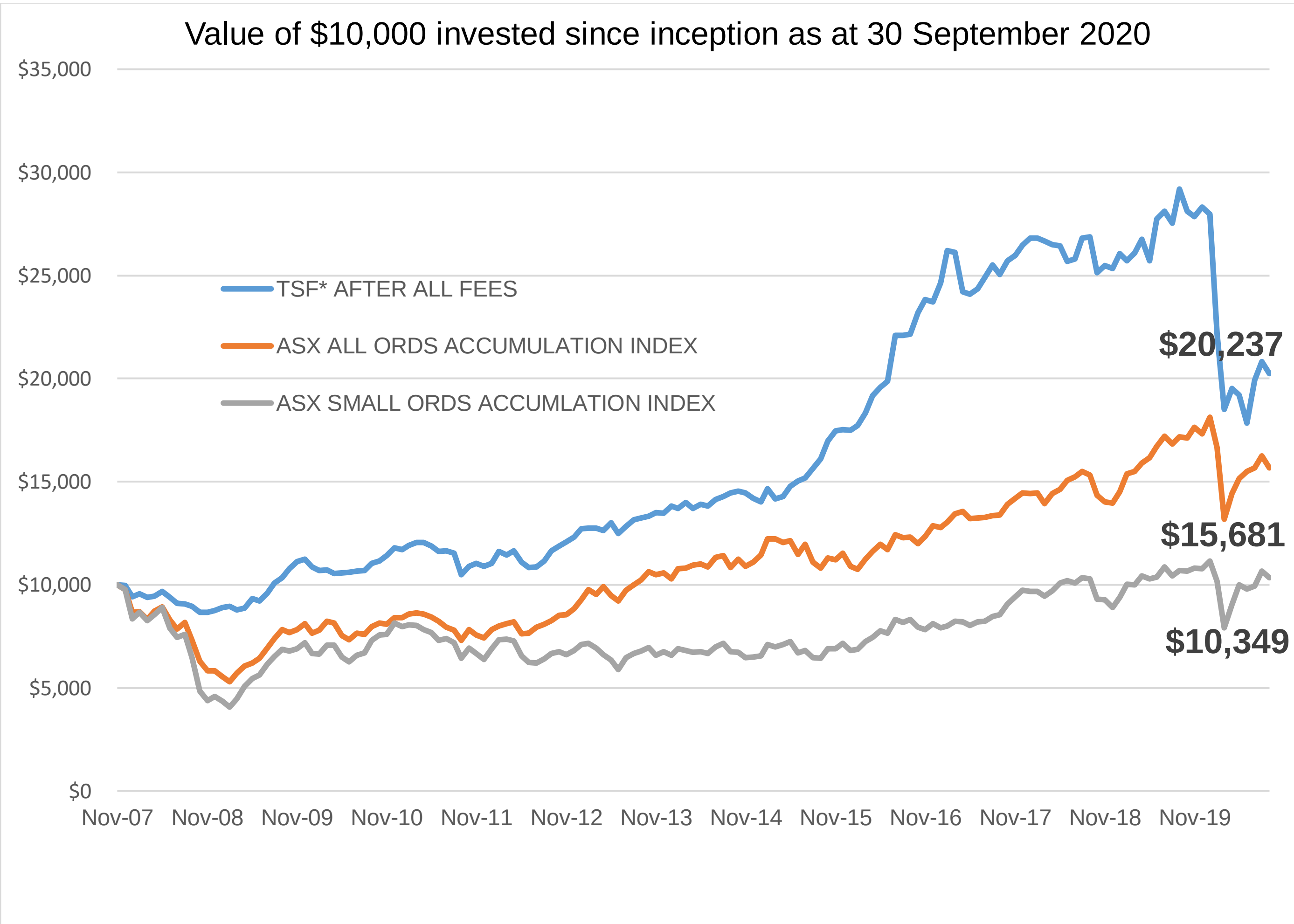
The Supervised Fund (TSF)

Quarterly Report – September 2020

Performance Analysis (as at 30 September 2020)	TSF after all fees	All Ords Accumulation	Small Ords Accumulation	Benchmark
1 month	**-2.8%**	-3.4%	-2.8%	0.4%
1 quarter	**13.5%**	1.1%	5.7%	1.2%
Last twelve months	**-30.7%**	-8.8%	-3.3%	5.0%
2 years p.a.	**-13.2%**	1.1%	0.2%	5.0%
3 years p.a.	**-6.9%**	5.5%	6.5%	5.0%
5 years p.a.	**4.7%**	7.7%	10.0%	5.0%
7 years p.a.	**6.2%**	6.3%	6.2%	5.0%
10 years p.a.	**6.2%**	7.0%	3.5%	5.0%
Since inception p.a. (Dec. 2007)	**5.9%**	3.7%	0.3%	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 2020

Top 10 Positions	% of NAV at current value
Po Valley Energy Limited (equity and convertible notes)	14%
Cash	14%
Kangaroo Island Plantation Timbers Limited	13%
HGL Limited	11%
LoopUp Group plc	8%
Bisalloy Steel Group Limited	7%
Hillgrove Resources Limited	5%
Wide Open Agriculture Limited	4%
Centrepoint Alliance Limited	4%
Readcloud Limited	3%

- 13% of capital is invested in non-ASX listed investments (excluding cash).
- 19% of capital is invested in oil, gas and resources companies (excluding gold).
- 9% of capital is invested in international stocks.
- 71% of capital is invested in companies with market capitalisations of less than $150m.

