

Samuel Terry Absolute Return Fund – April 2006 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 30 April 2006	STAR	All Ords	MSCI (\$A)
1 month	0.84%	2.40%	-2.81%
3 months	10.96%	8.08%	4.96%
6 months	14.20%	20.50%	14.28%
1 year	14.18%	37.69%	27.88%
Since inception on 1st November 2003 (%p.a.)	12.44%	25.26%	14.04%

The Fund had a quiet month. Our best performers were Australian insurer **Calliden** (6.3% of the Fund), which rose 10%, and the **Australian Onshore Energy Fund** (8.8% of the Fund), which rose 5%. We bought some more of this complex debt security during April. The yield to maturity is over 20%, and our investment is backed by assets and cash flows worth much more than we paid.

The Fund disposed of three holdings, Infomedia, Miller's Retail and NTL, which I no longer consider to be compelling value, considering the risks present in those companies.

We bought **put options** over the Australian ASX 200 Index, exercisable at 5100 points until March 2007. The reason for the purchase is that it protects most of the 48% of the Fund that is invested in Australia from movements in the Australian index. There is rampant speculation and good cheer in Australia at present. I do not know when this cycle will end, but am happy to spend 1.7% of the Fund to protect us from downward movements in the broader market.

Finally, we have decided to change our auditor from Ernst & Young to Grant Thornton. This change has not yet formally occurred, but is likely to do so soon. The main reason for the change is that Grant Thornton is substantially cheaper than Ernst & Young.

Net asset value per unit was \$1.1066 at the end of April. 24% of the Fund was in cash (mostly \$A). The Fund owned securities issued by 22 companies.

Fred Woollard
17th May 2006

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