



## SAMUEL TERRY ASSET MANAGEMENT

### SAMUEL TERRY ABSOLUTE RETURN FUND

#### FUND SUMMARY AS AT 30 SEPTEMBER 2012

**Objective** The Fund aims to grow investors' wealth at over 10% p.a. while minimising the risk of loss to investors' capital. The Manager believes that a return of over 10% p.a. is likely to exceed the return of most asset classes and share indices, but the Fund is not managed with the explicit objective of matching or beating any index.

Fred Woollard, the investment manager of the Fund, has invested most of his family's net worth in the Fund and manages it as his personal portfolio, albeit one shared with outside partners.

**Fund description** The Fund is an Australian domiciled unit trust and has net assets of \$US 14.5m. The Fund is denominated in \$A and its financial year ends on 30<sup>th</sup> June.

The Fund does not borrow money or short-sell securities. It tends to buy and hold securities rather than being an active trader.

Those who like to pigeonhole funds by "style" would probably describe the Fund as "deep value global contrarian". The Manager aims to buy most of the Fund's securities at a sufficiently large discount to intrinsic value to ensure a margin of safety against loss as well as the potential to generate returns of over 10% p.a.

The Fund started investing on 1<sup>st</sup> November 2003 and became available to public investors on 1<sup>st</sup> February 2005.

The Fund is open to redemptions and subscriptions at the end of each month.

Under Australian law, the Fund is obliged to distribute its net income to unit holders at least once a year. This usually takes place in July. Most unit holders reinvest their distributions back into the Fund.

**Performance history** The Fund's performance (after all fees and expenses) and that of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index in Australian dollars are shown below in \$US:

To 30 September 2012	STAR	All Ords	MSCI
1 month	1.51%	2.68%	3.24%
3 months	3.81%	9.68%	6.93%
1 year	22.81%	21.76%	21.39%
3 years (%p.a.)	27.17%	7.44%	7.85%
5 years (%p.a.)	10.44%	-0.54%	-1.55%
Since inception on 1 Nov 2003 (%p.a.)	13.44%	12.54%	6.63%

The above numbers assume reinvestment of all distributions and dividends.

**Asset Allocation** The Fund invests globally, but has a bias towards Australia.

It can invest in equities, debt or cash. From time to time, a substantial proportion of the Fund may be invested in distressed debt and/or emerging markets. The Fund has a bias toward small, illiquid and obscure securities.

The Fund aims to hold 20-30 diverse securities. Most of the portfolio is invested in companies the Manager perceives as "low risk" but a small part of the portfolio is invested in high-risk securities, which have potentially high reward.

At 30 September 2012, the Fund owned securities issued by 25 companies. 65.3% of the Fund was in Australian securities, 16.7% in USA, 5.5% in France and 4.1% in Japan. 4.2% was in \$A cash and 4.1% in Japanese yen cash.

**Investor information** Investors in the Fund receive a monthly report informing them of the Fund's performance, and news about the Fund's investments.

The company's website ([www.samuelterry.com.au](http://www.samuelterry.com.au)) contains further information on the Fund, as well as a complete archive of the Fund's monthly and annual reports.

**The Fund is open to Wholesale Investors only** Pages 18-19 of the Fund's Information Memorandum contains a full definition of what makes an investor "wholesale", but the most common ways an investor can be regarded as "wholesale" is to either:

- a) invest at least \$A 500,000 into the Fund, or
- b) have a "Qualified Accountant" certify that the investor either has a net worth of at least \$A 2,500,000, or has earned at least \$A 250,000 per annum in each of the last two years.

The minimum initial investment size is \$A 50,000.

**Fees** The Fund has four sets of fees:

- a) A management fee of 1.5% p.a. of net assets of the Fund (plus GST<sup>1</sup>)
- b) A performance fee of 20% (plus GST) of the Fund's return above 10% p.a. This is calculated after deducting the management fees and operating expenses of the Fund, and is subject to a "high water mark". Due to inadequate performance, the Fund has accrued a large negative performance fee. For this reason, it is unlikely that a performance fee will be payable in the foreseeable future, if ever.
- c) Fees are payable to the Fund's Administrator, Custodian and Auditor. The Manager uses its own resources to ensure that the total Management Expense Ratio (not including performance fees) does not exceed 2.0% p.a. (plus GST).
- d) An Exit Fee is payable by investors who redeem their units within three years of subscribing for units. The amounts of the Exit Fees are:

<b>Time of redemption of funds</b>	<b>Amount of Exit Fee</b>
During first year after initial investment.	3% of the Redemption Price
During second year after initial investment.	2% of the Redemption Price.
During third year after initial investment.	1% of the Redemption Price
During fourth and remaining years of investment.	Nil.

