

## **Samuel Terry Absolute Return Fund – December 2008 monthly report**

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

<b>To 31 December 2008</b>	<b>STAR</b>	<b>All Ords</b>	<b>MSCI (\$A)</b>
1 month	0.12%	-0.08%	-3.74%
3 months	-16.40%	-20.20%	-11.78%
1 year	-32.02%	-40.38%	-26.16%
3 years (%p.a.)	-5.46%	-4.22%	-6.80%
Since inception on 1 November 2003 (%p.a.)	0.51%	6.39%	1.14%

The Fund had a quiet month. Our worst performer was Australian fund manager **Hunter Hall** (4.0% of the Fund) which fell 16%. It was hurt by continuing poor performance by its funds and large share sales by its CEO, slightly offset by buying from the company's chairman. Large share sales by a CEO always worry me, particularly when the shares otherwise appear very cheap (current P/E less than 10x, dividend yield over 10%) for a company that owns a great business with long term growth prospects.

The shares are now 80% off their 2007 high and are back to levels last seen in 2003, when the company's funds under management were about a third of the current level. The collapse of Hunter Hall's share price is similar to that experienced by other fund managers. When the markets recover, fund manager shares, including Hunter Hall, have the potential to do very well. If it were not for the CEO selling, I would be inclined to buy more shares.

**Neovia Financial plc**, a UK company that is the world's leading internet gaming payments system, (4.0% of the Fund) fell 8% for no apparent reason. In addition, there was an 11% fall in the pound. 90% of Neovia's share price is backed by net cash and the business is profitable and growing.

On the positive side, Indonesia's leading TV station **Surya Citra Media** (4.7% of the Fund) rose 28% after declaring a higher than expected dividend.

**Ainsworth Gaming notes** (3.3% of the Fund) rose 40% after the company extended the notes' maturity by two years to December 2011. The notes yield 43% p.a., have strong asset coverage and there is a reasonable chance we will be repaid even though Ainsworth continues to lose money.

Net asset value per unit was \$A 0.7572 at the end of December. 0.8% of the Fund was in \$A cash. The Fund owned securities issued by 22 companies.

Fred Woollard  
16 January 2009

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