

## Samuel Terry Absolute Return Fund – April 2007 monthly report

The Fund's performance, compared to those produced by the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index follow:

To 30 April 2007	STAR	All Ords	MSCI (\$A)
1 month	0.63%	3.05%	1.70%
3 months	-1.81%	8.17%	-1.04%
1 year	18.65%	23.10%	7.04%
2 years (% p.a.)	16.39%	30.19%	17.00%
Since inception on 1 November 2003 (%p.a.)	14.18%	24.63%	11.98%

The fund had a quiet month with few significant moves and few changes to the portfolio. Australian gold miner, **Saracen** (4.3% of the Fund) rose 25%. Our biggest loser was the **put options** (1.1% of the Fund) on the Australian index. These protect 44% of the Fund from declines in the overall market, but cause the Fund losses as the market goes up.

As you can see, world markets are rising rapidly, but this Fund is not. The main reason for this is my decision to hold an increasingly defensive portfolio. In addition to the Fund's high cash weighting and its put options, about half of the securities the Fund holds are issued by companies with no debt. This investment approach is a good way to preserve capital, but is not likely to do well in a rapidly rising market.

The world is awash with cheap debt and there are many more investors looking for value in obscure securities. These trends make my job harder. Nevertheless, I remain optimistic that I will find new opportunities to invest our capital on attractive terms. Until such opportunities appear, I intend to remain defensive, even if it means further short-term under-performance.

Net asset value per unit was \$1.2654 at the end of April. 22.7% of the Fund was in cash, of which 17.7% was in \$A and 5.0% in gold. The Fund owned securities issued by 25 companies.

Fred Woollard  
15 May 2007

*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. 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.*