

Samuel Terry Absolute Return Fund – September 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 30 September 2013	STAR	All Ords	MSCI (\$A)
1 month	1.80%	2.39%	0.37%
3 months	11.10%	10.78%	5.68%
1 year	28.92%	23.55%	31.49%
3 years (%p.a.)	19.58%	8.65%	12.03%
5 years (%p.a.)	17.15%	6.98%	4.91%
Since inception on 1 Nov 2003 (%p.a.)	10.58%	9.32%	4.80%

The Fund's biggest winner was Australian retirement home owner **Ingenia** which rose 28% after it announced a share issue to fund new acquisitions. We responded to the market's enthusiasm for Ingenia by selling most of our shares, which were 4.9% of the Fund last month. When we bought Ingenia, its shares traded at a large discount to NAV¹, and were mostly owned by a small group of deep value investors like us. In the year we owned it, Ingenia's share price doubled. They now trade at a 20% premium to NAV, and are popular with "small cap" fund managers.

Keybridge Capital, an Australian investor in distressed assets (9.2% of the Fund) rose 15% helped by good news from its money-lending business and share buying by three of the four directors.

TFS, Australia's largest sandalwood grower (3.9% of the Fund) rose 27% after encouraging news from its first harvest.

Our biggest loser was Australian gold miner, **Saracen Minerals** (5.4% of the Fund), which fell 16% because of a 9% fall in the \$A gold price. Property investor **Macarthur Cook** (2.7% of the Fund) fell 16% because it lost the latest round of a court case. The units trade at a 40% discount to NAV if it loses the next (and final) round of the court case, and a discount of over 50% below NAV if it wins.

We committed 2% of the Fund into the recapitalisation of **Galileo Japan Trust**, which owns a variety of Japanese commercial properties. Prior to the recapitalisation, GJT had been close to insolvent, but now GJT's debt is at a sustainable level. We bought our GJT units at a 30% discount to NAV and a dividend yield of 10%. Provided the yen does not fall substantially against the \$A, we expect a total return of over 10% pa from GJT with only modest risk.

The Fund's net asset value per unit was \$1.4001 at month end. The Fund owned securities issued by 23 companies. 16.6% of the Fund was in \$A cash.

Fred Woollard
10 October 2013

Samuel Terry Asset Management Pty Limited (AFSL 278294) does not guarantee the repayment of capital or any particular rate of return from the Trust. Past performance is no guarantee or indication of future performance. The unit price can go down as well as up. Investment returns have been calculated in accordance with normal

¹ Net Asset Value

industry practice utilising movements in the unit price and assuming reinvestment of all distribution of income and realized profits. The above report does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered as investment advice and should not be relied on as an investment recommendation.