

IS NOW THE TIME TO INVEST?

The daily headlines are painting an improving picture of the global financial markets. We believe there are reasons why an investment in The Supervised Fund (TSF) at this time may make excellent sense. Each of the Directors of SIAL have significant investments in TSF. TSF is extremely nimble and there is plenty of incentive to ensure that this nimbleness is used both going in and getting out of investments. TSF intends to be a truly global fund and whilst the exact country composition will change from time to time, a vast range of global stocks are continually evaluated. Our Chief Investment Advisor, David Constable, has demonstrated a superior stock picking ability over more than four decades. TSF's fee structure (a low management fee and an absolute performance based investment advisor incentive) ensures that the interests of all stakeholders involved are absolutely aligned. Investors prepared to take an appropriate longer term view, say three to five years (rather than three to five months) and a positive view of the future could find this a most favourable time to consider an investment with TSF.

For further details on how to invest visit www.supervisedfund.com.au.

“AN IMPROVING
EQUITY
INVESTMENT
ENVIRONMENT”

INVESTMENT PHILOSOPHY

TSF was founded by David Constable AM on 1 December 2007 with an investment philosophy best described as “conservative opportunism”. The fund primarily invests in global equities. From time to time it may make investments in currencies, commodities, options and futures but the overall focus is on the global equity markets. The heritage of the fund includes *Supervised Investments Limited, (SIL)* a Channel Islands managed fund that David started in September 1999 and which has consistently outperformed the major international indices. TSF is specifically targeted at Australian investors and uses the proprietary investment management tool, the *Supervised System*, that has been responsible for much of SIL's success. Opportunities are identified globally and if certain criteria are met, then following further research, investments may be made. Competent management, opportunity for growth and realistic valuation are the overarching assessment criteria for adding stocks to the portfolio. A rigorous and disciplined approach to selling stocks should the market move against them, is also fundamental.

AN INVESTMENT
PHILOSOPHY
BEST DESCRIBED
AS “CONSERVATIVE
OPPORTUNISM”

TSF'S CHIEF INVESTMENT ADVISOR

The Supervised Fund's investments are decided by a team headed by David Constable AM. David has over 40 years experience in the provision of financial product advice, dealing in financial products and more than seven years experience operating a registered managed investment. He has, at various times, been a fellow of the Australian Institute of Company Directors, a member of the Securities Institute of Australia and a member of the Australian Stock Exchange. He has lived and worked for a number of years in the United Kingdom and elsewhere in Europe. He brings a vast amount of experience and global contacts to the investment advisor function at TSF. Perhaps most importantly, he has seen the ebb and flow of the world's financial markets over a great many cycles and brings a hardened realism to the investment decisions that are helping to position TSF to take advantage of the current climate.

INTRODUCING A NEW OPPORTUNITY: SUPERVISED HIGH YIELD FUND

Despite the above comments on the global equity markets there may be investors who would still prefer to have funds invested elsewhere, particularly in the debt markets. With this in mind, Supervised Investments Australia Limited has started a new fund – *Supervised High Yield Fund (SHYF)* – in March to seek out and exploit openings in the Australian (and to a much lesser extent global) debt markets. An experienced debt market specialist has been added to the investment advisory team. In addition, SHYF will identify opportunities using the *Supervised Theory of Absolute Return (STAR)*. STAR is a risk controlled, returns target theory that sits comfortably within the overall Supervised philosophy of conservative opportunism.

