

Samuel Terry Absolute Return Fund – February 2007 monthly report

The Fund had its worst ever month. The dismal numbers of the Fund's performance, compared to those produced by the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index are shown follow:

To 28 Feb 2007	STAR	All Ords	MSCI (\$A)
1 month	-3.13%	1.59%	-1.92%
3 months	1.34%	7.39%	2.85%
1 year	25.71%	24.09%	9.17%
2 years	14.35%	23.30%	14.83%
Since inception on 1 November 2003 (%p.a.)	14.47%	23.66%	12.32%

The largest contributor to the loss was our second biggest holding, an **Australian timber plantation owner** (8.6% of the Fund) which fell 13%, despite announcing the sale of a large parcel of vacant land. The shares trade at a 48% discount to net asset value, and we are trying to buy more of them.

Other significant losers were:

- **Simon Gilbert Wines** (1.5% of the Fund) fell 27% after three directors resigned and the company announced a new share issue.
- **Domino's Pizza** (3.5% of the Fund), fell 17% after a disappointing first-half result, but I believe that the long-term growth story remains intact.
- **Timbercorp** (3.4% of the Fund) fell 17% because the Australian government abolished tax concessions on the company's main products. We bought more of the preference shares as their price fell below face value. At that price we receive a 6.75% fully franked yield and potential upside from a company I still regard as a good credit risk.
- **Calliden**, an Australian insurer (4.1% of the Fund) fell 8% after reporting results which should not have surprised anyone, and gave me comfort that Calliden remains on track to eventual profitability.

The worst news for the Fund was not the above price movements, which I regard as largely transitory, but Westpac's decision to redeem our largest holding, the **FIELDS debt security** (12.1% of the Fund). The FIELDS yielded almost 12% and were a safe credit risk. I am disappointed to have lost them.

Net asset value per unit was \$1.2483 at the end of February. 9.0% of the Fund was in cash, of which 3.6% was in \$A and 5.4% in gold. The Fund owned securities issued by 26 companies.

Fred Woollard
15 March 2007

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