

Samuel Terry Absolute Return Fund – September 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 30 September 2010	STAR	All Ords	MSCI (\$A)
1 month	10.03%	5.02%	1.11%
3 months	23.30%	8.68%	-0.32%
1 year	32.07%	1.73%	-1.22%
3 years (%p.a.)	1.95%	-7.09%	-10.48%
Since inception on 1 November 2003 (%p.a.)	6.89%	9.61%	0.58%

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

Indonesian television network, **Surya Citra Media** (now 6.3% of the Fund, was 10% a month ago) rose 69% on takeover speculation. The Fund sold over half its SCM shares because SCM shares are no longer dirt-cheap. Then again, at 9-11 times earnings, SCM shares are not expensive, for a high quality debt-free company whose profits are likely to go on growing strongly.

Saracen Minerals, an Australian gold producer (9.8% of the Fund) rose 36% despite a 3% fall in the \$A gold price. The reasons for the rise were strength in global gold shares, Merrill Lynch commencing coverage of Saracen with a "Buy" recommendation, and Saracen joining the ASX 300 Index.

Macquarie Atlas Roads, (9.5% of the Fund) which owns stakes in six highly leveraged toll roads in Europe and America, rose 25% because JP Morgan commenced coverage with an "Accumulate" recommendation. The broker forecast that MAR will commence paying dividends in 2013 (with a 13% yield on today's price), and forecast rapidly rising dividends after 2013.

The Fund's biggest loss was caused by the 8.6% rise in the Australian dollar against the US dollar, which cut 1.6% off the Fund's performance in \$A terms.

We commenced buying shares of a small Australian finance company, which trades at less than a third of net asset value, and is running off its assets. Its assets are complex, and it has substantial debt, so I do not expect it to become a large part of the Fund.

The Fund's net asset value per unit was \$A 1.1392 at the end of September. The Fund owned securities issued by 22 companies. 19% of the Fund was in \$A cash.

Fred Woppard
15 October 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.