

## **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:

To 30 Sep 2006	STAR	All Ords	MSCI (\$A)
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 Woppard  
17 October 2006

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