

A Year of Excellent Growth +15.1%

Message from the Chairman



The equity markets were strong for the first three quarters of 2009/2010 but the final quarter of the financial year was weak. The growing sovereign debt crisis has put into question the sustainability of the overall economic recovery and this resulted in a sharp sell off in the equity

markets in 2Q 2010. Foreseeing the possibility of weakness in the equities market TSF reoriented its portfolio of holdings in 1Q 2010 which led to a short period of underperformance but was handsomely repaid in 2Q 2010 when TSF significantly outperformed the equity markets. For the full year TSF recorded a respectable growth of +15.1% which outperformed by 10.3% its benchmark, the Reserve Bank Cash Rate +1%, which grew by 4.8%. TSF also outperformed the ASX/200 by 6.3% and the MSCI World (adjusted for AUD) by 2.6%. The ability to protect capital in down markets is one of the reasons that TSF has been able to outperform its benchmark and other indexes.

Given the numerous headwinds that still remain for the economy and financial markets, TSF believes it is important for investors to not only revisit the diversification of their funds but also think strategically about fund strategies to identify those which are most likely to outperform going forward, particularly in the event of a market-sell-off. The guiding philosophy for adding stocks to the TSF portfolio continues to be "conservative opportunism". This approach has served us well for many years and will continue to do so as we navigate through the uncertain times ahead.



David Constable
Chairman
Supervised Investments Australia Limited

The appeal of TSF for these times

The health of the global economy and the sovereign debt crisis remain the central concerns for investors in 2010. The daily headlines continue to paint a dismal picture of the global financial markets and only a very brave optimist would suggest the worst is definitely behind us. As worries mount, investors are once again questioning the state of the financial markets and are increasingly looking for ways to minimise losses and protect capital in the event of another significant market correction. Despite the gloom, we believe there are reasons why an investment in TSF at this time may make excellent sense.

TSF is extremely nimble and its principals have invested meaningfully in TSF. There is plenty of incentive to ensure that this nimbleness is used both going in and getting out of investments. TSF is widely diversified and the exact country composition and forms of investment will change from time to time as opportunities are continually evaluated. The Chairman, David Constable, has demonstrated a superior stock picking ability over more than four decades. At times like these some "grey hair" is highly desirable. TSF's fee structure (a low management fee and an absolute performance based incentive) ensures that all interests involved are absolutely aligned. Investors prepared to take an appropriate longer term view, say three to five years, and a more contrarian view could find this a most favourable time to be invested with TSF.

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 Administrator, Kingsway Taitz Fund Administration Pty Limited. 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.

Fund Performance

Over the 12 months of 2009/2010 TSF delivered an absolute return +15.1%. This compares to the Reserve Bank of Australia Cash Rate +1% of +4.8%.

Figure 1: Unit price 30th June 2010

	June 2010	June 2009	Inception
Unit price	\$10.61	\$9.22	\$10.00
Performance – since inception			
TSF	+6.1%	ASX/200	-25.37%
		MSCIW*	-32.1%
Performance – 2009/2010			
TSF	+15.1%	ASX/200	+8.8%
		MSCIW*	+12.5%

Figure 2: TSF performance since inception

TSF vs ASX/200	+40.3%
TSF vs MSCIW*	+38.2%

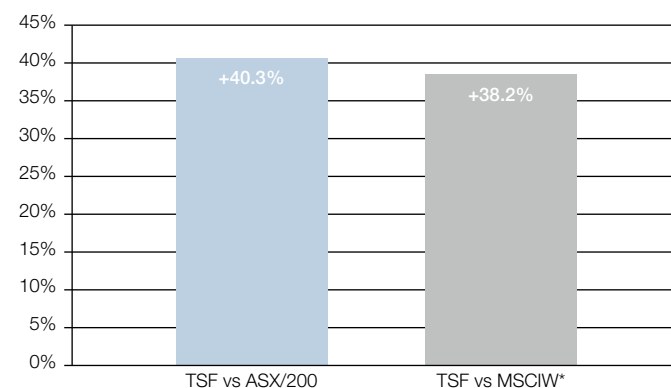
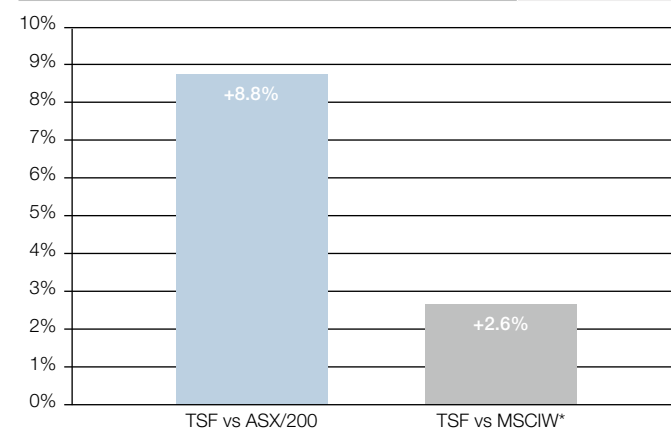


Figure 3: TSF performance 2009/2010

TSF vs ASX/200	+8.8%
TSF vs MSCIW*	+2.6%



*MSCI World – adjusted to AUD

Figure 4: Value of \$500,000 invested over 2009/2010

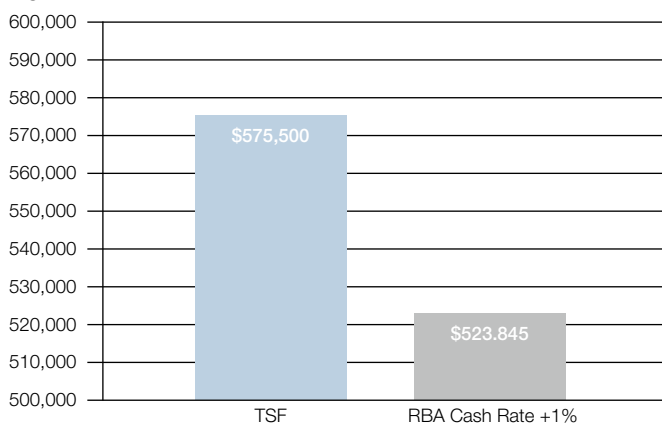
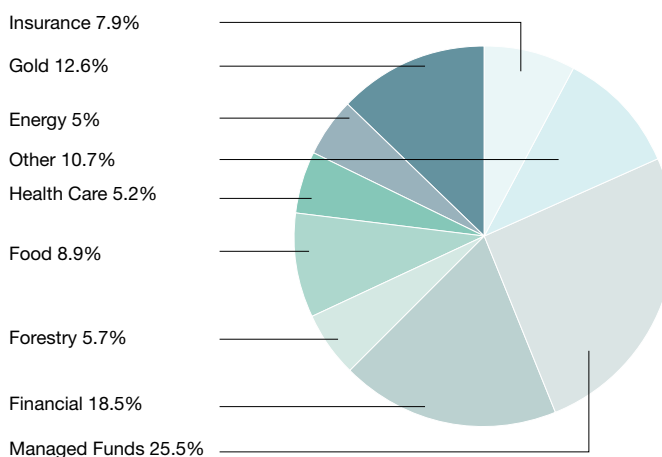


Figure 5: Top Holdings at 30th June 2010

Europe	Fromageries
United States	Barrick Gold Corp
Canada	Catch the Wind
England	Haynes Publishing Group, Centamin Egypt
Australia	Dominos Pizza, Lihir Gold, Sirtex Medical, Ruralaus Investments

Figure 6: TSF Portfolio Composition



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