



# SUPERVISED GLOBAL INCOME FUND

Monthly Report - August 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 assume the reinvestment of distributions.

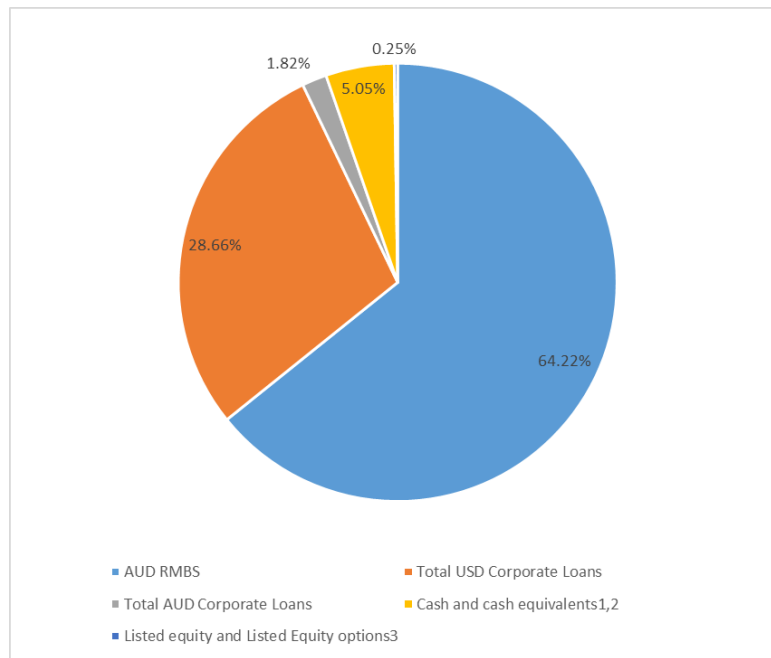
Fund Information as at 31 August 2017	\$ Value
Net asset value of fund (NAV)	\$20.244 million
Pre-distribution NAV unit price	\$12.4620
Distribution paid per unit	\$0.00
Entry/exit prices	\$12.4682/12.4557
Buy / Sell Spread	+0.05%/-0.05%

Returns to 31 August 2017 <sup>^</sup>	Fund	Benchmark <sup>*</sup>	Relative Performance
1 Month	0.33%	0.35%	-0.02%
3 Months	1.27%	1.07%	0.20%
6 Months	2.57%	2.16%	0.41%
1 Year	7.32%	4.33%	2.99%
3 Years p.a.	5.87%	4.01%	1.86%
5 Years p.a.	7.09%	4.04%	3.05%
Since commencement <sup>**</sup>	9.01%	4.52%	4.49%

<sup>^</sup>Returns are after fees and expenses; <sup>\*</sup>The Fund's current benchmark is the Bloomberg AusBond Bank Bill Index plus 2.5%. Since commencement to July 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%. <sup>\*\*</sup> Fund commenced on 1 April 2009.

