 11.25% achieved in 2012-13. This performance was achieved with very low monthly volatility (active risk).

Putting the Fund's risk adjusted return into context against competing investment managers, we employ Nobel Laureate, William F. Sharpe's 'Sharpe Ratio'. The Sharpe Ratio is a finance industry standard used to examine the performance of an investment by adjusting for its risk. A high Sharpe Ratio indicates returns are high relative to risk.

In the following chart, we compare the Morningstar performance statistics and Sharpe Ratios for the Supervised Global Income Fund and a peer group of 19 Australian debt security funds calculated by Morningstar over the past three years ending 31 May 2017.



Source: Morningstar Direct

This chart demonstrates the Fund’s favourable performance from both a risk and return perspective when compared with major competitors, comprised of bond funds available to retail investors. In simple terms, using Morningstar data, we observe the Fund has delivered higher returns whilst taking less risk than popular funds used by advisers and investors across the range of Morningstar categories;

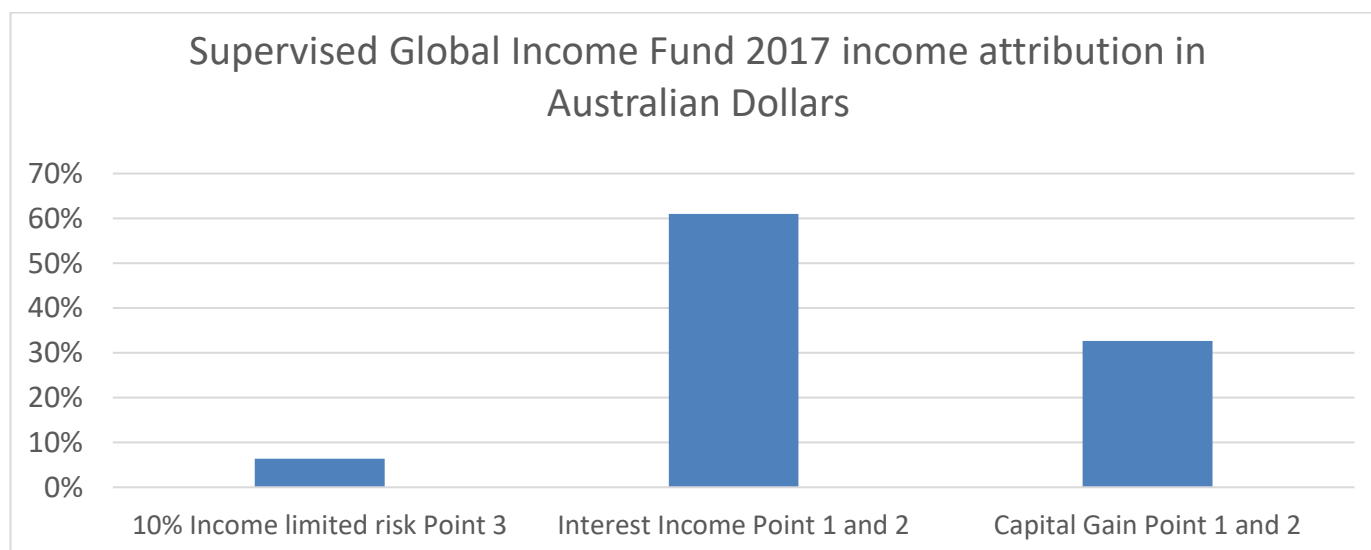
- Multi-strategy Income,
- High Yield Credit,
- Diversified Credit,
- Bonds – Global
- Bonds – Global/Australia, and
- Bonds - Australia.

The Fund deploys three simple investment management rules;

1. Ensure every investment is stress tested to confirm it will survive a Global Financial Crisis type event and under contractual payment obligation dates, repay 100% of its principal and interest obligations to the investor.
2. Only invest in countries with the best prospects for growth, combined with a stable government where the rule of law provides a legislative framework under which we can enforce our rights as a lender of money and collect our entitlements through liquidation of a borrower’s assets.
3. Invest capital only in debt securities and hedging contracts issued in jurisdictions described in point 2 above. Then allocate a percentage of known annual investment income to higher risk investments with down side risk limited to 10% of the Fund’s known annual income.

The Fund’s performance in the Financial Year to 30 June 2017 and for the entire period since inception on 1st April 2009 is a validation of the Fund’s investment process, summarised above.

The following chart illustrates how the Fund sourced its income in 2016-17.



Source: Supervised Investments Australia Limited

As we move into the new 2018 Financial Year, the Fund will continue to abide by the same investment process stated above.

Investors should understand that changes in the market value of securities will affect the Fund's unit price valuations in the year ahead as has been the case in past years; when market value decreases, the value of the Fund's unit price will decrease by a corresponding percentage and as market values increase, the value of the Fund's unit price will increase by the corresponding percentage amount. Yet over the recommended investment time frame of 2 - 5 years, we believe the Fund will realise 100% of principal and interest obligations, thereby offsetting any short term down-side market price movements.

Best wishes for the new financial year!

END



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Supervised Investments Australia Limited, ABN 45 125 580 305, AFSL 317155, Suite 701, 65 York Street Sydney NSW 2000.

Tel: +61 2 9279 4040 Website: www.supervisedinvestments.com