

Samuel Terry Absolute Return Fund – August 2015 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 August 2015	STAR	All Ords	MSCI (\$A)
1 month	1.90%	-7.30%	-4.17%
3 months	6.16%	-8.59%	-1.56%
1 year	33.11%	-2.98%	23.08%
3 years (%p.a.)	27.35%	11.01%	23.99%
5 years (%p.a.)	24.45%	7.87%	14.95%
Since inception on 1 Nov 2003 (%p.a.)	13.12%	8.49%	7.08%

Despite high volatility in world share markets, our Fund had an unexciting month. This was partly because of our 27% cash weighting, and because 56% of the Fund is invested in companies which themselves have net cash.

Our largest holding, **Kangaroo Island Plantation Timbers** (26.5% of the Fund) rose 19% for no apparent reason. Although KIPT shares have performed well, KIPT is still priced at only a modest premium to its land value, placing little value on its standing timber and its port site. If KIPT can obtain government consent to develop its proposed port, then the shares could be worth substantially more than the current price. There is, of course, no certainty that KIPT will be able to obtain consent.

Once again, our biggest loser, costing 0.7% of the Fund was our position in **call options on the S&P 500 Index** (0.3% of the Fund). This was because the S&P Index fell 6.2%.

We were also hurt by a 17% fall in **Infigen Energy**, an Australian renewable energy company. Infigen shares fell, in part, because of a disappointing profit result. We bought more shares during the month, lifting our position to 3.8% of the Fund. We believe that Infigen shares have modest downside, with net cash making up over half the market capitalisation. If regulatory conditions and electricity markets are favourable, then Infigen could generate high returns over the next 5-10 years.

The UK-based **Co-Operative Bank** (2.2% of the Fund) fell 9% after reporting another large loss. Despite this, we remain comfortable holding a small position in the shares. This is because the Bank is now well capitalised, and seems to be on track to achieve strong profitability around 2018. The shares trade at a large discount to net asset value and a low multiple of potential earnings.

The Fund's net asset value per unit was \$1.7412 at month end. The Fund owned securities issued by 22 companies. 27% of the Fund was in \$A cash.

Fred Woollard and Nigel Burgess
9 September 2015

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 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.