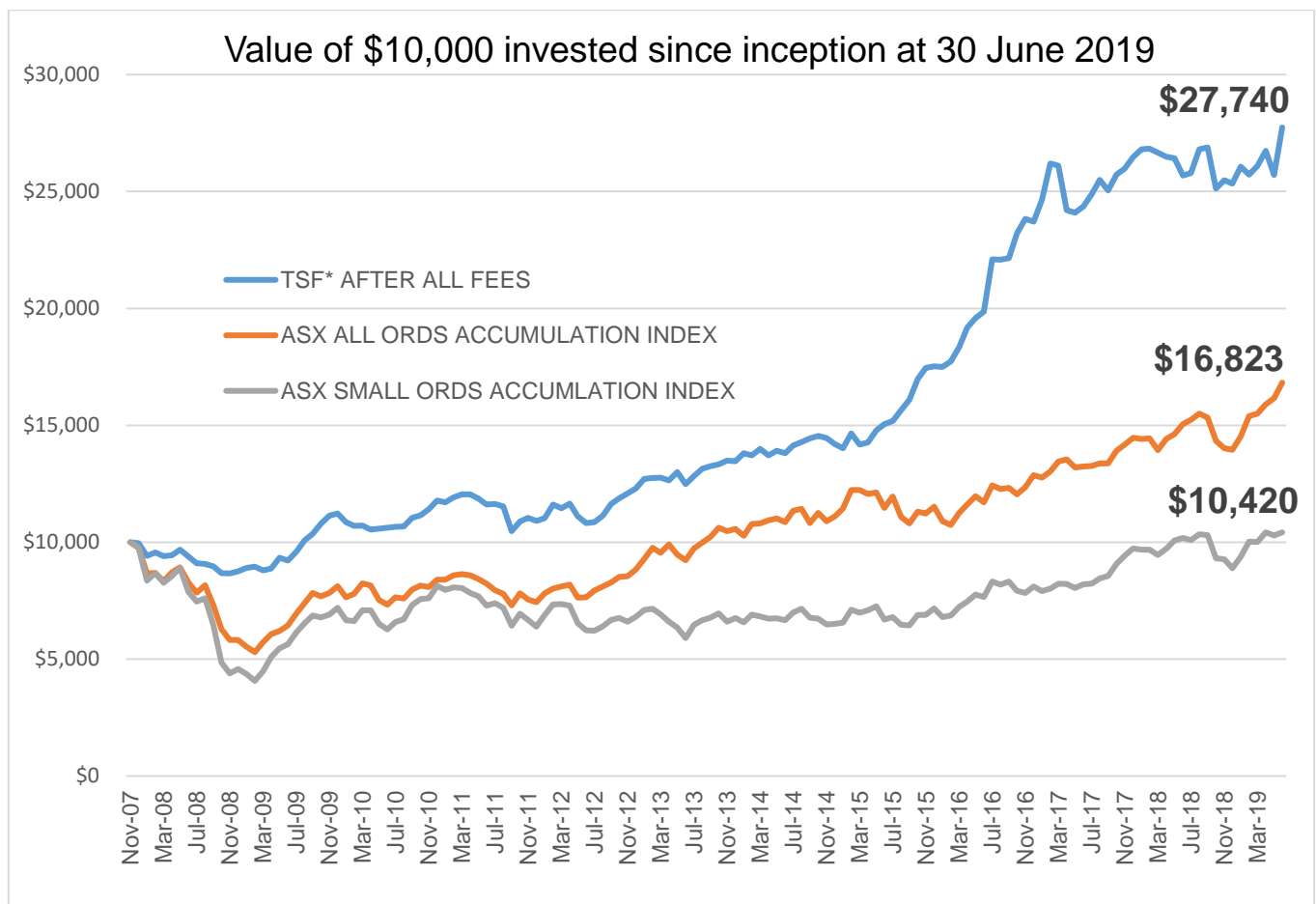


The Supervised Fund (TSF) Monthly Report – June 2019

| Performance Analysis (as at 30 June 2019) | TSF after all fees | All Ords Accumulation | Small Ords Accumulation | Benchmark |
|--|-----------------------|--------------------------|----------------------------|-----------|
| 1 month | 7.9% | 4.1% | 1.3% | 0.4% |
| 1 quarter | 6.3% | 8.5% | 4.1% | 1.2% |
| Last twelve months | 8.0% | 11.8% | 2.3% | 5.0% |
| 2 years p.a. | 6.7% | 12.7% | 12.7% | 5.0% |
| 3 years p.a. | 11.8% | 12.9% | 10.8% | 5.0% |
| 5 years p.a. | 15.0% | 9.2% | 9.3% | 5.0% |
| 7 years p.a. | 14.4% | 11.9% | 7.6% | 5.0% |
| 10 years p.a. | 11.6% | 10.1% | 6.3% | 5.0% |
| Since inception p.a. (Dec. 2007) | 10.3% | 5.1% | 0.4% | 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 June 2019

| Top 10 Positions | % of NAV |
|--|----------|
| Kangaroo Island Plantation Timbers Limited | 21% |
| Po Valley Energy Limited (equity and convertible notes) | 17% |
| HGL Limited | 13% |
| Cash | 9% |
| Engenco Limited | 7% |
| Physical Gold ETF and Gold Call Options | 7% |
| Hillgrove Resources Limited | 6% |
| Bisalloy Steel Group Limited | 6% |
| Mesoblast Limited | 3% |
| Acrux Limited | 2% |

- 8% of capital is invested in non-ASX listed investments (excluding cash).
- 25% of capital is invested in oil, gas and resources companies (excluding gold).
- 8% of capital is invested in physical gold and gold mining companies.
- 77% of capital is invested in companies with market capitalisations of less than \$150m.

Commentary

| Winners in June 2019 | Contribution to fund return | Gross return | Losers in June 2019 | Contribution to fund return | Gross return |
|--------------------------------------|-----------------------------|--------------|-----------------------------|-----------------------------|--------------|
| Po Valley Energy Limited | 5.8% | 52% | Acrux Limited | -0.3% | -16% |
| Kangaroo Island Plantation Timbers | 1% | 5% | Hillgrove Resources Limited | -0.2% | -3% |
| Gold (physical ETF and call options) | 1% | 16% | Sif Holding NV | -0.1% | -17% |

