

Samuel Terry Absolute Return Fund – October 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 October 2013	STAR	All Ords	MSCI (\$A)
1 month	2.51%	3.91%	2.61%
3 months	6.56%	9.15%	1.82%
1 year	29.70%	24.68%	35.73%
3 years (%p.a.)	19.79%	9.26%	12.30%
5 years (%p.a.)	19.74%	11.09%	6.62%
Since inception on 1 Nov 2003 (%p.a.)	10.76%	9.65%	5.03%

The Fund had a quiet month. Our biggest winner was Australian timberland owner **Kangaroo Island Plantation Timbers** (7.1% of the Fund) which jumped 21% after most of KIPT's former growers rejected KIPT's share offer. The share offer was priced at an 89% discount to KIPT's stated net asset value, and it would have been bad for existing KIPT shareholders if many former growers had accepted the offer.

Another winner was Australian shale oil hopeful **Greenvale Mining** (1.2% of the Fund) which jumped 29% following the appointment of a new CEO with an unusual remuneration package. The new CEO will receive a cash salary of zero. Instead, he has invested \$250,000 cash into the company. He has also been granted performance rights that will give him free shares if Greenvale's market capitalisation hits \$30m, \$50m, \$100m and \$200m within the next five years. The market cap is currently \$6m. Encouragingly, two of the three directors are also investing money on the same terms as the new CEO, but without the performance rights. Greenvale is highly speculative, but management appears to believe it has merit.

Our biggest loser was **Keybridge Capital**, an Australian investor in distressed assets (8.1% of the Fund) which fell 10%, perhaps because Keybridge placed one of its subsidiaries into administration. We remain comfortable with Keybridge because of its large discount to net asset value, high cash backing and smart management.

We invested 1.1% of the Fund into a mixture of put and call options on the Australian ASX200 Index because **option volatility** is back at very low levels. Buying options is obviously risky, but we regard the risk/reward combination as an attractive bet for a very small proportion of the Fund.

The Fund's net asset value per unit was \$1.4352 at month end. The Fund owned securities issued by 25 companies. 13.9% of the Fund was in \$A cash.

Fred Woollard
8 November 2013

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