September Quarter 2020 Attribution

Winners	Gross return	Contribution to performance
Wide Open Agriculture Limited	116%	3.3%
HGL Limited	33%	3.2%
LoopUp Group plc	53%	3.0%
Losers		
Po Valley Energy Limited (equity and convertible notes)	-26%	-4.1%
Southern Cross Electrical Limited	-12%	-0.6%
Vortiv Limited	-18%	-0.1%

Commentary

The Fund's 13.5% quarterly performance was driven by share price appreciation in Wide Open Agriculture (WOA), HGL and LoopUp.

WOA is a new holding for the Fund. The company, based in Western Australia, is engaged in regenerative agriculture, which can be broadly defined as a farming approach based on conservation and rehabilitation of land and ecosystems. The procedures include topsoil regeneration, improving the water cycle, increasing biodiversity, and biosequestration (capturing and storing carbon dioxide in plants). WOA markets its products, comprising beef, lamb and dairy, through the brand Dirty Clean Food. In addition, the company is developing an oat milk and plant-based protein product (made from lupin). Markets for both categories are immense, with oat milk predicted to grow to US$1.6bn by 2024 and plant-based protein currently at US$12.1bn. By comparison, WOA is valued by the stock market at around $120m. During July, WOA announced favourable updates to both oat milk and lupin products, the latter being developed in conjunction with Australia's CSIRO. These positive announcements sent the shares soaring during the quarter. We believe the company has a bright future, as one of few ASX-listed companies with direct exposure to the increasingly lucrative non-dairy milk and plant-based protein industries, as well as the world's first publicly listed "4 Returns" corporation, a framework that measures a company's success based on financial, natural, social and inspirational returns.

HGL's share price increased on no material news. Post-quarter end, the company took a materially positive step on its turnaround strategy when it announced a $4m capital raise, involving a placement and 1 for 4 rights issue. This includes the introduction of a new substantial shareholder, Sandy Beard. Sandy has had a distinguished investment career, having led $200m ASX-listed diversified investment company CVC Limited as CEO from 2001 to 2019. Over those 18 years, he presided over a company that returned approximately 17% p.a. to shareholders, investing in a range of small to medium-sized businesses, private and listed. Sandy will become chairman of HGL and intends to bring to the company his skills, experience and network. The Fund is supportive of HGL's strategy to introduce fresh capital and board perspective, and plans to subscribe for its full allocation in the rights issue, equivalent to 2% of unitholder capital. The raise price of 12.5c per share represents a 19% discount to the last traded price of 15.5c.

LoopUp's stock increased in value by 54% during the quarter. The company announced further positive updates due to the increasing need for teleconferencing as more people work from home. In LoopUp's half-yearly results to 30 June 2020, EBITDA grew by 250% and net debt was substantially reduced. Additionally, the company announced a material deal with Microsoft to integrate its telephony solution with Microsoft Teams. The latter has seen enormous growth since the pandemic struck, with Teams users increasing by 70% to 75 million in the first seven weeks of lockdowns in the US. LoopUp's solution for Microsoft could provide substantial upside to LoopUp on top of the growth it should continue to see in its traditional business of providing straightforward teleconferencing to professional services firms.

The Fund's positive quarterly performance was slightly offset by a 26% decline in the share price of Po Valley. The company continues to await a production license for its onshore gas field, Selva. This has been delayed due to political opposition. Nevertheless, the Po Valley board believes approval should be obtained during the current quarter. If received, this should see a material rerating of the stock.

Looking to the future

In the June report, I said I would close down the Fund if there was not a significant improvement in performance. Since then, the Fund returned 13.5% for the September quarter and is currently up 7.0% for the month of October. I believe this is reflective of the strong potential of our portfolio. The substantial possible upside from PVE and KPT, both of which are trading at considerable discounts to their net assets, has been outlined in previous Fund reports. HGL's promising circumstances have been outlined above. In addition, the remainder of our top 10 holdings have exciting prospects. For this reason, I have a cautiously optimistic outlook and intend to continue managing the Fund for the foreseeable future, subject to continued positive performance.

David Constable, 21 October 2020

The Supervised Fund's Historical Performance

	TSF after all fees	All Ords Accumulation	Small Ords Accumulation
Since inception p.a. (Dec 2007)	**5.9%**	3.7%	0.3%
Financial year to date	**13.5%**	1.1%	5.7%
Calendar year to date	**-28.5%**	-9.4%	-4.1%
FY20	**-35.7%**	-7.2%	-5.7%
FY19	**8.0%**	11.0%	1.9%
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.