

Samuel Terry Absolute Return Fund – April 2008 monthly report

The Fund's performance, compared to that of Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, follows:

To 30 April 2008	STAR	All Ords	MSCI (\$A)
1 month	-1.11%	4.64%	1.85%
3 months	-6.89%	0.60%	-1.62%
1 year	-18.04%	-4.56%	-14.21%
2 years	-1.39%	8.39%	-4.17%
Since inception on 1 November 2003 (%p.a.)	6.19%	17.81%	5.65%

The Fund's poor performance was due to falls in several Australian micro-caps, an area that has been hit hard by the world credit crunch and the collapse of two stockbroking firms that had lent a lot of money to micro-cap investors. The Fund's biggest losers were medical supplier **ITL Ltd** (3.2% of the Fund), down 17%, **Prince Hill Wines** (1.0% of the Fund), down 40% and shale oil hopeful **Esperance Minerals** (1.5% of the Fund), down 19%. The Fund added slightly to each of these holdings.

We were also hurt by an 8% fall in the gold price. 8.3% of the Fund is in gold and gold shares. Despite the big increase in gold prices in recent years, I still believe that the gold bull market has much further to go.

2.5% of the Fund was invested in a new share issue by **Stratatel**, an Australian company that produces software to enable large companies to control their telephone spending. Attractions of Stratatel include almost no debt, a good history of growth, as well as further growth potential. The shares appear cheap at around 5-7x earnings, and pay a 6% dividend yield. Not least, all of the directors invested in the share issue, which was used to buy a competitor.

The Fund benefited from a 3% increase in Australian timberland owner **RuralAus** (19% of the Fund), a 14% increase in UK-based internet gaming payments system **Neteller** (4.1% of the Fund) and a 7% increase in Australian fund manager **Hunter Hall** (6% of the Fund).

Despite the Fund's poor performance, I believe that most of the portfolio is in safe securities with a bright outlook. I wish that I could tell you when the state of our companies will translate into better fund performance.

Net asset value per unit was \$1.0000 at the end of April. 11.5% of the Fund was in cash, of which 5.8% was in \$A and 5.7% in gold. The Fund owned securities issued by 22 companies.

Fred Woollard, 14 May 2008

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