

Samuel Terry Absolute Return Fund – February 2008 monthly report

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

To 29 February 2008	STAR	All Ords	MSCI (\$A)
1 month	-4.69%	0.26%	-4.33%
3 months	-12.28%	-13.12%	-13.88%
1 year	-14.96%	1.27%	-15.81%
2 years	3.40%	12.10%	-4.13%
Since inception on 1 November 2003 (%p.a.)	6.88%	18.09%	5.09%

The Fund had another disappointing month. The biggest contributor to the result was **ITL**, an Australian medical supplier (4.1% of the Fund), which fell 29% after reporting a larger than expected loss. The company is now valued at less than its net tangible asset value and 6-7x my estimate of 2008 profits. Although this has been painful, we bought some more shares.

Our worst percentage loss was from **Nine Hundred Degrees**, a small Sydney publisher (0.6% of the Fund), which fell 67% after reducing the price of its new share issue. The share issue will fund the purchase of a larger competitor at a cheap valuation of 4x EV/EBIT. Partly because the share issue is being underwritten by the company's Chairman, a successful venture capitalist, the Fund will take up its rights, boosting our NHD weighting to about 2.5%.

We also took hits from **Hunter Hall**, an Australian fund manager (4.1% of the Fund) which fell 10% and **IFC**, a Sydney property developer (1.8% of the Fund), which fell 37%.

The Fund sold out of mortgage manager **RHG**, because of worsening credit market conditions and took a 21% loss. We also sold two of our smallest positions, **Affco** (a 10% loss) and **Castle Support** (a 6% profit), in an effort to reduce the number of names in the Fund.

Domino's Pizza (4.5% of the Fund) rose 12% after an encouraging profit result.

Net asset value per unit was \$1.0236 at the end of February. 19.1% of the Fund was in cash, of which 12.9% was in \$A and 6.2% in gold. The Fund owned securities issued by 21 companies.

Fred Woollard
17 March 2008

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