



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.

Investment Policy

The management process is founded on the philosophy of “conservative opportunism”. Through its proprietary investment management software, the *Supervised System*, TSF utilises global data gathering capabilities to identify investment opportunities independent of geography or sector. Opportunities are screened through criteria and following further research, investments may be made.

The portfolio is typically comprised of long positions in a range of global equities, investments in managed funds, currencies and occasionally commodities.

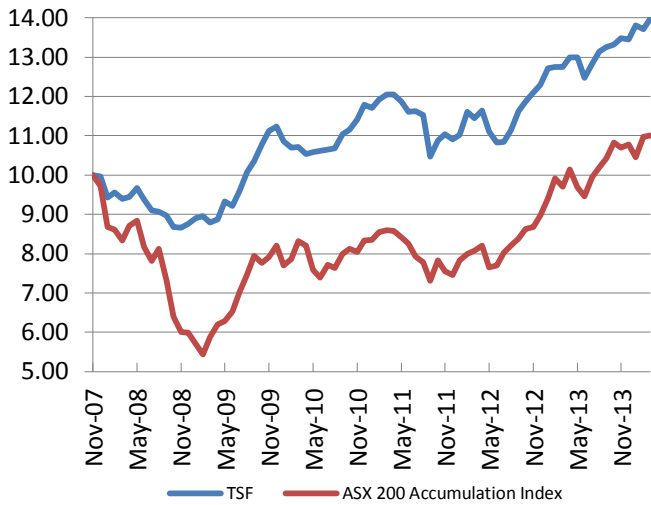
Performance at 31 March 2014

NAV: AUD 10.3679 per unit	3 months	6 months	1 year	2 years	3 years	4 years	Inception
TSF (After Perf. Fees) %	3.92	5.55	9.65	22.19	16.11	30.61	39.86
ASX 200 Accumulation Index %	2.09	5.58	13.46	36.14	27.88	32.28	10.02
MSCI World Developed Index (AUD) %	-2.96	9.21	31.03	42.80	40.10	38.04	-0.99
Excess Return on ASX200 Accum. %	1.83	-0.03	-3.81	-13.94	-11.78	-1.67	29.83
Excess Return on MSCI World (AUD) %	6.88	-3.66	-21.38	-20.61	-24.00	-7.43	40.85

Financial Year	2014FYTD	2013	2012	2011	2010	2009	2H 2008
TSF (After Perf. Fees) %	12.07	15.30	-6.81	9.43	15.10	-1.73	-6.17
ASX 200 Accumulation %	16.35	22.75	-6.71	6.95	6.95	-20.14	-18.21

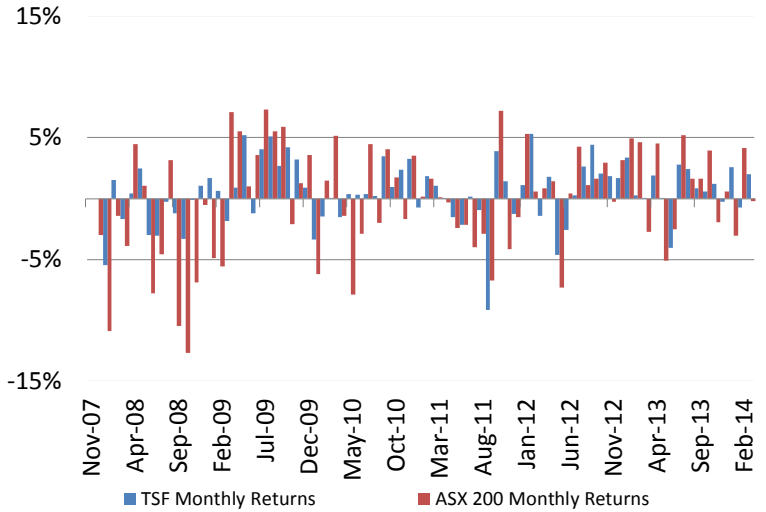
Past performance is no guarantee of future performance and no guarantee of future performance is implied

