

## **Samuel Terry Absolute Return Fund – May 2010 monthly report**

The Fund's performance, and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

<b>To 31 May 2010</b>	<b>STAR</b>	<b>All Ords</b>	<b>MSCI (\$A)</b>
1 month	-4.62%	-7.57%	-1.08%
3 months	1.22%	-3.33%	1.42%
1 year	23.97%	21.41%	7.95%
3 years (%p.a.)	-6.57%	-7.22%	-11.19%
Since inception on 1 November 2003 (%p.a.)	4.07%	9.17%	1.07%

Most of the Fund's holdings were impacted by the weakness in global markets, particularly our more illiquid and speculative holdings. The Fund's performance was helped by having 12% of the Fund in cash, and 57% of the Fund in companies which themselves have net cash.

Our worst performer was **Hamilton Securities** (3.5% of the Fund), which invests in Australian distressed debt and frozen funds. Hamilton shares fell 60% during May on tiny volume. We bought some more Hamilton shares at much less than half of NTA/share<sup>1</sup>.

Japanese industrial property owner **J-Rep** (3.3% of the Fund) fell 27% after another disappointing loss. Its shares trade at an 81% discount to NTA/share.

**Macquarie Atlas Roads**, which owns stakes in highly leveraged toll roads in Europe and America fell 16%. The Fund bought some more shares, raising its weighting to 5.2%, partly because of the company's substantial net cash.

The Fund sold its shares in **Macquarie Group** because Macquarie shares were no longer cheap enough to compensate for the inherent riskiness of an investment bank.

The Fund also sold its shares in **Willmott Forests** after I read a document explaining why the company's bankers chose to appoint receivers to another forestry company. The similarities with Willmott worried me.

The Fund's net asset value per unit was \$A 0.9452 at the end of May. The Fund owned securities issued by 22 companies.

Fred Woollard  
15 June 2010

*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.*

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<sup>1</sup> Net Tangible Asset value