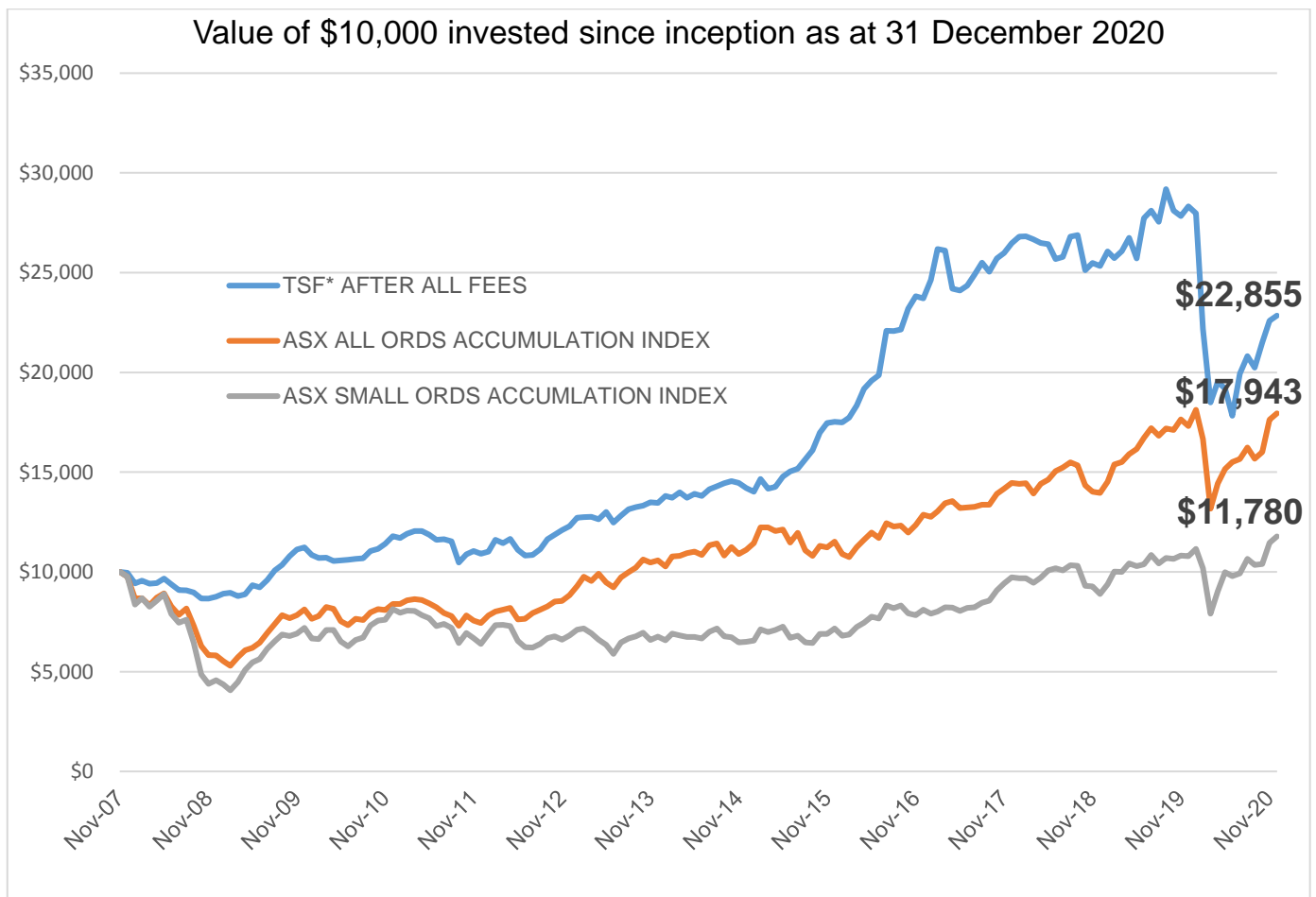


The Supervised Fund (TSF)

