

## **Samuel Terry Absolute Return Fund – November 2005 monthly report**

The Fund had another disappointing month, both in absolute terms and relative to the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, as shown in the following table:

<b>To 30 November 2005</b>	<b>STAR</b>	<b>All Ords</b>	<b>MSCI (\$A)</b>
1 month	0.42%	4.40%	4.76%
3 months	1.22%	5.17%	5.87%
6 months	1.24%	15.36%	11.43%
1 year	-2.07%	21.05%	16.46%
Since inception on 1st November 2003 (%p.a.)	8.21%	22.28%	12.26%

**These numbers are very unsatisfactory** and unitholders deserve better. For this reason, I have decided to waive management fees on the Fund from 1<sup>st</sup> November 2005 until 30th June 2006. The Fund will continue to pay its own administration, custody and audit fees. The effect of this change is to reduce the Fund's expense ratio from 2.0% p.a. to approximately 1.2% p.a.

Our biggest loser in November was the Fund's **put options** on the ASX 200 Index, which fell sharply as the market rose. These options protected 43% of the Fund at month end.

We were also hurt by **Calliden**, an Australian insurance company, which fell 10% for no new reason. The shares are now trading at a discount to net assets of over 10%, ignoring the substantial value in the company's insurance business and tax losses. We bought some more shares, making it the Fund's largest holding with a 5.4% weighting.

**Millers Retail**, an Australian clothing retailer (3.0% of the Fund) rose 36% after selling its loss-making discount variety business at a better than expected price. This leaves Millers debt free and on a P/E of around 12x.

UK based soap maker **PZ Cussons** (4.1% of the Fund) rose 21% on takeover speculation. If there is a bid, it is likely to be at well above the current price.

Net asset value per unit was \$0.9731 at the end of November. 20% of the Fund was in cash (mostly \$A). The Fund owned securities issued by 24 companies.

**Personal Disclosure** I continued selling my Hunter Hall shares for the reasons outlined in my letter to unitholders dated 12<sup>th</sup> May 2005.

Fred Woollard  
16th December 2005

*Samuel Terry Asset Management Pty Limited (AFSL 278294) 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.*