

Samuel Terry Absolute Return Fund – December 2005 monthly report

The Fund's performance and that of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index are as follows:

To 31 December 2005	STAR	All Ords	MSCI (\$A)
1 month	3.08%	3.04%	2.94%
3 months	3.89%	3.45%	7.16%
6 months	4.84%	13.79%	14.71%
1 year	0.78%	21.09%	16.57%
Since inception on 1st November 2003 (%p.a.)	9.39%	23.01%	13.26%

Our best performer was **Petrosea**, an Indonesian engineering company, which rose 39% after it announced a plan to buy back 10% of its shares. At 9x current earnings and on a 5.7% dividend yield, Petrosea shares are no longer dirt cheap, but the company has substantial growth prospects in both the short and long term. I like the Australian dominated management team and am happy to keep our shares, which now comprise 6.4% of the Fund.

Indonesian volatility cuts both ways. Our worst investment was the warrants of **Indosiar**, a TV station, which fell 69%! Luckily, these comprised only 1% of the Fund, and now comprise 0.3% of the Fund. The small weighting reflects my opinion that Indosiar is very risky, but potentially very rewarding. We also have 0.9% of the Fund in Indosiar shares, which fell only 6%.

Another poor performer was UK soap maker **PZ Cussons** (3.6% of the Fund), which fell 10% for no obvious reason.

We started buying the debt of **an oil and gas producer** at 66% of face value, yielding over 23% p.a. As you may guess from these numbers, there is a risk that the debt may not be repaid. If it is not repaid, then I believe that asset value comfortably exceeds the price we paid. By early January, 4% of the fund was invested in this debt.

We exited **InvestorInfo**, a small Australian takeover situation, making a 22% return in five months. We had 4.9% of the Fund in this company.

Net asset value per unit was \$1.0031 at month end. 20% of the Fund was in cash (mostly \$A). The Fund owned securities issued by 25 companies.

Fred Woollard
23rd January 2006

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