

## Samuel Terry Absolute Return Fund – October 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 October 2007	STAR	All Ords	MSCI (\$A)
1 month	1.04%	3.07%	-2.03%
3 months	-3.76%	10.88%	-1.65%
1 year	-1.09%	31.37%	-0.28%
2 years	13.46%	28.96%	8.16%
Since inception on 1 November 2003 (%p.a.)	10.87%	24.76%	9.19%

The Fund had a mixed month. There were three main reasons for the Fund's underperformance, none of which greatly worry me:

1. Our worst decline was, unsurprisingly, in our Australian **index put options** (0.4% of the Fund). As the index rose, they slumped 44%.
2. Our third largest holding **ITL Ltd**, an Australian medical supplier (5.3% of the Fund), fell another 12% after confirming it is still loss making. I was not surprised by this, but was pleased that ITL announced a share buy-back. Accordingly, we bought some more.
3. **Domino's Pizza** (3.6% of the Fund) fell 9% for no apparent reason.

We did have some good news:

1. Our biggest winner was **Esperance Minerals** (2.1% of the Fund), part owner of Australia's second largest oil shale reserves. The shares rose 66% after the controlling shareholders agreed to sell their stake to another oil shale hopeful at six times the current share price. Although it is too soon to say what this news means, the Fund bought some more shares. This was because of the soaring oil price and the fact that the share market still values Esperance's billion barrels at just over one cent per barrel.
2. Gold explorer, **Saracen Minerals** (4.6% of the Fund) rose 39% after announcing good drilling results.
3. **Lighting Corporation**, Australia's largest lighting distributor (3.8% of the Fund), rose 16% after a competitor made a takeover bid.
4. Indonesia's leading TV network **Surya Citra Media** (4.0% of the Fund) rose 36% *prior to* announcing a much improved profit.

Net asset value per unit was \$1.1593 at the end of October. 17.8% of the Fund was in cash, of which 13.0% was in \$A and 4.8% in gold. The Fund owned securities issued by 25 companies.

Fred Woollard

15 November 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.*