

Samuel Terry Absolute Return Fund – January 2007 monthly report

The Fund's performance and that of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index are as follow:

To 31 Jan 2007	STAR	All Ords	MSCI (\$A)
1 month	2.54%	2.01%	2.72%
3 months	6.02%	8.32%	5.37%
1 year	34.08%	23.00%	13.52%
2 years	16.55%	23.43%	16.57%
Since inception on 1 November 2003 (%p.a.)	16.00%	23.73%	13.33%

The Fund was helped by a 21% rise in **Domino's Pizza** (4.2% of the Fund) and a 25% rise in **Orion Equities** (3.9% of the Fund).

We had some bad news from the United States, where the two founders of **Neteller plc** (2.1% of the Fund) were arrested. Although the two founders are no longer associated with Neteller, the world's largest payment system for internet gambling, they were charged because of their former activities at Neteller. Following the arrest, the company requested that its shares be suspended, pending a review of what the arrests mean for Neteller. I do not know how much the shares will fall when they are relisted, but have estimated a price of 120p when valuing our Fund. This compares to the last sale price of 176p, and Neteller's net cash of 95p per share. In addition to its cash, Neteller has a profitable and fast-growing non-US business.

2.1% of the Fund was invested in a new share issue by **Saracen Minerals**, an Australian gold explorer. One reason we bought it was that Saracen's CEO, Guido Staltari, who I have followed for ten years, underwrote the share issue himself. I believe that gold prices are likely to rise substantially over coming years, and regard Saracen as an attractive long-term option on the gold price.

At month end, 2.2% of the Fund was spent buying **put options** on the ASX200 Index. These expire in December, are exercisable at 5,800 points and hedge most of the 50% of the Fund that is invested in Australian equities.

Net asset value per unit was \$1.2887 at the end of January. 9.2% of the Fund was in cash, of which 4.0% was in \$A and 5.2% in gold. The Fund owned securities issued by 26 companies.

Fred Woollard
14 February 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.