

Samuel Terry Absolute Return Fund – May 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 May 2007	STAR	All Ords	MSCI (\$A)
1 month	0.22%	3.19%	3.07%
3 months	1.59%	9.87%	4.01%
1 year	16.83%	32.79%	13.13%
2 years	17.00%	30.05%	15.81%
Since inception on 1 November 2003 (%p.a.)	13.90%	25.09%	12.64%

The fund had another poor month, mainly caused by two of our Australian companies. **ITL Ltd**, a medical supplier (5.0% of the Fund) fell 16% because of delays in installing a new sterilizer plant. Despite the short term problems, ITL has strong growth prospects and is trading at about 10x my estimate of next year's earnings.

We were also hurt by a 34% fall in **IFC Capital** (1.7% of the Fund), a company that owns a large parcel of land near Sydney. IFC has announced a new equity issue that has hurt the share price, but was necessary to strengthen the balance sheet. We took up our share of the new issue, mainly because the shares are trading at a large discount to net asset value.

Domino's Pizza (4.1% of the Fund) rose 11%. The company hosted a tour and presentation for some of its institutional shareholders. It was difficult not to be impressed by the CEO and his plans for the company. Despite its strong market position and good growth prospects, the company is priced at around 13-15x 2008 earnings, which is not expensive for such a quality business.

Our Indonesian shares did well. **Surya Citra Media** (4.1% of the Fund) is to buy another TV station **Indosiar** (1.2% of the Fund). Shares in the companies rose 4% and 52% respectively. Our other Indonesian company, mining contractor **Petrosea** (3.1% of the Fund) rose 16% for no obvious reason.

In the UK, shell company **Castle Acquisitions** (1.8% of the Fund) rose 11% after finally announcing an acquisition. The proposed deal will make Castle shares much more liquid, and appears to be in our interests.

Net asset value per unit was \$1.2682 at the end of May. 25.3% of the Fund was in cash, of which 20.7% was in \$A and 4.6% in gold. The Fund owned securities issued by 25 companies.

Fred Woollard
18 June 2007

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