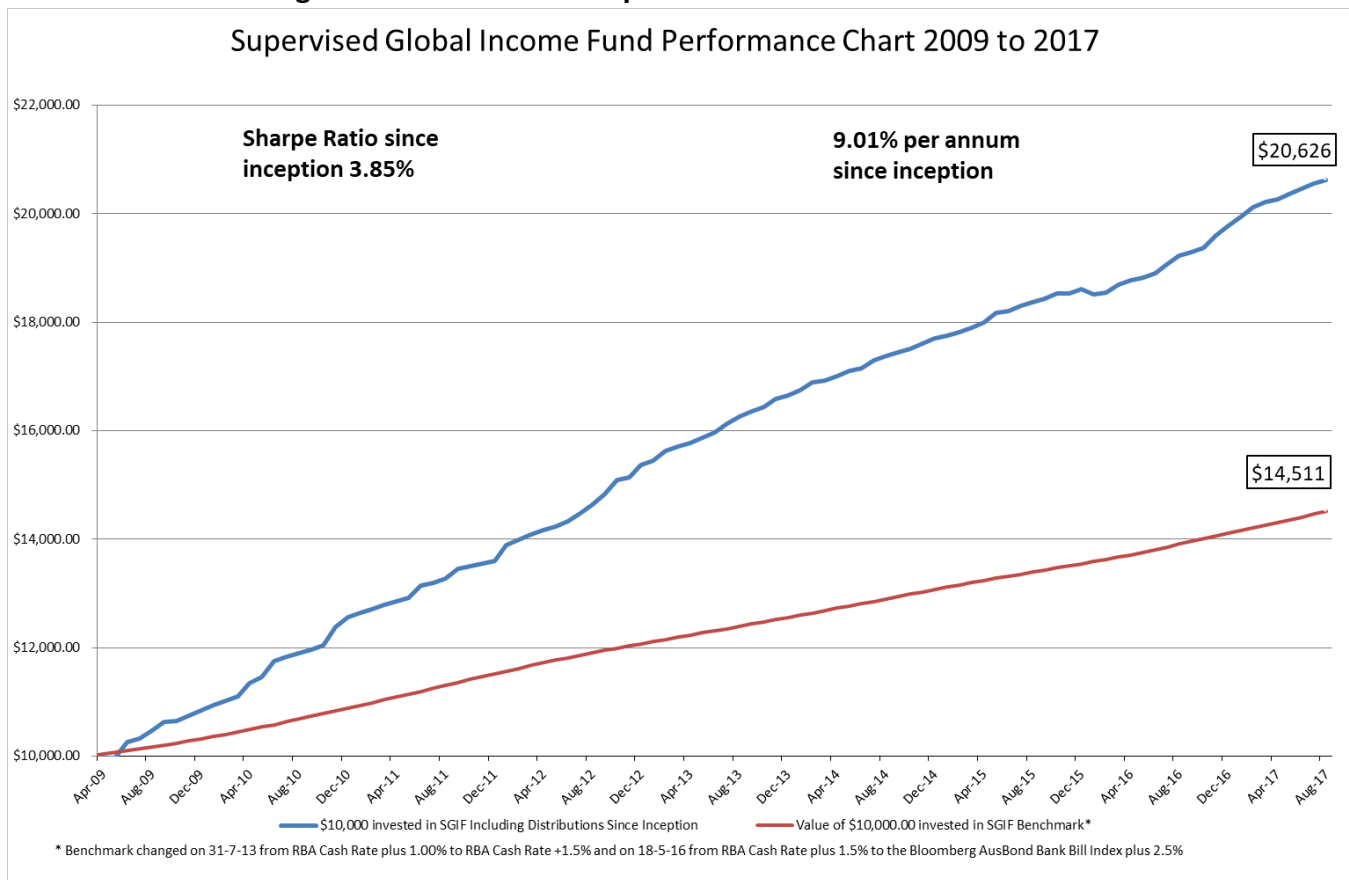
**Source:** Supervised Investments Australia Limited, the investment manager of the Fund. Past performance is no guarantee of future performance and no guarantee of future performance is implied.

## Portfolio Composition as a % of NAV as at 31 August 2017



<sup>1,2</sup>Includes cash at bank, cash held in margin accounts plus other receivables less payable; <sup>3</sup>Convertible 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