Quarterly Report – December 2020

Performance Analysis (as at 31 December 2020)	TSF after all fees	All Ords Accumulation	Small Ords Accumulation	Benchmark
1 month	1.2%	1.8%	2.8%	0.4%
1 quarter	12.9%	14.4%	13.8%	1.2%
Last six months	28.2%	15.7%	20.3%	2.5%
Last twelve months	-19.3%	3.6%	9.2%	5.0%
2 years p.a.	-5.0%	13.4%	15.1%	5.0%
3 years p.a.	-4.8%	7.4%	6.6%	5.0%
5 years p.a.	5.5%	9.3%	10.5%	5.0%
7 years p.a.	7.9%	7.9%	8.3%	5.0%
10 years p.a.	6.8%	7.9%	3.8%	5.0%
Since inception p.a. (Dec. 2007)	6.9%	4.9%	1.3%	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 31 December 2020

Top 10 Positions	% of NAV at current value
Kangaroo Island Plantation Timbers Limited	16%
HGL Limited	15%
Po Valley Energy Limited (equity and convertible notes)	13%
Cash	13%
Bisalloy Steel Group Limited	9%
Centrepoint Alliance Limited	5%
Raiz Invest Limited	4%
Hillgrove Resources Limited	4%
Engenco Limited	3%
Tinybeans Limited	3%

- 6% of capital is invested in non-ASX listed investments (excluding cash).
- 16% of capital is invested in oil, gas and resources companies (excluding gold).
- 3% of capital is invested in international stocks.
- 75% of capital is invested in companies with market capitalisations of less than \$150m.

December Quarter 2020 Attribution

Winners	Gross return	Contribution to performance
Kangaroo Island Plantation Timbers Limited	42%	5.5%
HGL Limited	30%	3.3%
Bisalloy Steel Group Limited	35%	2.6%
Losers		
LoopUp Group plc	-80%	-4.9%
Wide Open Agriculture Limited	-16%	-0.6%
Hillgrove Limited	-11%	-0.6%

Commentary

The Supervised Fund's calendar year 2020 was a year of extreme halves. In the first half, the Fund lost 37% of its value after the initial shock of the bushfires on Kangaroo Island and the decline in global economic conditions due to COVID-19. In the second half, the Fund recovered a portion of this loss, returning 28%.

In the December 2020 quarter, KPT shares rallied by 42%. This was due to a number of positive announcements, including the receipt of a further \$5m in insurance proceeds, the award of a \$5m grant by the State government to build a biomass pellet plant, and the invitation of the government to provide further information regarding the company's seaport development application. These are significant steps in enabling the company to realise its net tangible asset backing of \$2.14 per share. This provides scope for considerable upside on the last price of \$1.16.

HGL shares increased after the announcement of a recapitalisation and introduction of Sandy Beard as chair and substantial shareholder. This was outlined in the September quarterly report. Meanwhile, Bisalloy shares

appreciated after the company forecasted increased profitability in FY21.

The main detractor during the December quarter was LoopUp. As discussed in previous quarterly reports, LoopUp is a UK company that offers videoconferencing for professional services firms. The stock had soared by 6x during the pandemic due to increased working from home. However, when positive vaccination data was released, throwing into question the longevity of the movement towards working from home, LoopUp stock began to falter and in late November the company released a trading update stating its second half result would be slightly lower than forecasted. This led to a major sell off, with the stock falling by 50% in a day to our original entry price. While we believe there is still upside, with working from home likely to remain higher than pre-pandemic levels in years to come, we have reduced our exposure to this volatile stock.

Shares in Wide Open Agriculture sold off after a year in which the stock rose by 7x. We decided to realise our profit and sell our holding. Finally, Hillgrove shares declined after the announcement of a large capital raise at an 11% discount to the last price. We believe this is a positive step for the company and intend to take up our entitlement.

Looking to the future

We have been accumulating cash over the last couple of months as global stock markets appear overvalued in the context of the macroeconomic uncertainties. Since month-end, cash has increased to 16% of our portfolio. We continue to look for opportunities to invest in undervalued companies.

David Constable, 13 January 2021

The Supervised Fund's Historical Performance

	TSF after all fees	All Ords Accumulation	Small Ords Accumulation
Since inception p.a. (Dec 2007)	6.9%	4.9%	1.3%
Financial year to date	28.2%	15.7%	20.3%
Calendar year to date	-19.3%	3.6%	9.2%
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.

DISCLAIMER

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