The Fund's June return was driven by an increase in the share prices of Po Valley, Kangaroo Island and gold, partially offset by decreases in Acrux, Hillgrove and Sif.

Po Valley's price increased despite no material news. However, during the month, the company announced it was considering a dual listing on London-based AIM. Two directors also disclosed purchasing more shares. Po Valley continues to benefit from favourable macroeconomic conditions, including: the increasing political power of pro-business Italian party Lega Nord; proposed sanctions by the US on Nord Stream 2, a Russian gas pipeline into Europe; and increased interest in Italian oil and gas assets, evidenced by Energean's reported bid for the fields of Italy's second largest producer, Edison.

Kangaroo Island shares appreciated as they announced the conclusion of public comments on their environmental impact study. The company stated it does not believe any matters were raised that should affect the approval of the wharf application in its current form. Kangaroo Island is now writing a response document, which it hopes to have finished within the next few months. This will be considered by the South Australian Department of Planning, which will then issue a report assessing the project. This report will be the basis for a final decision by the State and Commonwealth Governments.

The physical gold price increased by 8%, its biggest monthly increase since February 2016, amid global trade concerns, geopolitical tensions with Iran, and almost universally decreasing central bank interest rates. Closing the month at US\$1409/oz, gold reached its highest price since September 2013. Accounting for

currency, it reached an all-time high of A\$2007/oz. During June, we used 0.4% of unitholder capital to buy 30 contracts each containing 100 call options on gold, expiring in November 2019. Due to the increase in the price of gold and increased demand for options thereof, our calls increased in value by 120%. We continue to closely monitor the gold price and note it is still a way off its high of US\$1921 in 2011.

