

## **Samuel Terry Absolute Return Fund – September 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 30 Sep 2006</b>                      | <b>STAR</b> | <b>All Ords</b> | <b>MSCI (\$A)</b> |
|--|-------------|-----------------|-------------------|
| 1 month                                    | 5.98%       | 1.25%           | 3.61%             |
| 3 months                                   | 10.95%      | 2.88%           | 3.95%             |
| 6 months                                   | 14.70%      | 2.66%           | -0.18%            |
| 1 year                                     | 30.37%      | 16.16%          | 16.64%            |
| Since inception on 1 November 2003 (%p.a.) | 15.55%      | 21.38%          | 12.93%            |

The highlight of the month was an increased bid price for our largest holding, debt of the **Australian Onshore Energy Fund** (16.3% of the Fund). The new bid of \$103.69 seems reasonable to me, and compares to the previous bid of \$83.25, which I regarded as grossly inadequate. I have yet to decide whether we will take the cash on offer, or keep our notes and collect a relatively safe yield of 11% p.a.

Our Indonesian TV stations performed well. The larger of the two, **Surya Citra Media** (4.9% of the Fund) rose 26% after a bullish report from Merrill Lynch. **Indosiar**, our other TV holding, (1.5% of the Fund) rose 18% for no apparent reason.

Sydney based **General Publishers** (4.6% of the Fund) rose 28% on optimism that the new management might finally realise the company's potential.

The Fund sold its stake in UK life insurer **Chesnara**, concluding a very profitable investment for us. Chesnara shares have many of the attributes of a fixed income security. When we bought it, the "yield" was in the mid-teens, the balance sheet was pristine and there was a big margin of safety. Today, the "yield" is around 6-7%, the balance sheet is riskier and the margin of safety is much reduced. Low-return, risky assets are not for us, at least not intentionally.

Net asset value per unit was \$1.2131 at the end of September. 11.8% of the Fund was in cash, of which 7.4% was in \$A and 4.4% in gold. The Fund owned securities issued by 25 companies.

Fred Woollard  
17 October 2006

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