FUND PERFORMANCE

For the twelve months ended 30th June 2009, The Supervised Fund was down 1.7%. This compares favourably with the indices that we monitor (see Figure 1). The ASX 200 was down 24.2%, the broader based All Ordinaries down 26% and the MSCI World (developed) adjusted to Australian dollars down 16.3%. The Australian dollar was volatile throughout the twelve months. At the start of the period, the exchange rate to the US dollar was 0.96; six months on at the end of December the rate had declined to just above 0.70 and by June 30th the rate was back over 0.80. The fund started the year with 38% in equities, 20% in bonds and 42% in cash. It closed the year with 53% in equities, 30% in bonds and 17% in cash. Equities continue to be heavily weighted towards Australian stocks – 81% in July 2008 and 87% in June 2009. However, even at year end, Australian equities still represented less than 50% of the total fund. We expect to move to a more balanced mix of global equities over the next twelve to twenty four months. It is, as always, a matter of finding opportunities that meet the criteria for adding stocks to the portfolio. The sector breakdown (see Figure 4) at the end of June 2009 for the equity portfolio shows gold at 32%, energy at 15%, insurance at 12%, financial services at 10% and food at 9%. The most significant change has been the continued growth in the gold sector – up from 24% at the end of December 2008 and up from 13% at the start of the year. Whilst this is a material increase it should be noted that gold still only represents 17% of the total fund. We continue to have confidence in gold and particularly gold mining shares as they offer appealing leverage. We feel that around 20% is an appropriate level, offering protection on the downside and a possible very attractive upside.

David comments on a stock in the portfolio: “Sirtex Medical is the owner of the technology for the SIR-Sphere microsphere which was invented to combat liver cancer. I have been following this stock for some years. Sirtex meets all of the criteria for our proprietary investment system, the *Supervised System*, and Sirtex now represents one of the larger holdings in TSF. On 30 June 2008 Sirtex was \$3.00 and at 30 June 2009 was \$3.35, a respectable gain of 11.7% over the past year. We continue to hold Sirtex as I am very confident that Sirtex will show an even higher rate of growth in 2009/2010.”

KEY FACTS

	Year ended 2009	Year ended 2008	Inception
Unit price	\$9.2210	\$9.3835	\$10.000

Figure 1:

Performance – year ended 30th June 2009							
TSF	-1.7%	ASX 200	-24.2%	ALL ORD	-26.0%	MSCIW*	-16.3%
Performance – The Supervised Fund growth since inception							
TSF	-7.8%	ASX 200	-39.5%	ALL ORD	-40.1%	MSCIW*	-40.3%

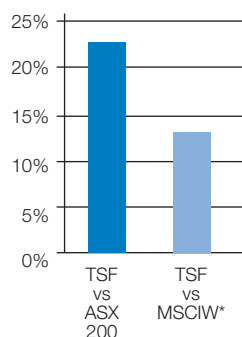
Figure 2: TSF Outperformance 2008/2009

TSF vs ASX 200 – 2008/2009	+22.5%	TSF vs ASX 200 from inception	+31.7%
TSF vs MSCIW* – 2008/2009	+14.6%	TSF vs MSCIW* from inception	+32.5%

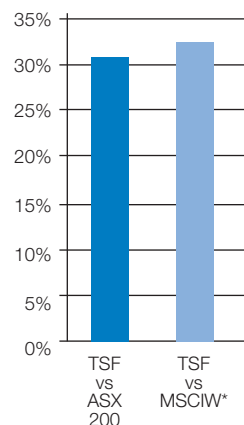
Figure 3: TSF Outperformance since inception

Figure 4: TSF Portfolio composition

TSF Outperformance 2008/2009



TSF Outperformance since inception



Gold 32%

Other 9%

Medical 8%

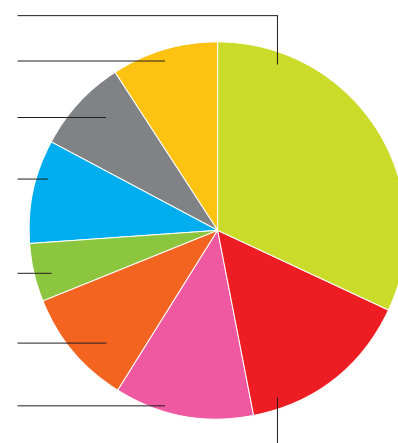
Food 9%

Forestry 5%

Financial 10%

Insurance 12%

Energy 15%



*MSCI World – adjusted to AUD\$

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