

Samuel Terry Absolute Return Fund – January 2009 monthly report

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

To 31 January 2009	STAR	All Ords	MSCI (\$A)
1 month	-6.19%	-4.95%	0.56%
3 months	-14.64%	-11.88%	-7.74%
1 year	-31.20%	-36.15%	-17.71%
3 years (%p.a.)	-7.27%	-6.94%	-6.93%
Since inception on 1 November 2003 (%p.a.)	-0.71%	5.26%	1.23%

The Fund's numbers again look bad, but I believe that most or all of this month's fall is a paper loss rather than a "real" loss. Two companies account for all the loss.

Our largest holding **RuralAus**, an Australian timberland owner, (24% of the Fund) fell 17% for no new reason. As a director of RuralAus, I am limited in what I can say, although it is a matter of public record that RuralAus has net cash on its balance sheet, and net tangible asset value of 32 cents per share, more than twice the 15 cent share price. Although it is happening more slowly than I would wish, the company is moving to unlock the gap between the share price and the underlying asset value.

Our other significant decline was **Commstrat**, a tiny Australian trade publisher (3% of the Fund) which fell 36% on very small volume, and for no apparent new reason. It owns a profitable and cash generative business and is now priced on a P/E of about 2x and an EV/EBIT ratio of about 3x. Although it has some debt, this is likely to be repaid from operating cash flow by the end of 2010.

Elsewhere, we started buying a junk bond at 17% of face value that is due for repayment next year. Although the issuing company has its problems, I believe the company is more likely than not to survive, meaning the bonds were a good bet at 17%. Sadly, by month end the bond price had risen to 23% of face value, and we were not able to buy as many as I would have liked.

Net asset value per unit was \$A 0.7103 at the end of January. 0.6% of the Fund was in \$A cash. The Fund owned securities issued by 23 companies.

Fred Woollard
13 February 2009

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