

## **Samuel Terry Absolute Return Fund – May 2008 monthly report**

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

<b>To 31 May 2008</b>	<b>STAR</b>	<b>All Ords</b>	<b>MSCI (\$A)</b>
1 month	5.24%	2.45%	0.23%
3 months	2.81%	2.80%	3.06%
1 year	-13.94%	-5.24%	-16.58%
2 years	0.27%	12.17%	-2.85%
Since inception on 1 November 2003 (%p.a.)	7.42%	18.46%	5.71%

The Fund benefited from gains in several Australian micro-caps, mostly for no obvious reason. The better performers included medical supplier **ITL Ltd** (4.2% of the Fund), up 35%, shale oil hopeful **Esperance Minerals** (2.3% of the Fund), up 52% and trade publisher **900 Degrees** (4.5% of the Fund) up 25%.

We sold out of UK life insurer **Standard Life** because I no longer felt it was cheap enough or safe enough, particularly compared to the new shares we bought. In £ terms we made a modest profit. We sold our **IMF convertible notes** after IMF announced it would repay them. The notes generated a 15% annual return for us at little risk. I am disappointed to have lost them.

We added two new names to the Fund. 4% of the Fund has been invested in **NIB**, a recently demutualised Australian health insurer. NIB trades at tangible book value, around 8-10x earnings and is likely to pay a 5% dividend yield. NIB has no debt, a rock solid balance sheet, and is a takeover possibility.

2.6% of the Fund has been invested in a **Japanese property** funds manager. We bought the shares at a 30% discount to tangible asset value, paying nothing for a rapidly growing funds management business that could potentially be very valuable. In 2007, control of this company was bought by two very smart investors for more than twice the share price we paid. Subject to further research, I hope to buy more of these shares. (They publish very little information in English, so I am having the detailed accounts translated.)

Net asset value per unit was \$1.0524 at the end of May. 7.8% of the Fund was in cash, of which 3.4% was in \$A and 4.4% in gold. The Fund owned securities issued by 22 companies.

Fred Woollard, 16 June 2008

*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.*