

Samuel Terry Absolute Return Fund – February 2005 monthly report

In its first month after opening to the public, the fund rose 0.6%, underperforming both the Australian market, which rose 1.8% during the month and the world index, which rose 1.1% in \$A terms.

The four largest decliners, in order of impact were:

PZ Cussons, a UK soap maker (3.8% of the fund) fell 9.6% after a disappointing first half result.

Infomedia, an Australian software company (3.9% of the fund), fell 5.8% after warning that profits would be lower than the company had previously forecast.

Calliden, an Australian insurance company (3.1% of the fund) fell 5.9% from the fund's cost price, after reporting profits that disappointed the market. This is a new holding for the fund and came from my personal portfolio.

Retail Cube, a small Australian retailer (2.3% of the fund), fell 7.5% after a disappointing first half result.

The three largest gainers, in order of impact were:

US phone company, **MCI** (4.8% of the fund) rose 20% after the company accepted a takeover bid from Verizon, another US phone company. Most of MCI's large shareholders opposed the bid, questioning why the board accepted the Verizon bid when another company is willing to pay 20% more than Verizon is offering.

Our largest holding, **Bangkok Land** bonds (5.6% of the fund) rose 8.9%.

Neighborhood Cable, a new name in the fund rose 44% when the controlling shareholder made a bid for the company. Sadly, the fund's weighting is only 1.3% because we had only just started buying when the bid was announced.

Three other holdings were added to the portfolio during the month:

6.5% of the fund was invested in **Telstra**, Australia's main telecom company. The reason for the purchase was that we were able to effectively buy a free (!) at the money put option, expiring in late July. Telstra is not normally a company I would buy, but with no downside, I regard the shares as an attractive substitute for cash.

Hunter Hall, an Australian fund manager (3.6% of the fund). This holding also came from my personal portfolio. Hunter Hall was my former employer.

Miller's Retail, an Australian retailer (2.3% of the fund). Part of the attraction of Miller's is that there has been substantial recent buying by directors.

At month end, 28.3% of the fund was in \$A cash, or 34.9% including the Telstra position. 1% of the fund is invested in gold, and I intend to lift this weighting. The fund owned securities issued by 20 companies.

Fred Woollard

17th March 2005

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