The Supervised Fund Since Inception



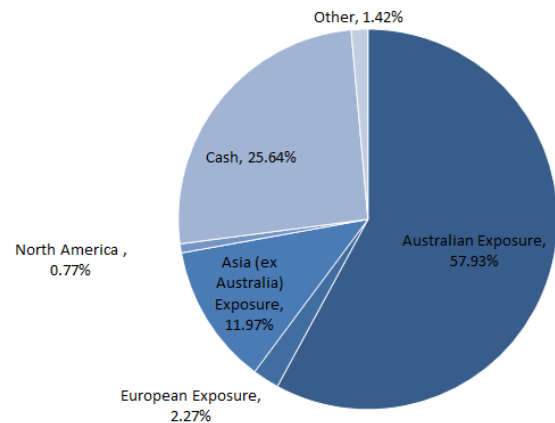
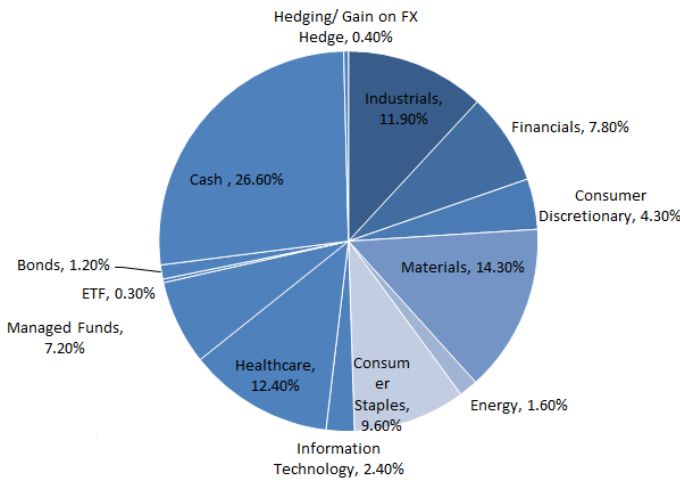
This chart illustrates the value of \$10.00 invested in TSF since inception in November 2007, compared with the value of \$10.00 invested in the ASX 200 Accumulation Index.

Monthly Returns vs ASX 200



This chart illustrates the monthly performance of TSF since inception in November 2007, compared with the monthly performance of the ASX 200.

Portfolio Analysis



Top Holdings

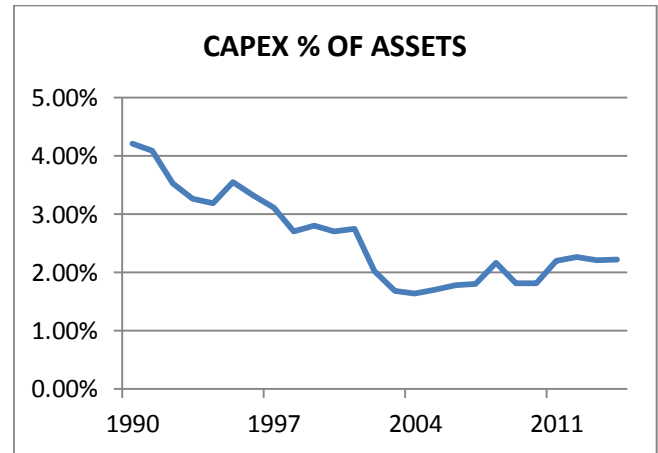
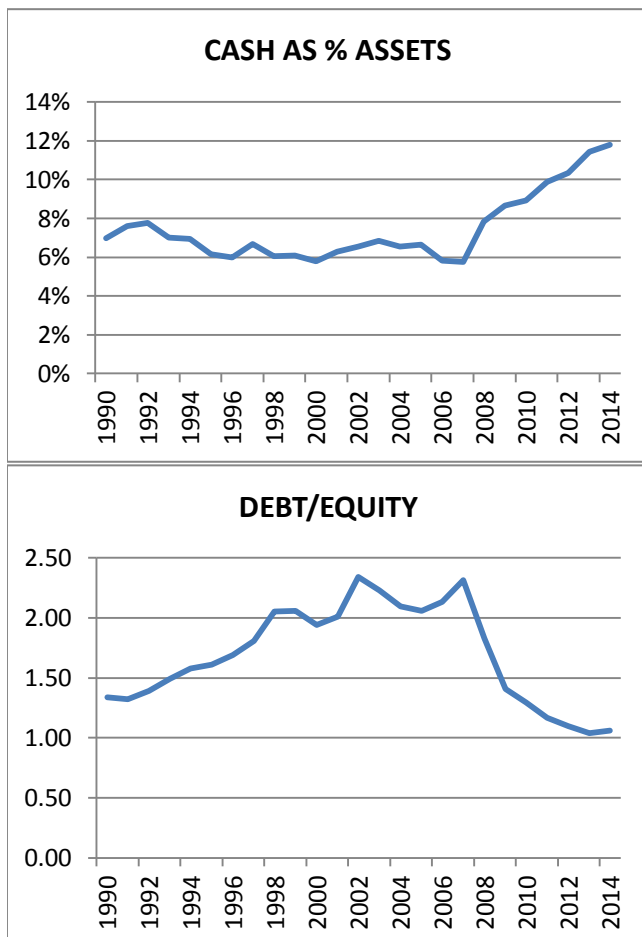
Company	Main Business	Country	% Assets
HGL Limited	Import & Distribution	Australia	9.90%
Sirtex Medical Limited	Biotechnology	Australia/International	9.20%
Gage Roads Brewing Co Limited	Brewing	Australia	5.60%
Australian Vintage Limited	Wine	Australia/International	4.20%
Kangaroo Island Plantation Timbers Ltd	Timber and Land	Australia	3.30%
IMF Australia Limited	Litigation Funding	Australia	2.80%
Lotes Co Ltd	Computer component manufacturing	Taiwan	2.40%
Mintails Limited	Gold Production	Australia/South Africa	2.40%
NIB Holdings Limited	Health Insurance	Australia	2.20%
Kingsrose Mining Limited	Gold Production	Australia/Indonesia	2.10%
Po Valley Energy Limited	Oil and Gas	Australia/Italy	1.94%
FUM (AUD)			\$12,315,097

Comment from the Chairman

The Supervised Fund (TSF) returned 3.92% after all fees during the quarter ending March 31 2014, significantly outperforming both the local and global stock market indices. Since inception the fund has outperformed the ASX200 accumulation index by just under 30%. The fund is not limited by size and invests in micro caps as well as large blue chips on a global basis.

