



Fund Manager's Risk and Performance Review



PHILIP CARDEN
*Supervised High Yield Fund
Manager*

Over the past 12 months SHYF has produced a return of 11.52%.

Effectively, this means that every \$1,000 placed with SHYF as of 1st July 2012 was worth \$1,115.20 as of 30th June 2013. This continues the impressive performance of the Fund - over the past 4 financial years, the return has been 57.22% gross.

Given these solid returns, it is tempting to look at the securities that underpin these investments as high risk, if not junk. Nothing is further from the truth.

HIGHLIGHTS

- Annual growth in unit value of funds - 11.52%*
- 32% increase in Funds under Management
- Sharpe Index since inception 3.81%*
- 12 more months of continuous, positive monthly returns

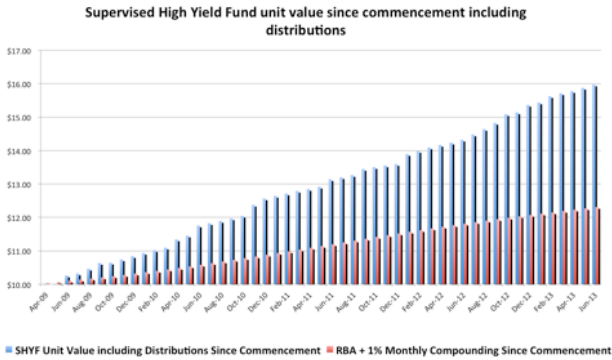
** all performance statistics quoted are net of fees and costs.*

All investments are stress tested against an historical worst case scenario and only pursued if 100% of both capital and income are still shown to be assured of payment within the contractual periods of the loans. I draw your attention to the Sharpe ratio for SHYF which as at 30th June 2013 was 3.81. This ratio is a standard assessment tool in the financial industry to relate reward to the risk involved; a ratio of 1 or better is deemed good, 2 very good and 3 and better is considered excellent.

SHYF remains heavily invested in Australian Residential Mortgage Backed Securities, simply because these have to date been the best investments that we could find consistent with the security we seek. However, as other funds follow into these investments, we are finding attractive alternatives elsewhere and we are likely over the coming months to become more involved in corporate debt, both in Australia and abroad.

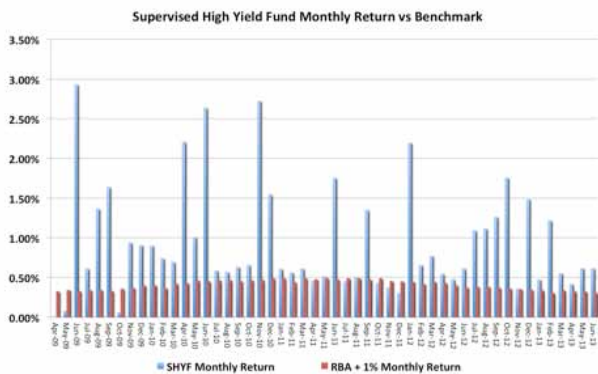
The coming year will be an interesting one but we have identified a number of potential investments in jurisdictions that meet our requirements and which we believe will allow us to secure a return in excess of 8.5% over this period.

SHYF SINCE COMMENCEMENT



This chart illustrates the value of \$10.00 invested in the SHYF since its commencement date of 31st March 2009, compared with the value of \$10.00 invested in the SHYF's Benchmark, the Reserve Bank of Australia Cash Rate plus 1.00%. All distributions have been reinvested in new units in the SHYF at the prices available on the date the distributions were paid.

MONTHLY RETURNS VS BENCHMARK



This chart illustrates the monthly performance of the SHYF since its commencement date of 31st March 2009, compared with the monthly performance of the SHYF's Benchmark, the Reserve Bank of Australia Cash Rate plus 1.00%. All distributions have been reinvested in new units in the SHYF at the prices available on the date the distributions were paid.

