

Samuel Terry Absolute Return Fund – August 2008 monthly report

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

To 31 August 2008	STAR	All Ords	MSCI (\$A)
1 month	2.41%	4.02%	8.30%
3 months	-9.83%	-8.63%	-1.36%
1 year	-19.92%	-13.12%	-16.16%
2 years (%p.a.)	-7.28%	5.39%	-4.30%
Since inception on 1 November 2003 (%p.a.)	4.93%	16.06%	5.38%

The fund had a quiet month. Most of our Australian holdings reported good results for the June half year. The best was health insurer, **nib** (6.5% of the Fund), which rose 25% after it reported better than expected profits, announced its first ever dividend and a share buy-back. The chief executive also bought some more shares. The company has no debt, lots of cash, and is an obvious takeover target in a consolidating industry.

Our biggest loss was from **our oil shale companies**, which fell about 30% after the Queensland government banned a planned \$14 billion oil shale development by the US-based Ziff family. Had it gone ahead, this would have been Australia's first shale oil mine for over 50 years and would have given hope to investors that shale oil can be viable in Australia. Unlike the Ziff family's project, which is close to the Whitsundays, a popular tourist area, our shale oil deposits are not in sensitive locations.

The current share prices of Esperance and Greenvale value the companies at less than half a cent per barrel. Although development of Queensland shale oil deposits has been blocked for the next two years, I regard these shares as attractive long-term call options on oil. Like all options, they are highly speculative, so the two companies comprise only 1.5% of the Fund in total.

Net asset value per unit was \$0.9122 at the end of August. 3.8% of the Fund was in cash, all of which was in gold. The Fund owned securities issued by 21 companies.

Fred Woollard
15 September 2008

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