Market Commentary

The bull market seen over the past several years has largely been driven by cost-outs and valuation multiple expansion. The central bankers have created a super low interest rate world which has in turn reduced the equity market's cost of capital and thereby expanded P/E multiples. We were told that the intention of the low rates was to make capital expansion opportunities more attractive to corporates and thereby generate real economic growth. With this in mind it is interesting to consider the below charts all illustrating data obtained from Bloomberg on the S&P500 US stock market index.



We see that US corporates have not reacted to the low rates by expanding but have rather accumulated cash and de-risked the capital structure. The earnings of such companies have continued to climb, but this has largely been as a result of financial engineering and cost outs. We interpret such behavior as bullish; if and when US corporate managers begin to find confidence in their environment there will be ample credit and cash available to fuel organic earnings growth. We acknowledge the uncertainty may remain intact in the short term as the market reacts to reductions in Fed tapering.

The composition of growth in China is worrying many market participants. We have seen seemingly unsustainable growth in infrastructure, most worrying is such growth has been funded through hard to trace credit markets and now accounts for a majority of economic growth. Many media articles have explained how this debt has the potential to produce China's very own "Lehman moment". The Chinese consumer is the logical solution to such problems; they save more than 20% of their income vs US consumers who save less than 5%. If the Chinese leadership can continue to create an environment conducive to consumer spending and credit growth the composition of Chinese output will move to a more sustainable model. We acknowledge the risks in the short term but continue to consider a bet against the Chinese leadership capability an unwise one.

The fund is holding approximately 25% in cash, we are seeking value and will be ready for buying opportunities when they present themselves.

Holding updates

Australian Vintage Limited (AVG)

AVG produces and markets bulk and bottled wine and manages and develops vineyards in New South Wales and South Australia. The Company's wines are sold in Australia and exported throughout the world. AVG lost approximately 20% of market value during February on the back of weaker than expected first half earnings. We took this opportunity to increase the holding to 4.2%. AVG is leveraged to the Australian wine cycle; we think the cycle has bottomed and are beginning to see signs of improvement. The company runs the most vertically integrated listed operation in Australia which gives it significant leverage to this cycle. Recent cost out initiatives are expected to begin to flow through in the short term. We like the CEO and the company will benefit from a declining AUD which fits well within the portfolio.

The valuation is undemanding on an earnings basis with EV/EBITDA of 6.4x this year and 5.2x for next year. Net debt is quite high on an earnings basis (3x next years EBITDA) but not a concern from a replacement value or liquidation perspective, shareholders own 63% of the business. JP Morgan estimates the replacement value of net assets at \$1.22 per share (currently trading at 33c) and firesale liquidation value at \$0.55 per share. While we do not definitively know when the wine cycle will turn, we expect the stock will trade closer to replacement value during the upswing in the cycle.

Kangaroo Island Plantation Timbers Ltd (KPT)

During the quarter KPT announced a 1 for 3 rights issue at \$2.50 per share which will raise just over \$1m. The fund agreed to take its full rights and also underwrite a proportion of the potential shortfall. The funds will be used for the purchase of a potential port site and associated feasibility studies as well as general working capital. Post the rights issue the company will have pro forma net tangible assets of \$8.95 per share. After taking into account the annual corporate cash burn and anticipated feasibility consulting costs we estimate NTA on an accounting basis to be in the order of \$13m or \$8 per share by year end if no further property sales eventuate. We hope to realise \$5-\$7 per share through continuing unforced liquidation activities.

KPT owns close to 8,000 Ha's of productive Kangaroo Island land, approximately half of which is planted timber and half is cleared land or natural vegetation. The company owns the only saw mill on the island (which is carried on the books near zero) and continues to make progress on its liquidation. The corporate cash burn is approximately \$500,000 per year and the Directors have forgone cash payments for share based payments (they already own a lot of the stock).

The other major timber owner on the Island has recently raised significant capital for acquisitions. By establishing development plans for a port KPT can enhance the value of all timber plantations on the island as a port alternative would reduce the costs of producing. We of course do not expect KPT to build a port on its own. Post the rights issue we expect the holding to represent just under 5% of the fund's net assets.

Outlook

The fund has several holdings with near term catalysts which may boost performance. I am confident TSF's unique investment strategy in conjunction with management experience will continue to serve investors in the future.

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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