

Samuel Terry Absolute Return Fund – February 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 28 February 2011	STAR	All Ords	MSCI (\$A)
1 month	6.97%	2.19%	0.84%
3 months	9.32%	6.15%	6.39%
1 year	41.76%	10.20%	7.50%
3 years (%p.a.)	10.92%	-0.41%	-2.84%
Since inception on 1 November 2003 (%p.a.)	8.52%	10.15%	1.77%

Quite a few of our Australian shares had good performances this month. The most spectacular was mining explorer **Greenvale** (3.7% of the Fund), which rose 120% for no apparent reason. Greenvale is highly speculative, so I sold some of our shares.

Macquarie Atlas Roads (8.9% of the Fund), which owns toll roads in France, the USA and the UK, rose 10% and reported a good profit result.

Ainsworth Gaming, an Australian poker machine manufacturer, reported a very encouraging half year result, so the Fund bought some more of its notes, lifting our weighting to 5%. Ainsworth is profitable, cash generative, and has enough cash to repay the notes, yet we were able to buy more notes at a 23% yield! I was pleased to see the company buying back more notes soon after our latest purchase.

The Fund's biggest loser was American finance company **CIT Group** (its shares are 4.9% of the Fund), which fell 9% because of a disappointing profit result.

We sold out of **Logicamms**, an Australian engineering consultancy having generated a total return of close to 100% in just over a year. Logicamms is a fine company but I no longer regard it as compelling value.

The Fund's net asset value per unit was \$A 1.3089 at the end of February. The Fund owned securities issued by 22 companies. 9.8% of the Fund was in \$A cash. The Fund owned in-the-money ASX 200 Index put options protecting 38% of the Fund against declines in the Australian index.

Fred Woollard
15 March 2011

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