

Samuel Terry Absolute Return Fund – March 2005 monthly report

NAV of the fund rose 0.23% to \$1.0085/unit, outperforming the Australian market, which fell 0.74% during the month, but underperforming the world index, which rose 0.45% in \$A terms.

The four largest decliners, in order of impact were:

Infomedia, an Australian software company (3.3% of the fund), fell 6.6% for no new apparent reason.

Retail Cube, a small Australian retailer (2.3% of the fund), fell 6%, presumably because of worries about Australian retail spending.

Indosiar, an Indonesian TV station (3.1% of the fund) fell 6% despite reporting encouraging profit results. At a P/E of 9.5 and with substantial growth prospects, I remain very keen on this company.

Calliden, an Australian insurance company (3.1% of the fund) fell 5% despite the regulator giving the company a license to resume writing insurance.

The three largest gainers, in order of impact were:

US phone company, **MCI** (5% of the fund) rose 9.5% as competing bidders Verizon and Qwest raised the prices they are offering to pay for MCI. For reasons that are not clear to most shareholders, the board of MCI continues to recommend the lower Verizon bid.

Chesnara, a UK closed life assurance company (4.3% of the fund) rose 10% after a good profit result.

Telewest, a UK cable telephone and TV company (2.6% of the fund) rose 7% after a good profit result.

Two new holdings were added to the portfolio during the month:

2.9% of the fund was invested in a small Australian medical supplier. This company was bought at about a quarter of the price at which its shares were issued in 2003. The share price we paid values the company at about half its annual revenue, a P/E of 8, and an EV/EBITA ratio of about 4. Additionally, the company has net cash, and has seen recent director buying. I am hoping the shares will fall back so that we can buy some more shares.

1.1% of the fund was invested in a small, cash generative Australian publishing company at a P/E of 3 and an EV/EBITA ratio of 4. I am trying to buy more of this, but the shares are very illiquid.

At month end, 28.7% of the fund was in cash (mostly \$A), or 34.5% including Telstra shares which are protected by an in-the-money put option. The fund owned securities issued by 22 companies.

Fred Woollard

15th April 2005

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