The share prices of Acrux, Hillgrove and Sif declined for no apparent reason. During the month, Hillgrove announced and paid its first dividend in ten years. The company returned 1.5c per share to each shareholder, equivalent to a 17% yield. The Fund received A\$250k, fully franked. As it continues to process already mined stockpiles of copper ore, Hillgrove should be able to pay shareholders enough in fully franked dividends over the next two-and-a-half years to cover its current share price of 7.5c. In addition, the company is embarking on a program to explore its vast tenements for additional copper mining opportunities. Any findings would be upside based on the company's current valuation.

2019 Financial Year

The Fund returned 8% in FY19, compared with our benchmark's 5%, the All Ordinaries' 12% and the Small Ordinaries' 2%. FY19 was particularly volatile for stock markets, with a major decline in October-December 2018 followed by an equally spectacular rally. Given their nature, most of our stocks are not particularly correlated to the general market over the long term. The following table illustrates the fund's major contributors and detractors during FY19:

| Winners | Return on capital employed | Contribution to return |
|--|-----------------------------------|-------------------------------|
| Po Valley Energy Limited | 58% | 4.5% |
| Avita Medical Limited | 137% | 2.9% |
| Gold (physical ETF & call options) | 26% | 1.1% |
| Bisalloy Steel Group Limited | 21% | 1.0% |
| Spicers Limited | 38% | 0.9% |
| Kangaroo Island Plantation Timbers Limited | 3% | 0.6% |
| Hillgrove Resources Limited | 6% | 0.5% |
| SRG Limited | 46% | 0.1% |
| Losers | | |
| HGL Limited | -13% | -1.5% |
| Engenco Limited | -11% | -0.7% |
| Coro Energy Limited | -35% | -0.5% |
| Onemarket Limited | -30% | -0.4% |
| Silver Heritage Group Limited | -50% | -0.3% |
| Vintage Energy Limited | -16% | -0.2% |
| Geopacific Resources Limited | -29% | -0.1% |
| Murray River Organics Limited | -24% | -0.1% |

Outlook

Global stock market valuations are relatively high. Despite economic conditions remaining quite favourable in Australia and the US, there are several geopolitical concerns, including trade wars, Brexit uncertainty and US-Iran relations. We have deliberately chosen stocks that should be resilient in the case of a major economic downturn. Most have low debt, with shareholders having a claim over more than 50% of tangible assets. In addition, we are holding 9% of the portfolio in cash and 7% in gold. Including exposure through our call options, 39% of the Fund's portfolio is effectively long gold. Given the gold price tends to appreciate during periods of economic distress, this could hedge against potential downside.

In terms of our portfolio, FY20 should be a pivotal year for Kangaroo Island and Po Valley, which together account for 38% of the Fund. We expect an outcome in the next six months concerning Kangaroo Island's application to build a wharf to export its timber. If favourable, we believe the stock could at least double in value. In addition, Po Valley should be able to further advance two of its gas assets, Selva and Teodorico, towards production in late 2020, as well as progress studies into their three other exploration licences. Finally, we intend to continue working with the HGL board to enact necessary change and ensure a propitious future for the company.

David Constable

10 July 2019

The Supervised Fund's Historical Performance

| | TSF after all fees | All Ords Accumulation | Small Ords Accumulation |
|---------------------------------|-------------------------------|----------------------------------|------------------------------------|
| Since inception p.a. (Dec 2007) | 10.3% | 5.1% | 0.4% |
| Calendar year to date | 9.5% | 20.5% | 17.2% |
| FY19 | 8.0% | 11.8% | 2.3% |
| 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

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Trustee for The Supervised Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

This monthly performance report has been prepared by Supervised Investments Australia Limited ACN 125 580 305 AFSL 317155 (SIAL) to provide you with general information only. In preparing this report, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither SIAL, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product.