



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 team for TSF consists of Mr. David Constable AM and Mitch Taylor. 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 Taylor has previous experience at a tier one New York based credit hedge fund, he has been employed by Supervised Investments since 2010. 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 September 2014

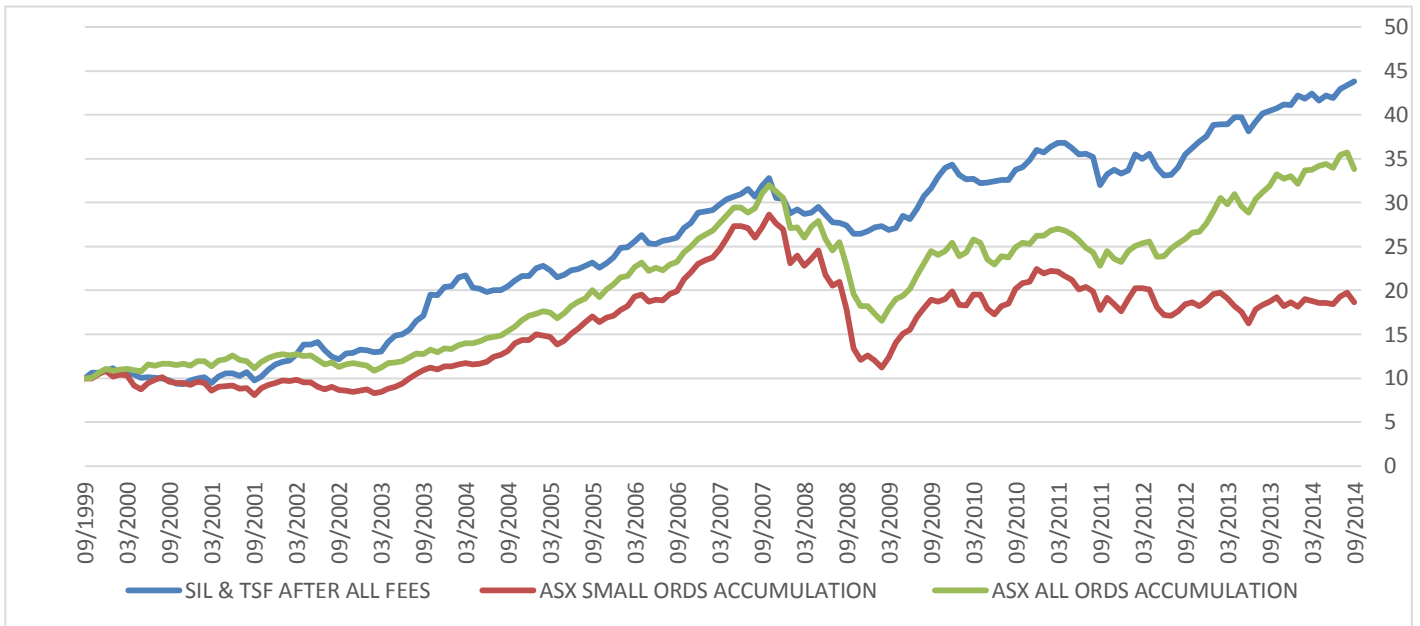
NAV: AUD 10.2324 per unit	3 months	6 months	1 year	2 years p.a	3 years p.a	4 years p.a	Inception* p.a
TSF (After Perf. Fees) %	4.62	3.26	8.34	11.09	11.07	6.76	10.30
ASX Small Ords Accumulation %	1.49	-0.80	-0.07	0.67	1.71	-1.94	4.23
ASX All Ords Accumulation %	-0.29	0.18	5.89	14.38	14.04	7.95	8.42

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
ASX All Ords Accumulation %	17.64	20.67	-7.04	12.17	13.78	-22.15	-15.22

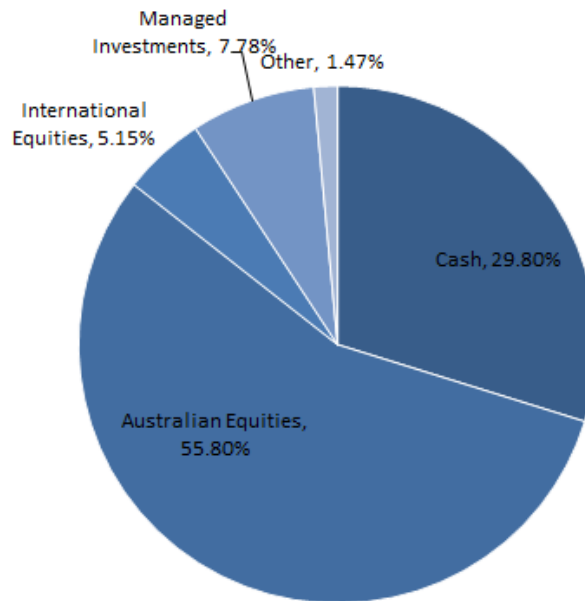
*Includes net returns from previous USD denominated Supervised Investments Limited which commenced in September 1999 and merged with TSF in 2009.

