

## **Samuel Terry Absolute Return Fund – August 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:

<b>To 31 Aug 2006</b>	<b>STAR</b>	<b>All Ords</b>	<b>MSCI (\$A)</b>
1 month	1.62%	3.18%	2.95%
3 months	5.45%	3.50%	1.65%
6 months	15.28%	6.26%	2.02%
1 year	23.54%	20.19%	14.49%
Since inception on 1 November 2003 (%p.a.)	13.69%	21.53%	11.92%

The Fund had a quiet month. We participated in a rescue rights issue by **General Publishers**, a small Australian publisher, lifting our weighting to 3.9%. The company went dangerously close to bankruptcy a few months ago. Today, it has a new board and is debt free. The price we paid for our new shares represents about 6x the company's likely earnings in two years. Most of the company's profits should be able to be paid out as dividends.

We also started buying a distressed debt security at a yield of over 20%. Unusually for debt with such a high yield, the company is profitable, management is competent, and the debt is covered by hard assets. Unfortunately, the debt is hard to buy, and only 0.6% of the Fund was invested in it at month end. I am trying to buy more.

Net asset value per unit was \$1.1447 at the end of August. 12% of the Fund was in cash, of which 7% was in \$A and 5% in gold. The Fund owned securities issued by 25 companies.

Fred Woollard  
18 September 2006

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