

Samuel Terry Absolute Return Fund – June 2015 monthly report

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

To 30 June 2015	STAR	All Ords	MSCI (\$A)
1 month	4.29%	-5.40%	-2.99%
3 months	11.49%	-6.25%	-0.48%
1 year	32.45%	5.67%	23.28%
3 years (%p.a.)	27.20%	14.47%	24.50%
5 years (%p.a.)	26.86%	9.36%	14.27%
Since inception on 1 Nov 2003 (%p.a.)	13.15%	8.94%	7.05%

Once again, the main reason for the Fund's good performance was a 23% increase in **Kangaroo Island Plantation Timbers** (22% of the Fund). We do not know why the shares rose, but suspect that it was caused by investors recognising that the probability of KIPT unlocking its asset value has increased substantially.

The takeover bid by **Hamilton Securities** (3% of the Fund) for **Asset Resolution Ltd**, an unlisted Australian investment company, concluded with Hamilton owning 6.2% of ARL. This is in addition to the 19.9% of ARL previously owned by the Fund and its associates. After the bid closed, ARL announced a capital return of 0.9 cents per share will be paid in July. In response to this news, we have raised our ARL valuation from 0.4 to 0.7 cents (after taking the capital return into account), which is a discount of more than 30% to ARL's net asset value. The board of ARL has stated that it intends to liquidate ARL's remaining assets within the next few months, and expects to achieve more than book value, so we are comfortable that our valuation is conservative. About 4.8% of the Fund is in ARL after taking the July capital repayment into account.

We bought some more bonds of a company, secured over assets stated to be worth about twice what we paid for the bonds. We believe that if this company survives, which is possible, we will receive a return of over 20% pa. If it does not survive, which is also possible, then we expect to recover more, possibly a lot more, than we paid for the bonds. 3.6% of the Fund is in these bonds, and we may buy some more.

The Fund's net asset value per unit was \$1.7105 at month end. The Fund owned securities issued by 22 companies. 26% of the Fund was in \$A cash.

Fred Woollard and Nigel Burgess
9 July 2015

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