

Samuel Terry Absolute Return Fund – October 2008 monthly report

The Fund's performance, compared to that of Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, follows:

To 31 October 2008	STAR	All Ords	MSCI (\$A)
1 month	-8.13%	-13.92%	-3.84%
3 months	-6.58%	-19.97%	-0.67%
1 year	-25.33%	-38.69%	-18.66%
3 years (%p.a.)	-1.31%	0.65%	-1.64%
Since inception on 1 November 2003 (%p.a.)	2.77%	9.37%	3.34%

Markets continued their crazy slide. Our biggest losses were in Australian fund manager **Hunter Hall** (5.4% of the Fund), which fell 25% and Australia's leading investment bank **Macquarie Group** (3.4% of the Fund), down 20%.

We were also hurt by our Indonesian companies, **Surya Citra Media**, Indonesia's leading television network (2.8% of the Fund) and **Petrosea**, an engineering firm, (2.3% of the Fund) which fell 35% and 34%, matching the slump in the Jakarta Stock Exchange. Both companies are very cheap, particularly SCM which trades at just 4x earnings and has little debt.

The most spectacular mark-down in our portfolio was in our oil shale companies **Esperance and Greenvale**, which fell 33-85% as the only other institutional shareholder sold out for whatever it could get. We helped them by buying their last shares, at a price less than the companies' net cash backing. As a result of these purchases, we are now the largest shareholders of both companies. The potential upside is huge, but as they are very risky, our weighting in these companies is less 2% in total.

At the other end of the risk spectrum, I was very disappointed that the board of health insurer, **nib** (7% of the Fund), rejected a takeover bid at nearly twice the previously-prevailing share price. The shares were steady during the month, helped by nib starting a share buy-back at month end. nib remains a takeover target, having an open share register, no debt, and a share price at only a small premium to its asset value, most of which is cash and bonds.

Despite all that you may read in the newspapers, this is a time for real investors to delight at the value on offer rather than worry about the losses of wealth we see around us. Provided that one has no debt, and that most of the shares one owns are solidly financed (a description that fits this Fund) an investor can do well from periods of fear. Although no one can predict when bear markets will end, the tables at the end of this report provide reasons to suspect that we are nearer the bottom than the top of the bear market.

I remind unitholders that the Fund has no debt, no derivatives and does not short-sell securities.

Net asset value per unit was \$A 0.8321 at the end of October. 3.5% of the Fund was in \$A cash. The Fund owned securities issued by 21 companies.

Fred Woollard
17 November 2008

Bear markets since 1960

US SHARES



	Months to low	% fall	Months after low to make new high	% gain in first 12 months after low
Aug 59-Oct 60	14	-13.9	3	+5
Dec 61-Jun62	6	-28.0	15	+33
Feb 66-Oct 66	8	-22.2	6	+33
Nov 68-May 70	18	-36.1	22	+37
Jan 73-Oct 74	21	-48.2	69	+38
Nov 80-Aug 82	21	-27.1	3	+58
Aug 87-Dec 87	4	-33.5	19	+23
Mar 00-Oct02	31	-49.1	55	+34
Average	15	-32	24	+33
Oct 07-?	12?	-46?	?	?

AUSTRALIAN SHARES



	Months to low	% fall	Months after low to make new high	% gain in first 12 months after low
Sep 60-Nov 60	2	-23.2	33	+12
Feb 64-Jun 65	16	-20.4	25	+9
Jan 07-Nov71	22	-39.0	94	+52
Jan 73-Sep 74	20	-59.3	59	+51
Nov 80-Jul 82	32	-40.6	17	+39
Sep 87-Nov 87	2	-50.1	75	+35
Aug 89-Jan91	15	-32.4	30	+39
Feb 94-Feb 95	12	-21.7	20	+25
Mar 02-Mar 03	12	-22.3	15	+27
Average	15	-34	41	+32
Nov 07-?	12?	-44?	?	?

Samuel Terry Asset Management Pty Limited (AFSL 278294) does not guarantee the repayment of capital or any particular rate of return from the Trust. Past performance is no guarantee or indication of future performance. The unit price can go up as well as down. Investment returns have been calculated in accordance with normal industry practice utilising movements in unit price and assuming reinvestment of all distribution of income and realized profits. The above report does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered as investment advice and should not be relied on as an investment recommendation.