

Samuel Terry Absolute Return Fund – August 2012 monthly report

The Fund's performance (net of fees), and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

To 31 Aug 2012	STAR	All Ords	MSCI (\$A)
1 month	1.83%	2.12%	3.93%
3 months	-1.04%	6.21%	2.29%
1 year	5.29%	4.04%	9.88%
3 years (%p.a.)	21.69%	3.12%	1.31%
5 years (%p.a.)	6.15%	-2.92%	-5.68%
Since inception on 1 Nov 2003 (%p.a.)	8.66%	7.64%	1.88%

The Fund had a mixed month. Several of our companies had good rises, most notably:

- Australian finance company **Keybridge** (6.8% of the Fund) – up 20%
- French tollroad owner **Macquarie Atlas Roads** (6.7% of the Fund) – up 16%
- Australian wind energy producer **Infigen** (5.5% of the Fund) – up 35%

Our biggest loser was Australian gold miner **Saracen**, which fell 27% for no apparent new reason, despite a 6% rise in the gold price (in \$A). At the month-end price of 35c I decided to buy some more Saracen shares, lifting our weighting to 5%. My reasons for doing this are that I remain bullish on gold in \$A, and that Saracen's market value is about the same as my estimate of its profits for the next three years, assuming that all their exploration spending will prove fruitless. This is possible, but unlikely.

4.2% of the Fund was invested in **Astro Japan Property Trust**, an Australian domiciled trust that owns 40 diverse properties in Japan. The shares trade at just over half of net tangible asset value, and pay a dividend yield of 5%. The price we paid was equivalent to buying the underlying properties at an ungeared net yield of about 6.5%, but being able to borrow the majority of the purchase price at an interest rate of less than 2.5%. Unfortunately, Astro is obliged to use over half of its earnings to repay its bank debt, but this debt repayment should add to the value of the trust, assuming no further declines in real estate prices. Japan's property market has had many years of poor returns but I remain cautiously optimistic that Japanese property prices are closer to the bottom than the top. I am pleased to have found a new way to participate in that market after the recent takeover of Goodman Japan Property.

The Fund's net asset value per unit was \$1.1807 at month end. The Fund owned securities issued by 23 companies. 13% of the Fund was in \$A cash.

Fred Woollard
11 September 2012

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