

Samuel Terry Absolute Return Fund – September 2007 monthly report

The Fund's performance, compared to that of Australian All Ordinaries Accumulation Index and the MSCI World Equities Index follows:

To 30 September 2007	STAR	All Ords	MSCI (\$A)
1 month	-3.18%	5.78%	-3.50%
3 months	-4.99%	5.48%	-2.09%
1 year	-1.91%	33.58%	1.73%
2 years	13.08%	24.57%	8.93%
Since inception on 1 November 2003 (%p.a.)	10.82%	24.39%	9.97%

The Fund had another bad month. There were five main causes for the fall, none of which greatly worry me:

1. Our worst decliner was, unsurprisingly, our Australian **index put options** (0.7% of the Fund). As the index soared, they slumped 50%.
2. Our largest holding, an **Australian timber plantation owner** (11.6% of the Fund), fell 7% on tiny volume.
3. Continuing a dreary trend, our second largest holding **ITL Ltd**, an Australian medical supplier (5.8% of the Fund), fell another 12% for no new reason.
4. **Surya Citra Media**, (3.1% of the Fund), Indonesia's leading TV network fell 17% on small volume and also for no apparent reason. SCM is now trading on a P/E of 10, pays a dividend yield of 5%, has little debt and good growth prospects, so we bought some more.
5. The rising \$A cut 1.1% off the value of the Fund.

2% of the Fund was briefly invested in **Northern Rock**, a troubled UK bank, but subsequently sold at a 10% loss, as the company's risk of bankruptcy appeared to worsen.

We sold our small holding in Indosiar, an Indonesian TV station at a 13% loss. This was less than 1% of the Fund, and I much prefer to own SCM.

We sold almost half our shares in **Neteller**, a UK company that is the world's leading payment system for internet gaming. (3.4% of the Fund).

Net asset value per unit was \$1.1474 at the end of September. 17.2% of the Fund was in cash, of which 12.4% was in \$A and 4.8% in gold. The Fund owned securities issued by 26 companies.

Fred Woollard
15 October 2007

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