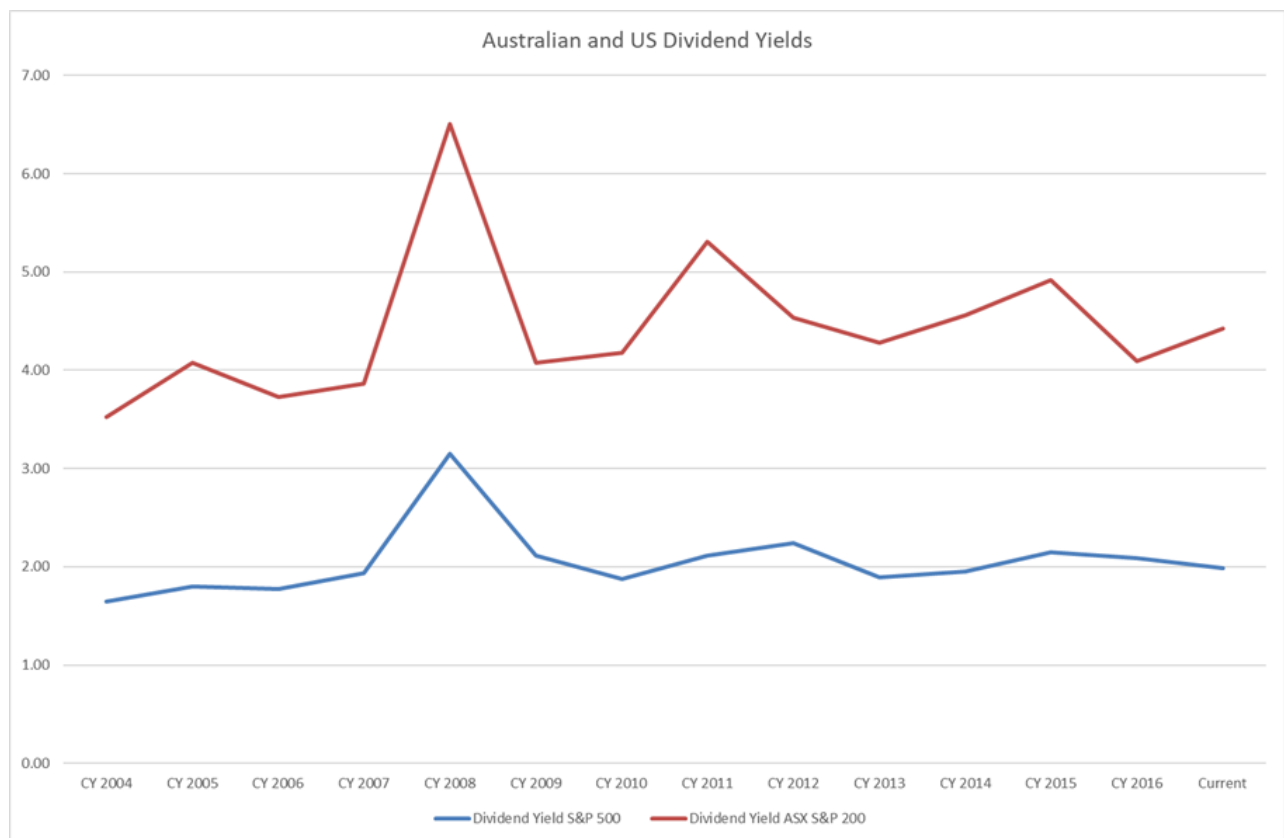
The Supervised Global Income Fund (**SGIF** or **Fund**) returned 0.33% net of fees in the month of August 2017.

The returns in August were mostly attributable to portfolio interest income with valuation losses reducing whole of portfolio income by a small 0.10% from 0.43% to 0.33%.

During August in Australia long term fixed interest rates on Treasury Bonds remained unchanged as the market reacted to weaker than expected inflation data combined with stronger than expected employment data, whilst in the US the 10 Year Treasury Fixed Rate fell by 0.13%.

Since the end of August, in both Australia and the US, fixed rates have increased as economic data has confirmed stronger than expected employment and inflation. In Australia, the 10-year Treasury rate has risen from a low of 2.58% to 2.8%, whilst in the US the 10-year Treasury rate has risen from a low of 2.05% to 2.21%.

Observing equity prices as valued by Dividend Yield there appears to be no argument for over valuation of Equity indexes. The following chart illustrates the history of Dividend Yields on the ASX S&P 200 and on the US S&P 500 indices. This chart illustrates improving dividend yields which one would expect may well lead to further increases in Equity prices.



Source: Bloomberg

Further supporting the theory of underlying economic strength yet to be borne out in higher interest rates and higher Equity prices is the level of economic confidence exhibited by the US Fed. The fact that the Fed is planning on commencing the process of unwinding its balance sheets, the Quantitative Easing assets and progressively lifting the Federal Funds rate to a “normal” rather than “stimulatory” level indicates that the Fed’s level of confidence in the global expansion ahead. The Fed would not be instituting higher interest rates and decreased balance sheet assets if it did not have a good reason to do so, after all, the Fed knows more about the US and global economic developments than any other central bank.

