

Samuel Terry Absolute Return Fund – May 2006 monthly report

The Fund's performance and that of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index are as follows:

To 31 May 2006	STAR	All Ords	MSCI (\$A)
1 month	1.78%	-4.34%	-2.48%
3 months	9.32%	2.67%	0.36%
6 months	15.74%	10.41%	6.38%
1 year	17.18%	27.38%	18.54%
Since inception on 1st November 2003 (%p.a.)	12.78%	22.22%	12.45%

Despite weakness in most markets, the Fund had a good month. There were three main reasons for this:

- 1) Our high (20%+) cash weighting
- 2) 45% of the Fund is protected by put options on the ASX 200 Index. At month end, these options were "in the money".
- 3) A 128% rise in the price of **Esperance Minerals**, an oil shale hopeful. Despite selling part of our holding (at too low a price!), 6.4% of the Fund was in this highly speculative stock at month-end. In early June, Esperance shares fell as quickly as they rose, reversing most of May's gain.

Calliden, an Australian insurer (5.4% of the Fund) fell 12%, despite a moderately encouraging statement at the company's annual meeting.

Another poor performer was the **Australian Onshore Energy Fund** (9.3% of the Fund) which fell 10%. We bought some more of this complex debt security.

Late in the month, I attended the annual meeting of **Surya Citra Media**, an Indonesian TV station, and was pleased with what I heard. We took advantage of a 9% fall in the share price to lift our weighting to 4%. Despite good growth prospects, the P/E is around 12x, and the dividend yield is 7%.

Net asset value per unit was \$1.1263 at the end of May. 20% of the Fund was in cash (mostly \$A). The Fund owned securities issued by 22 companies.

Fred Woollard
19th June 2006

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