



Key Facts

APIR SIA0002AU

Fund Commencement	1 st December 2007
Legal Structure	Wholesale Managed Investment Trust
Investment horizon	Recommended 3 – 5 years plus.
Benchmark	RBA Cash Rate + 1.00%
Base currency	Australian Dollar
Distribution Policy	Annual; interest & realised capital gain receipts
Dealing Day for Fund Redemptions	First Business Day of Every Month
Entry Fee	Nil
Exit Fee	Nil
Management Fee	1.25%pa
Performance Fee	20% (plus GST) of any return above the Benchmark subject to an annual high water mark
Minimum Investment	AUD 25,000.00
Additional Investment	AUD 25,000.00

Fund Objective

The objective of The Supervised Fund (TSF) is to deliver competitive returns from global equities whilst avoiding the risk of losing capital.

Investment Management

The investment manager of TSF is Mr. David Constable AM. Mr. Constable was a member of the ASX from 1961 until 1998 and during that time was Chief Executive and Senior Partner of two different stockbroking firms. He has considerable experience in the Financial Planning industry as Chairman of Directors of a large Australian firm and a Director of Towry Law PLC. Mr. Constable founded Supervised Investments Limited in 1999 while he was a resident of the UK living in London, this US vehicle subsequently merged with TSF in 2009.

Investment Policy

The management process is founded on the philosophy of “conservative opportunism”. The portfolio is typically comprised of long positions in a range of global equities, investments in managed funds, currencies and occasionally commodities. The fund focuses on small cap equities however will invest in larger capitalised equities from time to time.

Performance at 30 June 2014

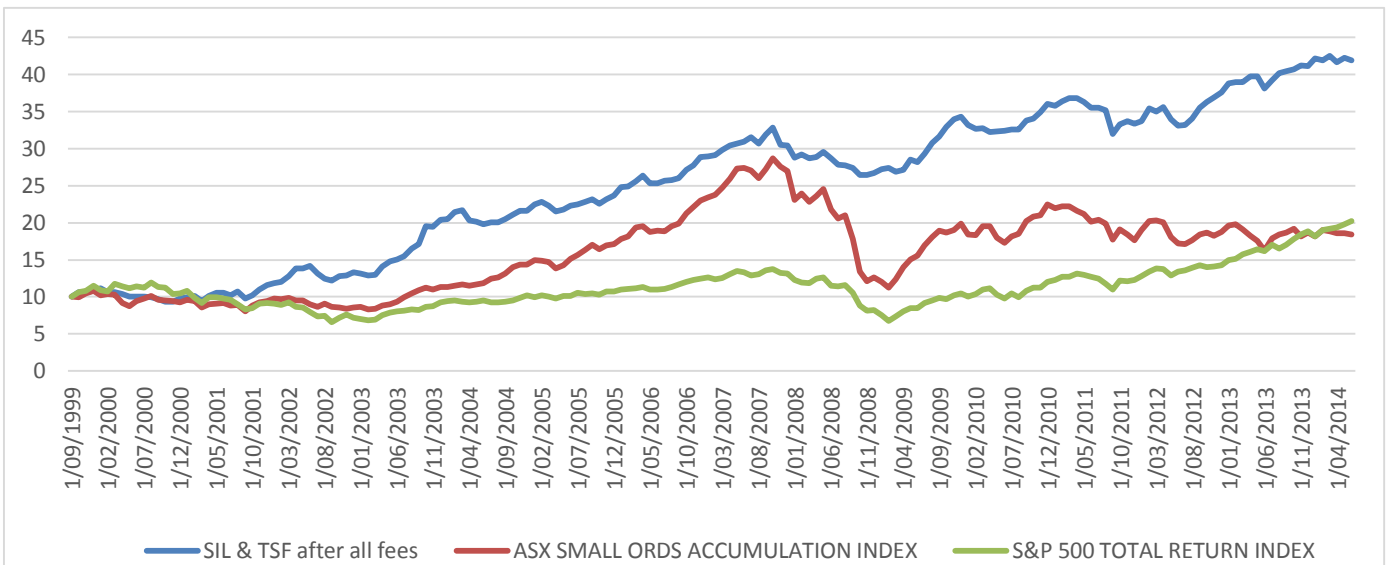
NAV: AUD 10.2324 per unit	3 months	6 months	1 year	2 years p.a	3 years p.a	4 years p.a	Inception* p.a
TSF (After Perf. Fees) %	-1.31	1.95	9.95	12.60	5.71	8.27	10.20
ASX Small Ords Accumulation %	-2.26	-1.39	13.11	3.49	-2.94	3.43	4.2
Excess Return %	1.0	3.3	-3.2	9.1	8.7	4.8	6.0

