

Samuel Terry Absolute Return Fund – March 2009 monthly report

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

| To 31 March 2009 | STAR | All Ords | MSCI (\$A) |
|---|-------------|---------------------|-----------------------|
| 1 month | 7.41% | 8.05% | -2.14% |
| 3 months | -2.76% | -1.67% | -11.87% |
| 1 year | -24.25% | -31.30% | -25.34% |
| 3 years (%p.a.) | -9.10% | -7.56% | -13.19% |
| Since inception on 1 November 2003 (%p.a.) | -0.03% | 5.76% | -1.24% |

World markets had a remarkable recovery during March, as many investors decided that the bear market has passed its worst.

Our biggest winner was **Macquarie Group**, Australia's leading investment bank, (4.3% of the Fund). It rose 59% partly because global financial shares did well but also because of a bid for one of Macquarie's "satellite" funds at an attractive price. Even after the jump, Macquarie shares are still priced at around net tangible asset ("NTA") value and about 9x earnings. These ratios are inexpensive for a company with long-term growth prospects and a long history of earning over 20% pa on NTA.

Our other big winner was **Saracen Minerals**, an Australian gold explorer (5.3% of the Fund), which rose 43% after raising some more capital to finance development of a gold mine. I continue to like gold's long term prospects and regard Saracen as an attractive in-the-money gold option, priced at \$A 112 per ounce of reserves or \$A 18 per ounce of resources. Saracen's expected cost of production is \$A 740, just over half the current gold price.

We were also helped by a 59% rise in **J-Rep**, a Japanese industrial property company (2.3% of the Fund). J-Rep shares trade at 15% of NTA value and 5x earnings, but the company has growth potential and competent management.

The Fund's net asset value per unit was \$A 0.7363 at the end of March. 2.6% of the Fund was in \$A cash. The Fund owned securities issued by 22 companies.

Fred Woollard
16 April 2009

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