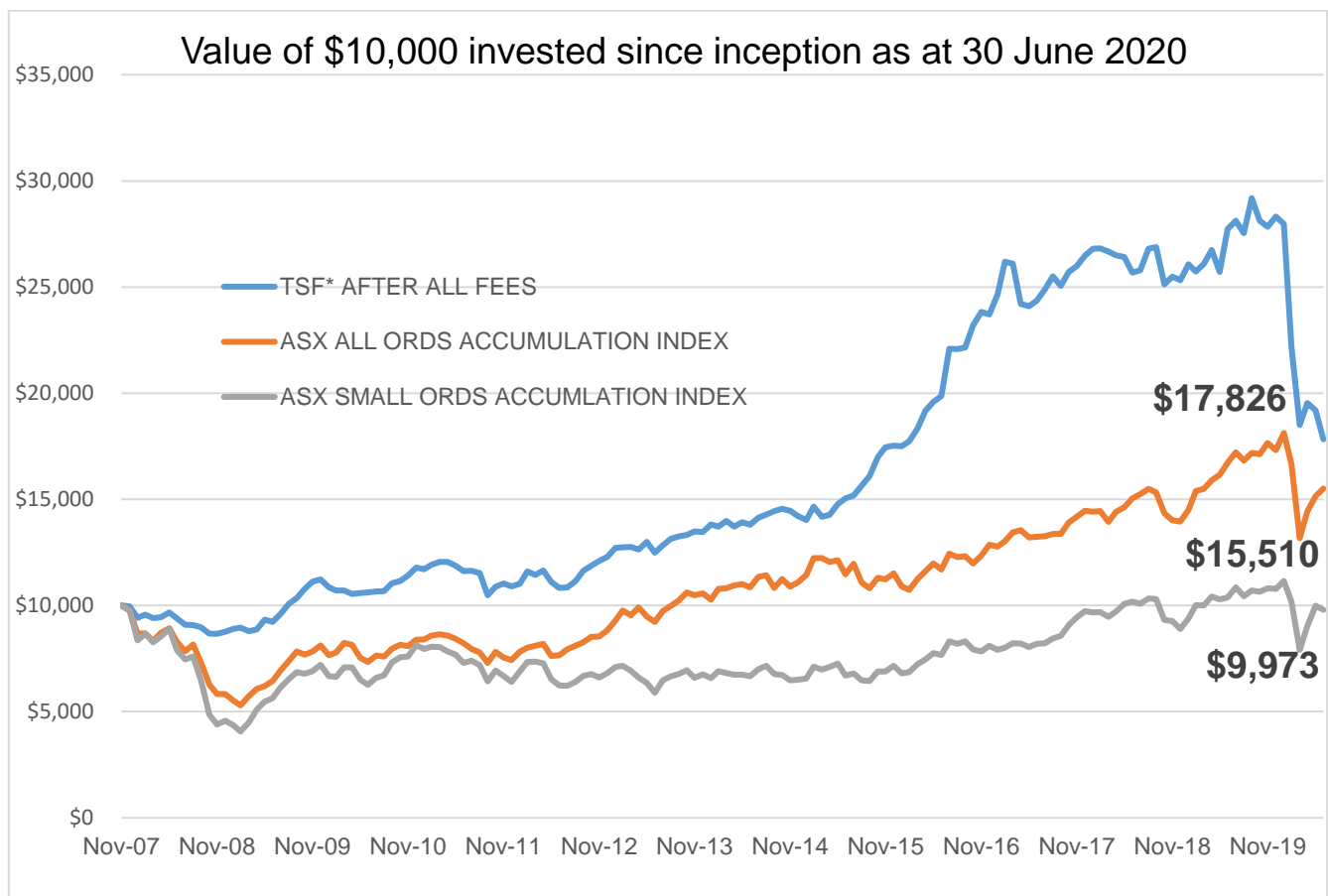


The Supervised Fund (TSF) Quarterly Report – June 2020

Performance Analysis (as at 30 June 2020)	TSF after all fees	All Ords Accumulation	Small Ords Accumulation	Benchmark
1 month	-7.1%	2.3%	-2.0%	0.4%
1 quarter	-3.6%	17.8%	23.9%	1.2%
Last twelve months	-35.7%	-7.2%	-5.7%	5.0%
2 years p.a.	-16.7%	1.5%	-1.9%	5.0%
3 years p.a.	-9.9%	5.4%	6.1%	5.0%
5 years p.a.	3.5%	6.2%	7.9%	5.0%
7 years p.a.	5.2%	7.7%	7.5%	5.0%
10 years p.a.	5.3%	7.8%	4.6%	5.0%
Since inception p.a. (Dec. 2007)	4.8%	3.6%	-0.2%	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 2020

Top 10 Positions	% of NAV at current value
Po Valley Energy Limited (equity and convertible notes)	20%
Kangaroo Island Plantation Timbers Limited	13%
Cash	12%
HGL Limited	10%
Bisalloy Steel Group Limited	7%
LoopUp Group plc	6%
Hillgrove Resources Limited	6%
Engenco Limited	6%
Southern Cross Electrical Limited	5%
Centrepoint Alliance Limited	2%

- 12% of capital is invested in non-ASX listed investments (excluding cash).
- 26% of capital is invested in oil, gas and resources companies (excluding gold).
- 6% of capital is invested in international stocks.
- 82% of capital is invested in companies with market capitalisations of less than \$150m.