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

Returns Analysis*



Portfolio Analysis



Large Equity Holdings	Main Business	Country	% Assets
HGL Limited	Conglomerates	Australia	9.48
Sirtex Medical Limited	Medical Devices	Australia	8.99
Kangaroo Island Plantation Timbers Limited	Forestry/Land	Australia	7.80
Australian Vintage Limited	Wine	Australia	6.51
Bentham IMF Limited	Litigation Funding	Australia	4.18
Gale Pacific Limited	Polymer Fabric Products	Australia	3.62
Mintails Limited	Gold Mining	South Africa	2.58
Slater and Gordon Limited	Legal Practice	Australia	2.51
Gage Roads Brewing Co Limited	Brewing	Australia	1.96
Commonwealth Bank of Australia	Banking	Australia	1.85
Net Assets			\$11,991,404

Commentary

The fund significantly outperformed its peers and benchmark during the first quarter of financial year 2015. September saw a sharp sell-off in stocks as market participants grew weary of seemingly inflated valuations and bearish sentiment prevailed. We had been waiting for this sell-off and weighted heavily into cash accordingly, this dampened the impact on the portfolio. With valuations now back to more reasonable levels we are looking to reduce our cash holding by investing in fundamentally sound, misunderstood companies with strong balance sheets and catalysts for significant return.

Large corporates have comparatively low levels of gearing at present; the aftermath of the GFC saw debt transferred from corporates to governments, we are now beginning to see a revision of such. Over the past 12 months global managers have geared equity capital through record stock buy-backs, however we are still yet to see a significant expansion in organic EPS and CAPEX. Capital markets are easily accessible at present and corporate managers with short memories are ever eager to embark on risky ventures, we expect such will fuel debt funded CAPEX and translate into continued above average EPS growth.

There is much speculation concerning global interest rates and fixed income markets at present; we think the prospect of rate rises is largely priced into equity markets. The state of the sub-investment grade bond market is remarkable; forecast default rates and yields are low. Recently a company we were cautious to lend to three years ago at an interest rate of 10% with a free equity option attached sourced 5 year USD term debt with an interest rate near 6%. We know this company well and do not believe its prospects have improved in the past three years. US high yield credit funds seem to be producing returns in excess of 10% p.a, the only way such can be possible is through gearing. We are weary towards this sector and see risks of a liquidity crunch before the end of the cycle. Thankfully, we tend to steer clear of excessively leveraged companies with significant sub-investment grade liabilities so we do not expect to be significantly impacted if increased default rates eventuate as fixed rates rise.

Australia's economy continues to face difficulties of a high Australian dollar and declining mining capital investment. Australia is one of the few western nations with the capability to loosen monetary policy. We see increased likelihood of interest rate cuts over the next twelve months, which would improve the outlook for corporate earnings. This view is often rebuffed by financial market colleagues who believe the RBA is reluctant to inflate residential property valuations

We note the system is imperfect and believe under the current inflation outlook the bank will prioritise employment and wage growth over property price movements. We also believe residential property speculation could be more effectively rained in through changes to foreign investment and tax-shield legislation.

One stock we have seldom provided commentary on is Bentham IMF Limited – our litigation play. IMF is a litigation funder with a strong presence in Australia and a growing presence in the USA. Since listing in 2001 the firm has commenced and completed 159 cases, of these only 6 have been lost and 35 withdrawn. The company has a proven track record of identifying appropriate targets. The return on investment in success has historically averaged 273%, this means every \$1 spent on a given case produces settlement revenues of \$3.73 and a gross profit of \$2.73 (overheads are not excessive). Currently the market cap is approximately \$350m and the claim portfolio is estimated at over \$2bln. For the \$350m market cap we get net receivables and net cash of \$111m, and an investment in cases of \$100m. Accordingly the market is attributing approximately \$140m in upside to the current portfolio (total claims sought are \$2bln) and no upside to future opportunities. We are satisfied with the diversification of the portfolio; there are 10 cases with a claim value greater than \$50m of the 30 in play. While it is difficult to accurately predict annual earnings given the nature of the business, however we are comforted by a history of dividends and strong management ownership. We expect the company to grow the case portfolio and like the lack of earnings correlation to our other investments.

Please contact us if you wish to discuss an investment or hear more about any of our current holdings. 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



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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