

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

The Fund's performance, compared to those produced by the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index follow:

To 30 June 2007	STAR	All Ords	MSCI (\$A)
1 month	-1.24%	-0.07%	-3.27%
3 months	-0.40%	6.26%	1.40%
1 year	14.55%	30.28%	8.02%
2 years	16.54%	27.20%	13.90%
Since inception on 1 November 2003 (%p.a.)	13.17%	24.43%	11.32%

For the second month in a row, our worst performer was **ITL Ltd**, an Australian medical supplier (5.3% of the Fund). The shares fell another 17% after it announced that delays in installing a new sterilizer plant have sharply reduced profits in the six months to June. Despite these problems, ITL has strong growth prospects and is trading at less than 10x my estimate of this year's earnings. The Fund responded to the news by buying more shares, and I was pleased to see that all of ITL's directors bought more shares later in June.

After an eventful three years, the Fund sold the last of its **Bangkok Land bonds**. Overall, this exercise was profitable, but it was not worth the considerable time and trouble involved.

The Fund started buying an Australian mortgage security at a yield of 12%. We are protected by a first mortgage over real estate worth well in excess of our cost, and let to a credit-worthy tenant. I hope to buy more of this, but sadly, it is not easy to buy.

I estimate that the Fund's distribution for the year to June 2007 will be around 5.5 cents per unit. This will be paid in the next few weeks.

Net asset value per unit was \$1.2525 (cum-distribution) at the end of June. 25.3% of the Fund was in cash, of which 21.3% was in \$A and 4.3% in gold. The Fund owned securities issued by 25 companies.

Fred Woollard  
18 July 2007

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