

## **Samuel Terry Absolute Return Fund – February 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 28 February 2006</b>	<b>STAR</b>	<b>All Ords</b>	<b>MSCI (\$A)</b>
1 month	3.31%	0.70%	1.99%
3 months	5.88%	7.54%	6.00%
6 months	7.17%	13.10%	12.22%
1 year	4.01%	22.52%	20.79%
Since inception on 1st November 2003 (%p.a.)	9.97%	23.50%	13.71%

The Fund's improved performance was mainly due to Australian insurer **Calliden** (7.1% of the Fund), which rose 23% for no obvious reason.

Less cheerful was the debt of **Australian Onshore Energy Fund** which fell 11% on fears that it may not be able to continue paying interest. I believe that at 59% of face value, these fears are amply reflected in the price, and so we bought more, raising our weighting to 6.1%.

Continuing a dreary trend, **Simon Gilbert Wines** (2.7% of the Fund) fell another 18%, so we bought some more. The current share price values the winery and its 100 hectares of land at \$A 5m, which is almost cheap enough to make it a nice weekender for a wealthy Sydneysider.

On 8<sup>th</sup> February, my family trust sold 5,000 **Hunter Hall** shares to the Fund at \$7.11 per share. The purpose of this transaction was to restore the Fund's Hunter Hall weighting (3.8% at month end), which had fallen after recent inflows. By month end, Hunter Hall shares had risen to \$7.48. Hunter Hall's business is continuing to do well, and at 18-19x earnings, I believe that the share price does not fully reflect Hunter Hall's substantial long term potential.

The reasons why my family trust is selling Hunter Hall shares are the same as those outlined in my letter to unitholders of May 2005.

Net asset value per unit was \$1.0303 at the end of February. 20% of the Fund was in cash (mostly \$A). The Fund owned securities issued by 25 companies.

Fred Woollard  
16th March 2006

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