

Samuel Terry Absolute Return Fund – January 2018 monthly report

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

To 31 January 2018	STAR	All Ords	MSCI (\$A)
1 month	17.7%	-0.3%	2.2%
1 year	37.2%	13.0%	19.9%
3 years (%p.a.)	37.9%	8.0%	10.6%
5 years (%p.a.)	32.0%	9.2%	17.0%
7 years (%p.a.)	27.6%	8.0%	12.9%
10 years (%p.a.)	20.9%	5.2%	7.6%
Since inception on 1 Nov 2003 (%p.a.)	17.0%	9.0%	7.6%

The Fund had its best ever month. Almost all of the gain was due to our call options on the S&P Index, which rose 5.6% during the month. Late in the month, we sold our June options at a large profit and invested part of the proceeds into September 3000 and 3100 call options on the index.

Net of our purchases, our sales proceeds from the options during January were over \$A 26m. We spent only \$A 2.5m on June call options, but one of them rose over 25x.

We were also helped by a 41% rise in **Royalco Resources** (1.7% of the Fund), an Australian royalties owner, which announced plans to sell its major asset.

Dubber Corporation, a small Australian software company (2.8% of the Fund), rose 18% for no apparent reason.

We sold our shares in **Goldman Sachs**. In the six years we owned them, the share price rose from \$US 105 to \$US 263. We bought them soon after the GFC at less than book value and sold them at more than 150% of book value.

We started buying a new company (2.0% of the Fund) which is the market leader in its field and has substantial net cash. Its shares trade at a low multiple of earnings, a significant discount to break-up value and pay an attractive dividend yield.

The Fund's net asset value was \$128m or \$3.49 per Founder unit and \$13.87 per A Class unit (up 17.6%) at month end. 42% of the Fund was in \$A cash. It owned securities issued by 17 companies.

Fred Woollard and Nigel Burgess
8th February 2018



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