

Samuel Terry Absolute Return Fund – August 2010 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 August 2010	STAR	All Ords	MSCI (\$A)
1 month	5.06%	-0.71%	-1.99%
3 months	10.78%	0.79%	-4.04%
1 year	24.67%	2.73%	-2.53%
3 years (%p.a.)	-2.31%	-6.86%	-11.86%
Since inception on 1 November 2003 (%p.a.)	5.49%	8.95%	0.43%

Most of the Fund's return was due to large rises in four of our companies.

Indonesian television network, **Surya Citra Media** (9.97% of the Fund) rose 20% on takeover speculation. If there were to be a bid, I expect it would be at a large premium to the current price, which values SCM at only 7-8 times earnings. Although this is much too cheap for such a high quality growth company, we sold some shares to keep our weighting below 10%.

Prime Infrastructure Fund, an Australian company that owns 50% of Queensland's largest coal loader and 26% of one of America's longest gas pipelines, received a takeover bid. We sold at 28% above the July 31 price, when 2.7% of the Fund was in Prime.

Saracen Minerals, an Australian gold producer (8.8% of the Fund) rose 9% because the gold price rose 7% in \$A terms. I continue to believe that the prices of both gold and Saracen are headed higher, possibly much higher.

The notes of **Ainsworth Gaming**, an Australian poker machine manufacturer, (3.9% of the Fund) rose 18% after it reported improved sales and profits. There is now a much improved probability that the company will outlive its 87 year old founder. The notes are still risky, but even after their recent price rise, the 35% yield more than compensates for the risk.

The Fund's net asset value per unit was \$A 1.0353 at the end of August. The Fund owned securities issued by 21 companies. 14% of the Fund was in \$A cash.

Fred Woollard
15 September 2010

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 down as well as up. 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.