

Samuel Terry Absolute Return Fund – May 2005 monthly report

The fund had another poor month in both absolute and relative terms. The table shows fund performance compared to the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index in Australian dollars.

	STAR Fund	All Ords	MSCI (\$A)
1 month	-0.82%	3.41%	5.20%
3 months	-2.96%	-1.24%	2.26%
6 months	-3.27%	4.93%	4.51%
1 year	8.76%	22.58%	5.36%
Since inception (%p.a.)	10.09%	19.08%	8.76%

Repeating a painful pattern, most of the fund's worst performers have been among its Australian shares. Worst performers were:

Retail Cube, an Australian retailer (1.7% of the fund) fell 31% after the company warned that it is now losing money.

Simon Gilbert Wines, an Australian wine maker (3.6% of the fund) fell 15%, which caused the fund to buy some more shares.

Bangkok Land bonds (4.8% of the fund) fell from 42% to 39% of face value despite publication of annual results which show the company has become even more solvent, has repaid quite a bit of debt and bought back some bonds during the year. I am cautiously optimistic that we will eventually be repaid in full; the key uncertainty is how long this might take.

Lighting Corp, an Australian lighting distributor (3.9% of the fund) fell 5.6% for no obvious reason.

Hunter Hall, an Australian fund manager (3.6% of the fund) fell 6%. The fund added to its holding.

Central Exchange, an Australian investment company (3.0% of the fund) fell 4% even though it bought back over 5% of its shares at a 40% discount to net assets per share and is buying back another 5% of its shares.

Chesnara, a UK life assurer (5.0% of the fund) surprised me by rising 2% after the company announced that it was buying another closed life assurer and was issuing new shares at a highly dilutive price to fund the purchase. The fund voted against the purchase and I was disappointed that the transaction was approved by shareholders. Nevertheless, the fund took up its rights to buy more Chesnara shares at a discounted price.

Calliden, an Australian insurance company (4.8% of the fund) rose 9% for no obvious reason, except perhaps that its shares had become too cheap.

PZ Cussons, a UK soap maker (3.6% of the fund) rose 13%. Late in the month I met with the company's finance director and was pleased to hear that the company is progressing well. Although the shares are not especially cheap, it is a quality business with good growth prospects at a reasonable price.

Telewest, a UK telephone company (3.2% of the fund) rose 13% after a good first quarter result.

At month end, net asset value per unit was \$0.9764. 25% of the fund was in cash (mostly \$A), or 31% if you include Telstra shares which are protected by an in-the-money put option. The fund owned securities issued by 22 companies.

Fred Woollard
16th June 2005

Samuel Terry Asset Management Pty Limited does not guarantee the repayment of capital or any particular rate of return from the Trust. Past performance is no guarantee or indication of future performance. 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. The above report 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.