

Martin Raymond Real Return Fund – May 2004 monthly report

NAV/unit rose by 1.8% during May, and since the fund's inception on 1st November, the NAV/unit has gained 7%. The fund owns securities in seven companies. 70% of the fund remains in cash.

The main events of note during the month were:

- 1) **MCI** (8.8% of the fund) rose 4.7% during May, despite reporting a loss in the first quarter.
- 2) **Village Roadshow** (6.3% of the Fund) rose 8.8% during May, as investors became more confident that the controlling shareholders are attempting a slow-motion privatisation. This opinion was supported by an announcement in late May that Village intends to buy back up to 10% of its ordinary shares.
- 3) The planned IPO of **Rattoon** was cancelled because the company was refused listing by the ASX. I was disappointed by this, and had high hopes for this company. We had applied to invest 6.3% of the Fund in Rattoon. The application money has now been refunded.
- 4) 4% of the Fund was invested in late May into a newly listed UK company called **Chesnara plc**. Chesnara is a closed life assurance company, whose shares were spun-off from an estate agency. Chesnara shares started trading at a 40% discount to stated net asset value per share, and a forecast dividend yield of over 10%. I also like the fact that it is debt-free. Although I expect that long term investors in Chesnara will generate a double digit return, there is a great deal that could go wrong. Unfortunately, UK life assurance companies have a well-deserved reputation among investors for opaque accounting and uninspiring management

The Fund's continuing inactivity is largely because I have been distracted by setting up my new company and applying for an AFS (funds management) license for the company. This process is very time consuming, and has kept me away from looking at markets and companies. The good news is that we are making progress on this front, and I am now spending more of my time looking at companies.

Fred Woollard
3rd June 2004

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