

Samuel Terry Absolute Return Fund – November 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 30 Nov 2006	STAR	All Ords	MSCI (\$A)
1 month	1.34%	2.48%	0.48%
3 months	7.61%	8.74%	4.04%
1 year	31.34%	24.26%	12.51%
2 years	13.41%	22.65%	14.47%
Since inception on 1 November 2003 (%p.a.)	15.23%	22.93%	12.35%

The Fund had a disappointing month, caused partly by the slump in the value of the ASX 200 **put options** that protect 31% of the Fund.

We were also hurt by a 10% fall in a distressed debt security. The debt trades at about 60% of face value, and yields over 30% p.a. Although there are risks, the borrower has a good business and enough assets that there is a good chance that we will be repaid. Accordingly, the Fund lifted its weighting to 2.9% and I intend to buy more if the price falls further.

We also bought more of an Australian timber plantation company, lifting our weighting to 8.8%. We would have bought more, but there was strong competition from the company itself, which bought back 3.3% of its own shares during the month. As the shares trade at a discount of over 40% to net asset value, this is most encouraging.

Our largest holding (14.2% of the Fund) is the FIELDS debt security issued by **Delhi Petroleum**. Following its purchase by Beach Petroleum, Delhi has repaid most of its senior debt and redeemed one-third of the FIELDS. The effect of this is that the FIELDS are now a much safer security, but still yield around 11%. I have therefore decided to keep them, even though the price is much higher than when we bought them.

Net asset value per unit was \$1.2318 at the end of November. 10.3% of the Fund was in cash, of which 5.4% was in \$A and 4.9% in gold. The Fund owned securities issued by 25 companies.

Fred Woollard
15 December 2006

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