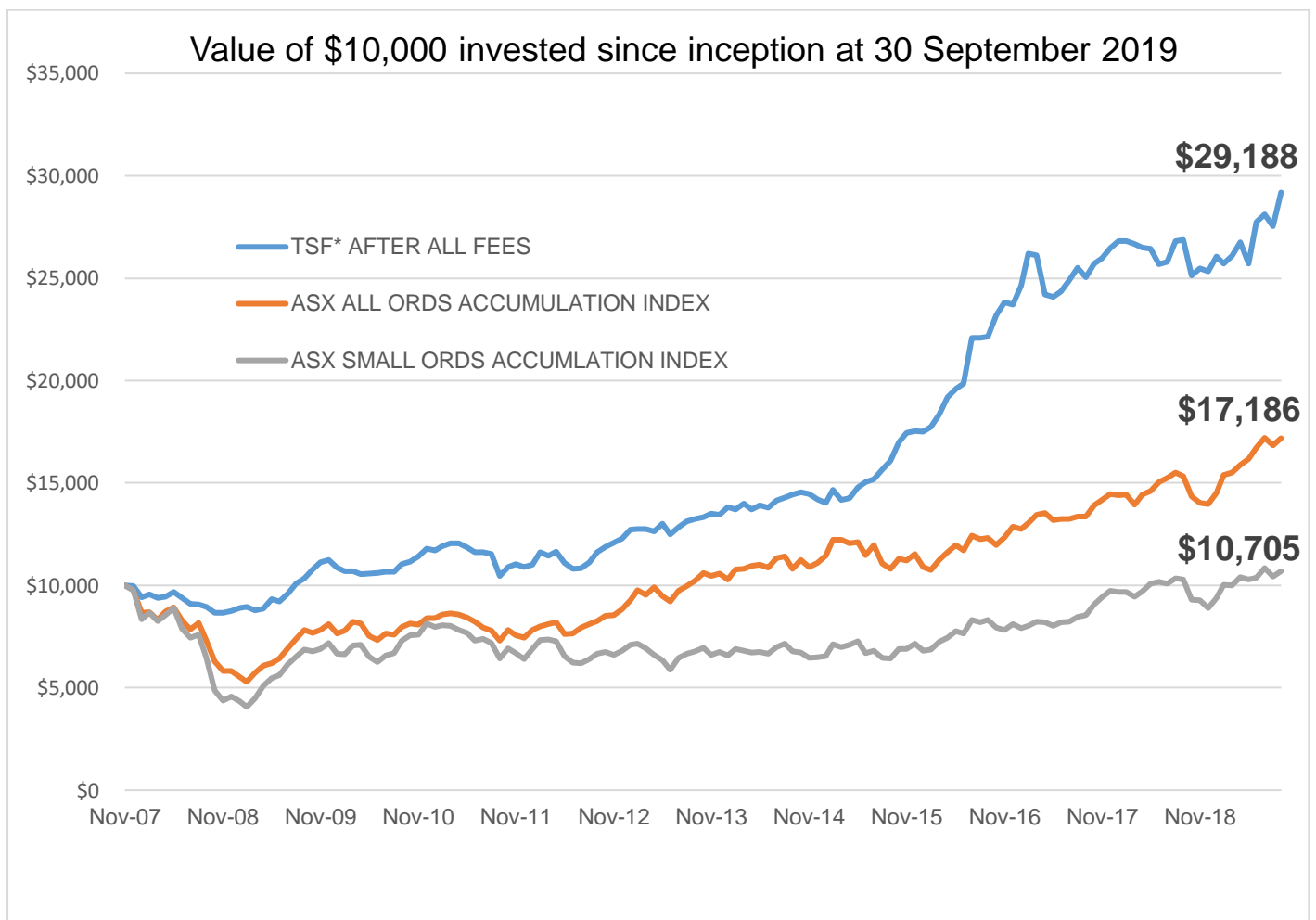


The Supervised Fund (TSF)

Monthly Report – September 2019

Performance Analysis (as at 30 September 2019)	TSF after all fees	All Ords Accumulation	Small Ords Accumulation	Benchmark
1 month	6.0%	2.1%	2.6%	0.4%
1 quarter	5.3%	2.8%	3.1%	1.2%
Last twelve months	8.6%	12.1%	3.9%	5.0%
2 years p.a.	7.9%	13.4%	11.8%	5.0%
3 years p.a.	9.6%	11.7%	8.8%	5.0%
5 years p.a.	15.1%	9.7%	9.6%	5.0%
7 years p.a.	14.0%	11.0%	7.0%	5.0%
10 years p.a.	10.9%	8.2%	4.5%	5.0%
Since inception p.a. (Dec. 2007)	10.8%	5.3%	0.7%	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 September 2019