Financial Year	2014	2013	2012	2011	2010	2009	2H 2008
TSF (After Perf. Fees) %	9.95	15.30	-6.81	9.43	15.10	-1.73	-5.81
ASX Small Ords Accumulation %	13.11	-5.32	-14.61	16.41	16.98	-28.58	-19.21

*Includes net returns from previous USD denominated Supervised Investments Limited which commenced in September 1999 and merged with TSF in 2009.

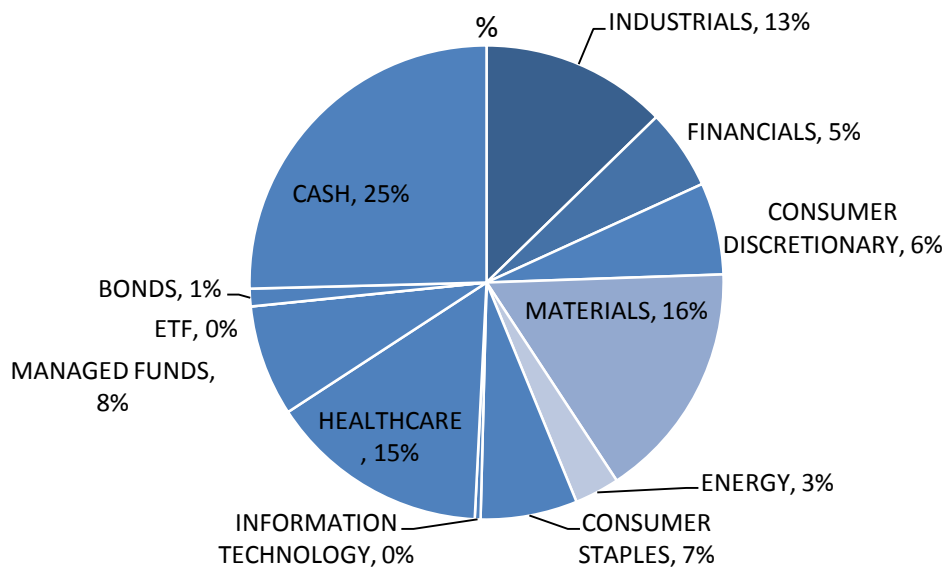
Past performance is no guarantee of future performance and no guarantee of future performance is implied

Returns Analysis*



*Includes net returns from previous USD denominated Supervised Investments Limited

