

Samuel Terry Absolute Return Fund – June 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 30 June 2009	STAR	All Ords	MSCI (\$A)
1 month	0.58%	3.93%	-1.11%
3 months	5.65%	12.60%	5.15%
1 year	-15.22%	-22.15%	-16.19%
3 years (%p.a.)	-8.44%	-3.76%	-10.52%
Since inception on 1 November 2003 (%p.a.)	0.95%	7.74%	-0.31%

The Fund had a mixed month, with several of our large holdings having sharp price moves, both up and down for no apparent reason and mostly on small volume.

Saracen Minerals (6.5% of the Fund) fell 17% because the company nearly doubled its shares on issue to fund development of its new mine, which is planned to open in early 2010. The Fund participated in the share issue, based on my belief that at current gold prices, Saracen will generate enough cash to repay most of the current market cap just from the first phase of the project. There is significant upside potential from exploration and the gold price. Saracen's exposure to falls in the gold price is protected by the company's use of forward sales and put options. I remain long-term bullish on gold, as I have been for several years.

Holders of **Timbercorp Orchards Trust debentures** (2.9% of the Fund) agreed to a six-month moratorium on interest payments. This is good news as it allows the trust to be restructured and for our debentures to eventually reflect their full value of 80-100% of face value, compared to the last sale price of 30% before trading in the debentures ceased. I was also encouraged that a successful player in the fruit market, with intimate knowledge of the Trust's assets, has bid for up to 20% of the debentures at 32% of face value.

The Fund reduced its holdings in Indonesian TV network **Surya Citra Media** (5.3% of the Fund) and Australian investment bank **Macquarie Group**, (4.9% of the Fund). In both cases, this was done to reduce the Fund's risks.

The Fund's net asset value per unit was \$A 0.7779 at the end of June before allowing for a distribution I estimate will be 2.0 cents per unit. 8.9% of the Fund was in \$A cash. The Fund owned securities issued by 21 companies.

Fred Woollard
15 July 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.