Top 10 Positions	% of NAV at current value	% of NAV at cost	
Kangaroo Island Plantation Timbers Limited	23%	6%	<ul style="list-style-type: none"> • 6% of capital is invested in non-ASX listed investments (excluding cash). • 26% of capital is invested in oil, gas and resources companies (excluding gold). • 5% of capital is invested in physical gold and gold call & put options. • 77% of capital is invested in companies with market capitalisations of less than \$150m.
Po Valley Energy Limited (equity and convertible notes)	18%	7%	
HGL Limited	10%	17%	
Engenco Limited	7%	5%	
Mesoblast Limited	6%	5%	
Bisalloy Steel Group Limited	6%	3%	
Hillgrove Resources Limited	6%	4%	
Physical Gold ETF and Gold Call & Put Options	5%	3%	
Readcloud Limited	4%	3%	
Cash	4%	n/a	

Commentary

Winners in September 2019	Contribution to fund return	Gross return	Losers in September 2019	Contribution to fund return	Gross return
Kangaroo Island Plantation Timbers	4.1%	20%	HGL Limited	-1.4%	-11%
Mesoblast Limited	2.0%	43%	Gold (physical and call options)	-0.5%	-9%
Po Valley Energy Limited (equity and convertible notes)	1.3%	8%	Bisalloy Steel Group Limited	-0.2%	-3%

The Fund's September return was driven by increases in the share prices of Kangaroo Island Plantation Timbers (KPT), Mesoblast and Po Valley, partially offset by decreases in HGL, physical gold and call options, and Silver Heritage.

KPT shares appreciated by 20% after the company announced modifications to its proposed seaport. These were in response to public and agency comments following KPT's environmental impact statement submitted in January 2019. Most importantly, the company has addressed concerns from the neighbouring onshore abalone farm regarding possible changes to coastal processes resulting from the proposed use of a solid causeway as part of the seaport. KPT is now proposing to use a piled jetty structure instead of a causeway. This eliminates the need for dredging, limiting potential water pollution, and ensures natural coastal processes remain uninterrupted. By appeasing the abalone farm, which has been a vocal opponent of the seaport, there appears to be an increased chance of approval sometime in early 2020.

Mesoblast's share price soared by 43% after the company announced it had entered into an agreement with Grunenthal to commercialise its stem cell treatment for chronic lower back pain in Europe and Latin America. Headquartered in Germany, Grunenthal is the second largest pharmaceutical company focusing on pain management in Europe. It has 4,900 employees, sales in 100 countries, and annual turnover of €1.3bn.

As part of the agreement, Grunenthal will pay Mesoblast US\$45m up-front, US\$105m in pre-product launch milestones, and up to US\$850m in post-commercialisation milestones. In addition, Mesoblast will receive tiered double-digit royalties on product sales. Importantly, Grunenthal is only receiving commercialisation rights in Europe and Latin America. The next step is the commencement of a Phase 3 trial in Europe in early 2020. This should count as a confirmatory study for the ongoing Phase 3 trial in the USA, where results will be available in mid-2020. If results are positive, commercialisation should occur by 2023. Overall, the Grunenthal deal is further external validation of Mesoblast's stem cell technology. The company has two other key catalysts in the near term: FDA marketing approval of its treatment for acute graft versus host disease in the paediatric population and results from its Phase 3 trial for patients with advanced chronic heart failure.

Po Valley shares increased on no material news, as did HGL shares decrease. The A\$ gold price declined by 3% after three months of significant appreciation. Finally, Bisalloy shares also fell on no news.

We have decided to revert to quarterly reports to unitholders. Our investments are long-term, so monthly updates are less meaningful; further, we are not actively marketing the Fund while the seaport at KPT is unresolved. This means our next update will be in January 2020 pertaining to the December 2019 quarter. Unitholders will continue to receive monthly statements from the Fund's custodian and will still be able to apply for or withdraw units on an unchanged monthly basis. The fund manager and analysts are available to discuss the Fund at any time.

David Constable, 11 October 2019

The Supervised Fund's Historical Performance

	TSF after all fees	All Ords Accumulation	Small Ords Accumulation
Since inception p.a. (Dec 2007)	10.8%	5.3%	0.7%
Financial year to date	5.3%	0.7%	0.5%
Calendar year to date	15.2%	20.6%	17.4%
FY19	11.0%	23.3%	22.1%
FY18	1.4%	11.0%	1.9%
FY17	5.4%	13.7%	24.2%
FY16	22.6%	13.1%	7.0%
FY15	32.0%	2.0%	14.4%
FY14	9.0%	5.7%	0.4%
FY13	10.6%	17.6%	13.1%
FY12	15.3%	20.7%	-5.3%
FY11	-6.8%	-7.0%	-14.6%
FY10	9.4%	12.2%	16.4%
FY09	15.1%	13.8%	11.2%

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

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