

Samuel Terry Absolute Return Fund – October 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 October 2010	STAR	All Ords	MSCI (\$A)
1 month	1.97%	2.17%	1.88%
3 months	17.88%	6.54%	0.95%
1 year	31.68%	5.94%	3.63%
3 years (%p.a.)	2.26%	-7.36%	-9.30%
Since inception on 1 November 2003 (%p.a.)	7.10%	9.82%	0.84%

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

Commstrat, a small Australian publisher (2.2% of the Fund), rose 133%, but its shares are still priced at a prospective P/E ratio of less than 3.

Japanese industrial property owner **J-Rep** (3.3% of the Fund) rose 48% after the controlling shareholders made a takeover bid for the public shares. The bid is grossly unfair to minority shareholders, being pitched at about 25% of net asset value, and the bid values the properties at a yield of over 7%. Despite this, the "independent" directors have approved the proposal and it is likely to succeed. I like Japanese commercial property and hope to find a replacement investment in the sector.

The change of the Fund's custodian from ANZ to JP Morgan was completed during the month.

The Fund's net asset value per unit was \$A 1.1616 at the end of October. The Fund owned securities issued by 22 companies. 17% of the Fund was in \$A cash.

Fred Woollard
16 November 2010

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