

Samuel Terry Absolute Return Fund – March 2013 monthly report

The Fund's performance (net of fees), and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

To 31 March 2013	STAR	All Ords	MSCI (\$A)
1 month	2.10%	-2.24%	-0.17%
3 months	8.80%	8.04%	6.38%
1 year	13.62%	17.80%	10.06%
3 years (%p.a.)	21.93%	5.01%	3.73%
5 years (%p.a.)	12.52%	2.76%	0.00%
Since inception on 1 Nov 2003 (%p.a.)	9.64%	9.04%	3.01%

We had a mixed month. Our biggest winner was Australian timberland owner **RuralAus** (4.9% of the Fund) which rose 67% after we participated in a share issue to recapitalise the company. Other winners included Australian property fund manager **Centuria** (9.0% of the Fund) which rose 21% and insurer **Calliden** (5.9% of the Fund) which rose 13%, in both cases for no apparent new reason. Minerals explorer **Esperance** (1.6% of the Fund) rose 160% after it announced a gold exploration deal in Brazil. We responded to the excitement by selling some shares.

Our biggest loser, costing us about a 1.5% loss in NAV, was our position in **call options on the Australian ASX200 Index**. This has been a big winner for us, but as markets fell, we lost some of our earlier gains. At month end, 1.1% of the Fund was in options. We were also hurt (again!) by a 20% fall in Australian gold miner, **Saracen Minerals** (3.7% of the Fund), for no apparent reason.

The biggest disappointment of the month was one that did not have an impact on our numbers. This was our failure to convince growers in the Elders sandalwood schemes that they should merge their interests with **Hamilton Securities** (1.3% of the Fund) rather than selling their precious assets for a pittance in a fire sale. The "independent expert" who "advised" the growers acknowledged that the growers were foregoing a likely return of at least 20%pa, but despite our best efforts, we were rebuffed. The actual losses to both Hamilton and the Fund were insignificant (except in terms of my time) but the potential gains we could have made from the merger were mouth-watering. Fortunately for Hamilton, it operates in a sector where deep value is plentiful, and we are planning further activities. To assist this, the Fund has agreed to underwrite a small rights issue by Hamilton that could lift our weighting by around 2%.

After the Elders growers rejected Hamilton's proposal, I decided to buy some shares in **TFS**, Australia's largest sandalwood grower (1.9% of the Fund). Although TFS shares trade at a 40% discount to net asset value, and are likely to generate a good return over coming years, its debt level and inherent riskiness mean we will only invest a small proportion of the fund in its shares.

The Fund's net asset value per unit was \$1.3486 at month end. The Fund owned securities issued by 23 companies. 9.6% of the Fund was in \$A cash.

Fred Woollard
10 April 2013

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