SHYF SINCE COMMENCEMENT

Security Description	Value (\$)	% of Portfolio
Sapphire RMBS	3,271,587.23	16.12
Challenger RMBS	204,73.67	1.01
Interstar RMBS	1,342,154.65	6.61
Firstmac RMBS	80,773.28	0.40
Wide Bay RMBS	490,818.15	2.42
AIMS RMBS	4,462,083.00	21.99
Liberty RMBS	6,309,000.00	31.09
Pepper RMBS	2,516,442.00	12.40
ASX Listed Corporate Debt	440,157.15	2.17
Cash	1,172,135.41	5.78
Total Value	20,289,864.55	100.00



KEY FACTS

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Fund Commencement	1st April 2009
Legal Structure	Wholesale Managed Investment Trust
Base Currency	Australian Dollar
Investment Horizon	Recommended 3 years plus
Hedging	Currency Hedged
Distribution Policy	Quarterly: interest and realised capital gains
Dealing Day for Fund Redemptions	First business day of every month
Entry Fee	Nil
Exit Fee	Nil
Management Fee	1.25%pa (plus GST)
Benchmark	RBA Cash Rate + 1.50%
Performance Fee	20% (plus GST) of any return above the Benchmark subject to high watermark with no annual reset
Minimum Investment	AUD25,000.00

PERFORMANCE SUMMARY

NAV: AUD12.9164 per unit	June 2013	Past 3 months	Past 6 months	Past 1 year	Past 2 years	Past 3 years	Since commencement
SHYF (%) increase in unit value	0.61	1.66	3.95	11.52	21.55	35.88	60.18
RBA + 1.5 (%) benchmark	0.31	0.96	1.96	4.22	9.94	16.33	23.09
SHYF return relative to benchmark (%)	0.30	0.70	1.99	7.30	11.61	19.55	37.09
Standard Deviation (%)	-	-	-	-	-	-	2.35
Sharpe Ratio	-	-	-	-	-	-	3.81
Financial Year Results	2013	2012	2011	2010			
SHYF (%) net of fees	11.52	9.00	11.78	14.58			
RBA + 1.5 (%) Benchmark	4.22	5.49	5.81	4.77			
SHYF returns relative to benchmark	7.30	3.51	5.97	9.81			

Past results are no guarantee of future performance

OBJECTIVES OF THE FUND

To deliver capital preservation whilst generating a high return, low risk portfolio.

INVESTMENT MANAGEMENT

The SHYF management process is founded on the philosophy of “conservative opportunism” and headed by Philip Carden who, since 1980, has specialised in managing and trading all forms of investments in the global debt securities market. All investment decisions for the fund are reviewed and approved by the board of Supervised Investments Australia Limited.

INVESTMENT POLICY

SHYF is managed using an absolute return investment process. This process uses economic analysis and asset research combined with historic worst case stress testing to search out and discover the lowest risk best reward investment opportunities in the debt market. SHYF does not deal in junk bonds.

Fundamental to our investment process is the tenet that no debt security will qualify for investment unless it can repay 100% of its principal and interest obligations in a worst case economic environment.



SUPERVISED HIGH YIELD FUND

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 Mr Phil Carden or 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.

TRUSTEE

Supervised Investments Australia Ltd.
Suite 431, 5 Lime Street
Sydney NSW 2000
T: +61 (2) 84590095
www.supervisedinvestments.com

ABN: 45 125 580 305
AFS License: 317155

INVESTMENT MANAGER

Mr Philip Carden
phil@supervisedinvestments.com
+61 (2) 84590095
+61 405 451 281

AUDITOR

Ernst & Young
680 George Street
Sydney NSW 2000
+61 (2) 9248 5555
www.ey.com.au

CUSTODIAN

JP Morgan Worldwide
Securities Services
83 Castlereagh Street
Sydney NSW 2000

DIRECTORS

Mr David Constable AM (Chairman)
Mr David Young LL.B
Dr John Harvey AO
Mr Damien Cooper
invest@supervisedinvestments.com

FUND ADMINISTRATOR

TMF FundServices Pty Ltd
GPO Box A2224, Sydney South NSW 1235
+61 (2) 9232 2746
www.tmf-group.com

LEGAL ADVISOR

Henry Davis York, 44 Martin Place
Sydney NSW 2000
+61 (2) 9947 6660
www.hdy.com.au