FY20 Attribution

Losers	Return on capital employed	Contribution to return
Kangaroo Island Plantation Timbers Limited	-62%	-14.5%
HGL Limited	-44%	-8.0%
Po Valley Energy Limited (equity and convertible notes)	-24%	-4.5%
Hillgrove Resources Limited	-43%	-3.3%
Hostelworld Group plc	-64%	-1.5%
Winners		
Mesoblast Limited	33%	1.9%
Engenco Limited	22%	1.7%
Gold (physical ETF & call options)	18%	1.2%
De Grey Mining Limited	33%	1.2%
LoopUp Group plc	42%	1.1%

FY20 overview

The fund suffered its worst yearly performance in its twelve-year history. Our three largest holdings, which at the beginning of FY20 accounted for half our portfolio, had a combined fall of 50% year-on-year. KPT shares fell by 62% during FY20 after almost all of its timber plantation suffered damage due to bushfires; HGL shares fell by 69% due to continued poor management; and Po Valley Energy (PVE) shares fell by 31% after covid-19 paralysed Italy for most of 1H20 and sent the Italian natural gas price down 50%. These heavy losses

were compounded by considerable declines in Hillgrove and Hostelworld, whose activities were detrimentally impacted by covid-19. Our wins were not enough to materially offset these falls.

We are extremely disappointed in our result and feel the pain as the investment managers and directors own 60% (\$6.6m worth) of the units in the Fund. One of our two main errors was holding such a concentrated portfolio. With more than half the fund in three stocks at the beginning of FY20, there was little margin for error. Whilst such concentration has provided considerable returns in previous years, with the value of these three stocks falling by 50% over FY20 our performance was accordingly impaired. The second of our two main errors was continuing to hold shares in HGL and throwing good money after bad. The stock has been an underperformer for the last three years due to poor management.

Outlook

Due to the considerable share price falls in our three largest holdings, we believe the Fund's medium-term outlook is favourable. KPT shares fell dramatically after the bushfires and ended the year at \$0.80. The company currently has audited net tangible assets of \$1.86 per share (post-fire damage), mainly comprising cash, insurance receivable and land. Thus, there is 133% upside if the stock resumes trading at its asset value or the company is wound up and assets distributed to shareholders. This would have a material impact on the Fund, given KPT represents 13% of unitholder capital. Additionally, there is further upside if the company's proposed seaport is approved. To that end, the South Australian government released KPT's amended environmental impact statement to the public on 25 June 2020, meaning a decision is impending.

PVE's assets, being natural gas and oil fields in Italy, are still intact and only indebted in a minor way to major shareholders of the company. If the Italian economy continues to recover, the company's share price should rally to its pre-covid-19 levels, a 45% increase on its current price. This would have a material impact on the Fund, given PVE represents 20% of unitholder capital.

Regarding HGL, Joseph Constable, the Fund's investment manager, was appointed to the board on 30 June 2020. He intends to continue working with the HGL board and management to improve the company's fortunes and unlock its inherent value.

In addition, two of our stocks, LoopUp and Readcloud, which together represent 9% of the Fund, should benefit substantially from the current online environment. LoopUp, which we introduced in our March 2020 quarterly update, provides teleconferencing software to professional services firms. The stock has increased by 175% since 30 March and we believe there is further upside given the company has announced two positive trading updates over the last two months. Readcloud, which provides e-learning software to secondary school students, should also see increased demand for its product in the medium term as the current environment accelerates the longer-term trend towards online learning.

During this time of considerable uncertainty we are holding 12% of unitholder capital in cash and 0.5% in gold call options. If the gold price rises to US\$2,000, these options should generate a return to the portfolio of about 2%.

If there is not a material improvement in our performance by the end of October, I intend to close down the Fund and distribute the assets to unitholders. We are up 5.2% so far for the month of July.

David Constable, 17 July 2020

The Supervised Fund's Historical Performance

	TSF after all fees	All Ords Accumulation	Small Ords Accumulation
Since inception p.a. (Dec 2007)	4.8%	3.6%	-0.2%
Financial year to date	-35.7%	-7.2%	-5.7%
Calendar year to date	-37.1%	-10.4%	-9.2%
FY20	8.0%	11.0%	1.9%
FY19	5.4%	13.7%	24.2%
FY18	22.6%	13.1%	7.0%
FY17	32.0%	2.0%	14.4%
FY16	9.0%	5.7%	0.4%
FY15	10.6%	17.6%	13.1%
FY14	15.3%	20.7%	-5.3%
FY13	-6.8%	-7.0%	-14.6%
FY12	9.4%	12.2%	16.4%
FY11	15.1%	13.8%	11.2%
FY10	-1.7%	-22.1%	-28.6%
FY09	4.8%	3.6%	-0.2%

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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