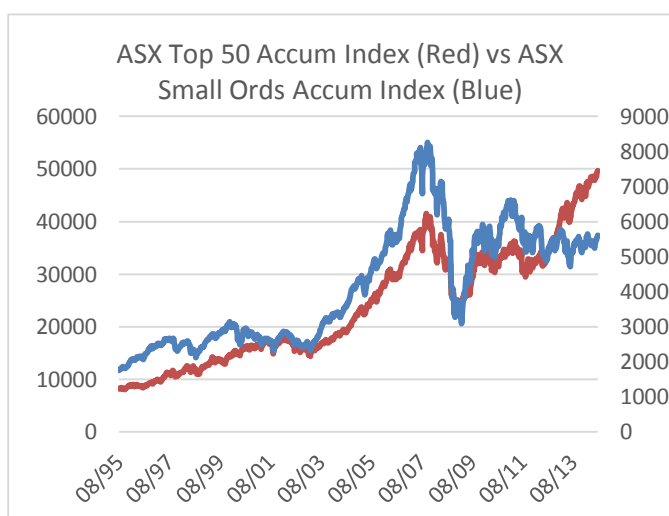
Portfolio Analysis



Equity Holding	Main Business	Country	% Assets
HGL Limited	Conglomerates	Australia	10.41
Sirtex Medical Limited	Medical Devices	Australia	10.14
Kangaroo Island Plantation Timbers Limited	Forestry/Land	Australia	6.25
Australian Vintage Limited	Wine	Australia	4.36
Bentham IMF Limited	Litigation Funding	Australia	2.94
Mintails Limited	Gold Mining	South Africa	2.47
Gage Roads Brewing Co Limited	Brewing	Australia	2.24
Gale Pacific Limited	Polymer Fabric Products	Australia	1.84
Woodside Petroleum Limited	Oil and gas	Australia	1.64
GI Dynamics Inc CDI	Medical Devices	Australia	1.63
Net Assets			\$12,154,148

Commentary

We were satisfied with our 2013/2014 financial year returns. The Supervised Fund (TSF) largely focuses on the small cap segment of the market, we believe this is often under-researched and thus offers superior investment opportunities. I have stated before that bull market in Australian equities has been driven by the larger capitalised stocks and is yet to reach the small-cap segment. The chart below displays the comparative performance of the top 50 stocks by market capitalisation to the small cap index in Australia.



Source: Bloomberg

We see the relationship has broken; this is largely a result of the low interest rate world. We note this divergence is seen across all sub-sectors of the small-cap index and thus cannot be put down to underperformance of small cap mining exploration companies. We think this is a bullish signal for the small-cap sector. While we certainly do not assume the general stock market will continue to rise without a 5% -10% pull-back, we do expect the small caps to outperform before the end of this cycle.

During the year one of our largest holdings, Sirtex Medical Limited, returned more than 41%. Sirtex researches, develops and commercialises medical products for the treatment of liver cancer. The stock is often perceived as expensive given it trades on 35x forward earnings; we still believe it is cheap. Earnings to date have been derived largely from salvage patients only (patients who have tried all other options available and use Sirtex's product on a 'one last try' basis) however the company is soon due to report findings from the first of five major clinical trials aimed at proving the product is suitable for treatment on a 'first lien' basis.

Data from smaller but similar trials leads us to believe (at least) the majority of the clinical trials will have a favorable outcome for the company, such would increase the potential market size by a factor of more than 8 and in our view continue to drive sales growth at or in excess of 10% for the coming 10 years. We have had to reduce our holding in recent months for risk management purposes but continue to believe in the future of the company and expect further advances in the share price.

One new stock we took up during the year is Gale Pacific Limited, an ASX listed manufacturer of outdoor knitted products like shade cloth and grain covers. The stock trades on an EV/EBITDA of 5.3x and a dividend yield of 10% (franked at more than 75%). The public perceive the stock as risky because the majority of its Australian sales are to Bunnings Warehouse, we think this is overdone. We expect significant growth from overseas operations and like the dominant market share held in the majority of products sold to Bunnings. We see the biggest risk as poor M&A decisions but expect the earnings and dividends to grow over the coming three years.

The fund has a large cash weighting at present, we are looking at a number of new investment opportunities and expect to allocate to such if and when the price is to our liking. The fund has a number of holdings with near term catalysts which I believe will serve unitholders well in 2015.

David Constable AM
Chairman
Supervised Investments Australia Limited



SUPERVISED INVESTMENTS AUSTRALIA LTD

How to Apply

Applications can be made by completing the Subscription Form contained in the Information Memorandum and posting or faxing it to the Fund's Administrator TMF FundServices (Australia) Pty Ltd. Units will be issued on the first day of each month. The Information Memorandum can be downloaded from the website www.supervisedfund.com.au. Please contact any of the Directors for further information.

The minimum initial investment is AUD25,000 if the investor meets the definition of a Wholesale Client; refer to the Information Memorandum for details.

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