

Samuel Terry Absolute Return Fund – March 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 31 Mar 2007	STAR	All Ords	MSCI (\$A)
1 month	0.74%	3.33%	-0.78%
3 months	0.06%	7.09%	-0.04%
1 year	18.90%	22.34%	2.29%
2 years	14.64%	25.80%	14.12%
Since inception on 1 November 2003 (%p.a.)	14.34%	24.21%	11.74%

The "highlight" of our month was **Bangkok Land** announcing that it intends to redeem its \$US bonds at 30% of face value, despite the fact that the bonds had until recently been trading at over 50% of face value and the company is solvent. I decided to sell our SFr bonds at 50% of face value because I believe that the prospective return does not compensate for the newly increased risk of the bonds. Despite the loss we suffered in March, overall the Fund has made good profits from Bangkok Land.

Unfortunately, scams like this are not unusual in the world of distressed debt, especially in third world countries. While I do not like being robbed in this fashion, we need to accept that if we venture into exotic deep value territory, scams will occasionally happen. Part of my job is to minimise risk and to ensure that prospective returns more than compensate for those risks.

More than offsetting this loss was our biggest holding, an **Australian timber plantation owner** (10.9% of the Fund) which rose 15%. The shares trade at a 38% discount to net asset value, and we bought some more.

We were also helped by Indonesian TV station **Surya Citra Media** (4.2% of the Fund), which rose 19% *prior* to the release of good profit numbers.

Finally, the Fund's Information Memorandum has been re-written. The only change of substance is that we are no longer limited to a 15% weighting in one security. I have no plans to go over 15%, but want the flexibility to do so.

Net asset value per unit was \$1.2575 at the end of March. 21.8% of the Fund was in cash, of which 16.8% was in \$A and 5.0% in gold. 44% was protected by put options. The Fund owned securities issued by 25 companies.

Fred Woollard
16 April 2007

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