

Samuel Terry Absolute Return Fund – April 2011 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 April 2011	STAR	All Ords	MSCI (\$A)
1 month	-1.87%	-0.58%	-1.91%
3 months	7.84%	2.26%	-2.45%
1 year	34.66%	5.44%	0.54%
3 years (%p.a.)	12.09%	-0.50%	-4.18%
Since inception on 1 November 2003 (%p.a.)	8.44%	9.92%	2.31%

The Fund's performance was hurt by two factors I believe to be temporary. The first was an 8% drop in our largest holding, Australian timber land owner **RuralAus** (14.7% of the Fund).

The second was a 6% gain in the Australian dollar. As 19% of the Fund was invested in foreign securities, the higher \$A directly reduced the Fund's \$A value by 0.9%. We also suffered indirect damage as two of our other large Australian holdings, toll road owner **Macquarie Atlas Roads**¹ (8.4% of the Fund) and gold miner **Saracen Minerals** (7.9% of the Fund) both suffer from a higher \$A.

An Australian distressed property and mortgage investor (3.6% of the Fund) jumped 21%, helped by a partial capital return and an increased likelihood that its assets will be sold and the proceeds distributed to shareholders over the next few years. Despite their recent gain, the shares still trade at a large discount to net asset value and we continued buying.

1.2% of the Fund was invested in the debt of an Australian oil and gas producer. This company has had problems, but there is only modest debt ranking ahead of our notes and the company's assets are worth significantly more than its debts. I hope to buy more of this debt as it yields over 16% pa, but it is difficult to buy.

The Fund's net asset value per unit was \$A 1.3195 at the end of April. The Fund owned securities issued by 23 companies. 10.1% of the Fund was in \$A cash. The Fund owned in-the-money ASX 200 Index put options protecting 37% of the Fund against declines in the Australian share market.

Fred Woollard
16 May 2011

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.

¹ Macquarie Atlas Roads is an Australian company, whose main assets are toll roads in France, the USA and the UK.