

## Samuel Terry Absolute Return Fund – August 2007 monthly report

The Fund's performance, compared to that of Australian All Ordinaries Accumulation Index and the MSCI World Equities Index follows:

To 31 August 2007	STAR	All Ords	MSCI (\$A)
1 month	-1.62%	1.70%	4.04%
3 months	-3.09%	-0.35%	-1.86%
1 year	7.37%	27.86%	9.23%
2 years	15.17%	23.96%	11.83%
Since inception on 1 November 2003 (%p.a.)	12.01%	23.16%	11.22%

The Fund had a disappointing and volatile month. Several of our large holdings had large falls. Our largest holding, an **Australian timber plantation owner** (12.0% of the Fund), fell 10%.

Our third largest holding **ITL Ltd**, an Australian medical supplier (6.4% of the Fund), fell another 12%. This was because the company reported that it earned no profit in its second half, which was worse than had been expected. I believe that the problem that has caused this result is transient and that ITL will return to being a growth stock. The Fund bought some more shares.

Our best performer was **Neteller**, a UK company that is the world's leading payment system for internet gaming (7.1% of the Fund). The shares fell 11% early in the month, so we bought some more. Later in the month, Neteller published its results, which were mildly disappointing, but nevertheless the share price rose 23% during August.

About 4% of the Fund was invested in Australian mortgage securities at a yield of over 12% p.a. They are issued by a strong borrower and protected by a first mortgage over real estate worth substantially more than the debt.

After a long association, we finally sold out of **PZ Cussons**, a UK soap maker. Although I like PZ's business and management, the share price no longer compensates for the risks PZ incurs in places like Nigeria and Indonesia.

Net asset value per unit was \$1.1851 at the end of August. 15.0% of the Fund was in cash, of which 10.5% was in \$A and 4.5% in gold. The Fund owned securities issued by 25 companies.

Fred Woollard  
18 September 2007

*Samuel Terry Asset Management Pty Limited (AFSL 278294) does not guarantee the repayment of capital or any particular rate of return from the Trust. Past performance is no guarantee or indication of future performance. Investment returns have been calculated in accordance with normal industry practice utilising movements in unit price and assuming reinvestment of all distribution of income and realized profits. The above report does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered as investment advice and should not be relied on as an investment recommendation.*