

Samuel Terry Absolute Return Fund – February 2014 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:

	STAR	All Ords	MSCI (\$A)
To 28 February 2014			
1 month	4.13%	4.84%	3.04%
3 months	7.13%	2.88%	4.67%
1 year	31.48%	10.37%	35.82%
3 years (%p.a.)	18.91%	7.88%	13.62%
5 years (%p.a.)	26.92%	15.26%	12.65%
Since inception on 1 Nov 2003 (%p.a.)	11.45%	9.49%	5.85%

Our biggest winner was Australian sandalwood grower **TFS** (6.6% of the Fund), which rose 24%, helped by strong first half results and encouraging product sales.

Kangaroo Island Plantation Timbers (7.7% of the Fund) rose 13%, possibly because KIPT purchased a port site, an important step to unlocking the company's substantial timber value.

Other winners included Australian gold miner, **Saracen Minerals** (5.4% of the Fund), up 7%, helped by a 4% increase in the \$A gold price, and French motorway owner **Macquarie Atlas Roads** (5.9% of the Fund), up 11% due to good annual results.

Our biggest loss was in **copper options**. Two months ago, we invested 1.5% of the Fund in a bet on copper volatility, then trading at 25 year lows. The result of this bet was that when the position expired this month, it cost us 0.8% of the Fund. When I bought the position, I knew that we could lose some or all of our investment. Despite this result, we are interested in buying other options, providing the price of the options (as measured by implied volatility) is extremely low. Only small proportions of the Fund will be invested in such speculations.

We were also hurt by Australian wind energy producer **Infigen Energy** (2.9% of the Fund), which fell 15% after the Australian government appointed a prominent climate change sceptic to advise it on the future of the Renewable Energy Target.

We sold our last shares in Australian insurer **Calliden** after holding it for ten unprofitable years. The current share price incorporates a degree of optimism that I am not sure is warranted.

The Fund's net asset value per unit was \$1.5821 at month end. The Fund owned securities issued by 25 companies. 13.9% of the Fund was in \$A cash.

Fred Woollard
11 March 2014

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