

Samuel Terry Absolute Return Fund – August 2009 monthly report

The Fund's performance, and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

To 31 Aug 2009	STAR	All Ords	MSCI (\$A)
1 month	8.20%	6.47%	2.70%
3 months	10.14%	19.12%	6.28%
1 year	-6.62%	-9.48%	-16.20%
3 years (%p.a.)	-7.06%	0.18%	-8.45%
Since inception on 1 November 2003 (%p.a.)	2.50%	10.05%	0.94%

The Fund recouped some of its earlier losses, helped by good performances across several of our Australian holdings. These included gold explorer **Saracen Minerals** (7.8% of the Fund) which rose 26%, timberland owner **RuralAus** (21% of the Fund) up 11%, investment bank **Macquarie Group** (6% of the Fund) up 15% and health insurer **nib** (5.3% of the Fund) up 20%.

The Fund sold its remaining shares in UK payments processor **Neovia plc**, as I gave up on the company's management, and decided that the shares just weren't cheap enough to compensate for the company's problems. More than offsetting that loss, we reaped a large profit from Indonesian engineer **Petrosea**, where the takeover bid finally completed.

1.8% of the Fund has been invested in the recapitalisation of **Capral**, Australia's largest aluminium processor. My main reason for supporting the recapitalisation is that the deal is being led by GPG, Capral's majority shareholder, and one of Australia's smartest investors. Once the recapitalisation is complete, Capral will have little remaining debt. The new shares are being issued at around half of net asset value and a very low multiple of *potential* earnings. Capral has a long history of generating poor returns for its owners and failing to meet expectations of a turnaround. For these reasons, Capral will not be a large part of the Fund.

The Fund's net asset value per unit was \$A 0.8399 at the end of August. 7.5% of the Fund was in \$A cash. The Fund owned securities issued by 22 companies.

Fred Woollard
15 September 2009

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. The unit price can go up as well as down. 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.