



SAMUEL TERRY
ASSET MANAGEMENT

Australian Financial Services License number 278294

UPDATE TO UNITHOLDERS 15 MARCH 2020

Dear unitholders,

We would like to let you know how the Samuel Terry fund has been impacted by recent market anxiety and what we are doing with your money.

In February, the Fund¹ fell 4.4%, compared to the Australian All Ordinaries Index, which fell 8.1%. The main reason for our relatively good result was that we started February with 32% in cash and a further 20% in securities that are similar to cash. Most of our other holdings were, and are, in companies with solid balance sheets and modest valuations.

So far in March, our Fund is down 2.4%, compared to the index, which is down over 14%. The same factors have slowed our descent. In calendar 2020, we are down 5.4% to date. This is after writing down our investment in Kangaroo Island Plantation Timbers to a conservative estimate of the recoverable value of its assets, after bushfires damaged most of its trees in January.

While we are not epidemiologists, our working assumption is that the medical and economic impacts of the coronavirus are far from over. This causes us to be cautious. On the other hand, markets have already priced in significant costs from the virus, and eventually it will pass. Past experience indicates that markets will start rising before the economic and medical impacts are at their worst.

In the last few days we have added to some existing holdings and three new companies have entered the portfolio this quarter.

We still have 24% of the fund in cash, mostly in \$A and gold, and a further 20% in securities that are similar to cash. There are quite a few companies whose shares and/or debt are rapidly approaching the prices at which we are keen to buy. Some are large and well-known, others are not. We have a history of buying in periods like this. Although we have usually been too early, the long-term results of buying in gloom have generally been satisfactory. Despite the gloom, we are feeling optimistic about our fund.

We thank you for your support.

Fred Woollard, Nigel Burgess and Mitch Taylor

¹ All references to fund performance reflect the Founder units in \$A, and are before tax.