Exit Fees are payable to the Fund, not to the Manager. The purpose of the Exit Fee is to discourage investors with a short term investment horizon from investing in the Fund, and to compensate long term investors for the disruption to the Fund caused by short term investors exiting the Fund.

**Some Reasons Not to Invest in this Fund** (see the Information Memorandum for more)

- Although recent performance has been good, the Fund has had long periods of poor performance, and, at times, is likely to do so again.
- The Fund has a more concentrated portfolio than most other funds.
- Part of the Fund's portfolio is in illiquid and/or obscure securities. If you are looking for a fund that invests in well-known, blue-chip securities, this Fund is not for you. (But we currently own Microsoft and Goldman Sachs shares.)
- The Fund's illiquid securities could be difficult to sell quickly if the Fund received a large number of redemption requests at once.
- At times, a small proportion of the Fund will be invested in speculative securities. Some of these will pay off. Others will become worthless, *as some have done*.
- The Fund sometimes buys debt that is at serious risk of default, or to have already defaulted.
- The Fund is managed with the objective of maximizing after-tax returns for Australian residents, rather than maximizing pre-tax returns.
- The Fund has been designed to be unsuitable for investors seeking a short term home for their money.

---

<sup>1</sup> GST refers to the Goods and Services Tax charged by the Australian Government. Notionally the rate of GST is 10%, but in practice for investment funds, it is only 2.5%.

- The Fund is unlikely to pay a regular income.
- The Fund's performance will be impacted by changes in foreign exchange rates.
- Most of the Fund's portfolio will usually be risk-averse and defensive; but in times of panic you should expect the Fund to be an aggressive buyer of more speculative securities if their prices fall to levels judged to be ridiculously cheap. Some people do not feel comfortable about this approach, even though it generated good returns for the Fund following the panic of 2008-2009.

**Directory**

**MANAGER, TRUSTEE and INVESTMENT MANAGER**

Samuel Terry Asset Management Pty Ltd

C/- Cameron Stockbrokers

Level 6

10 Spring Street

Sydney 2000

Postal address: PO Box R1743

Royal Exchange 1225

AUSTRALIA

Phone: +61 2 9221 3326 (office) or +61 400 001976 (cell phone)

Fax: + 61 2 9232 7272

Australian Financial Services License number 278294

[www.samuelterry.com.au](http://www.samuelterry.com.au)

**Fred Woollard** is founder, owner and chief executive of Samuel Terry Asset Management. His e-mail address is: [fred@samuelterry.com.au](mailto:fred@samuelterry.com.au)

**FUND ADMINISTRATOR**

White Outsourcing Pty Ltd

Level 7, 20 Hunter Street

Sydney 2000

[www.whiteoutsourcing.com.au](http://www.whiteoutsourcing.com.au)

**CUSTODIAN**

JPMorgan Chase Bank

85 Castlereagh Street

Sydney 2000

[www.jpmorgan.com](http://www.jpmorgan.com)

**AUDITORS**

Grant Thornton

383 Kent Street

Sydney 2000

[www.grantthornton.com.au](http://www.grantthornton.com.au)

**Disclaimer**

This report is a summary of the Samuel Terry Absolute Return Fund. Before investing in the Fund, prospective investors are encouraged to read the Fund's Information Memorandum.

If there is a conflict between this summary and the Information Memorandum, the Information Memorandum generally prevails.

Samuel Terry Asset Management Pty Limited does not guarantee the repayment of capital or any particular rate of return from the Fund. Past performance is no guarantee or indication of future performance. The Fund's unit price can go down as well as up. Investment returns have been calculated in accordance with normal industry practice utilising movements in unit price and assuming reinvestment of all distribution of income and realized profits. This summary 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.