Considering the recent economic data in both inflation and employment series we expect interest rates still have room to move up in the year ahead, as has been the case in the year past. When considering a level for the “neutral” Fed Funds rate in the US; we consider Inflation at 2%, GDP growing at 2.5% to 3.0% and unemployment at 4.5%. In this instance, we expect to see a 3% Fed Funds rate.

It is now unlikely the Australian Reserve Bank Cash rate, currently at 1.5%, will be adjusted lower over the year ahead. In fact, looking at recent employment data in Australia full time jobs improved well beyond expectations in July and August; for July, the market expected growth of 20,000 new jobs and 27,900 were reported; for August, the market expected growth of 20,000 new jobs and 54,200 jobs growth was reported, made up of 40,100 new full-time jobs and 14,100 new part-time jobs.

With these expectations in mind we expect improved trading conditions for corporations, sole traders and the employed. This outlook supports the continuation of our investment strategy of holding sub investment grade rated floating rate securities. We will continue to monitor the outlook and revise investments where new value opportunities are presented.

Finally, Morningstar has recently reaffirmed its “Star” rating of the Supervised Global Income Fund to five Stars. This is the highest possible rating and represents a measure of the Fund’s risk-adjusted returns against its peer group of 143 Australian funds. The Supervised Global Income Fund was placed 3rd over the past 5 years with an income after fees of 7.09% p.a.

END



#### **Disclaimer**

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**).

One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) (**OMIFL**) is the responsibility entity of the Fund. The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the Product Disclosure Statement and Additional Product Disclosure Statement dated 15 August 2016 (**PDS**) issued by OMIFL before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it is important investors obtain and read a copy of the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. A copy of the PDS and continuous disclosures may be obtained from <http://oneinvestment.com.au/> or <http://supervisedinvestments.com/>.

The forward looking statements included in this document involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to SIAL. In particular, they speak only as of the date of these materials, they assume the success of SIAL's business strategies, and they are subject to significant regulatory, business, competitive and economic uncertainties and risks. Actual future events may vary materially from forward looking statements and the assumptions on which those statements are based. Given these uncertainties, investors are cautioned not to place undue reliance on such forward looking statements.

SIAL believes that the information contained in this document is accurate when issued. SIAL does not warrant that such information or advice is accurate, reliable, complete or up-to-date, and to the fullest extent permitted by law, disclaims all liability of SIAL and its associates. This document should be regarded as general information only rather than advice. In preparing this document, SIAL did not take into account the investment objectives, financial situation and particular needs of any individual person.

The information contained in this document must not be copied or disclosed in whole or in part without the prior written consent of SIAL, and SIAL accept no liability whatsoever for the actions of third parties in this respect. It is presented for informational purposes only and is not to be construed as a solicitation or an offer or recommendation to buy or sell any securities. Any opinions expressed in this document may be subject to change. SIAL is not obliged to update the information. The information must not be used by recipients as a substitute for the exercise of their own judgment and investigation. Neither SIAL nor any of their directors, employees or agents accept any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, this document.

OMIFL and SIAL do not guarantee the performance of the Fund or the repayment of any investor's capital. To the extent permitted by law, neither OMIFL nor SIAL, including their directors, senior executives, employees, consultants, advisers, officers or authorized representatives, are liable for any loss or damage arising as a result of reliance placed on the contents of this document. SIAL only provides services to wholesale clients, as defined in section 761G of the Corporations Act. Past performance is not indicative of future performance. Information in this document is current as at 31 August 2017.

#### **Morningstar Disclaimer**

The Morningstar Rating as at 31 August 2017 is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2016 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, or the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc., without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. Some material is copyright and published under license from ASX Operations Pty Ltd ACN 004 523 782 ("ASXO").

#### **SQM Disclaimer**

Disclaimer for the use of ratings only (where the rating is quoted in published material): The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

To Download a Product Disclosure Statement or Application Form visit: <http://oneinvestment.com.au/supervised/>

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](http://www.supervisedinvestments.com)