

## Samuel Terry Absolute Return Fund – May 2012 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 May 2012	STAR	All Ords	MSCI (\$A)
1 month	-2.81%	-6.90%	-2.36%
3 months	0.24%	-4.79%	0.13%
1 year	15.25%	-9.49%	-3.34%
3 years (%p.a.)	26.11%	7.14%	2.83%
5 years (%p.a.)	5.71%	-4.15%	-6.34%
Since inception on 1 Nov 2003 (%p.a.)	9.05%	7.12%	1.66%

Difficult world markets had a relatively modest impact on the Fund (at least in \$A terms...) because of our small exposure to Europe and its troubles. It also helps that the majority of the fund is in companies that have little or no debt.

Our worst losses were in Australian insurer **Calliden** (4.4% of the Fund) which fell 17% for no new reason and US investment bank **Goldman Sachs** (4.2% of the Fund) which fell 16%, mainly because of problems at JP Morgan and in Europe.

Our biggest gain was in our two Indonesian TV networks **Indosiar** (5.6% of the Fund) and **Surya Citra Media** (3.1% of the Fund) which rose 5% and 10% respectively. I attended SCM's annual meeting and was encouraged to hear that all is bright in the world of Indonesian TV, helped by strong growth in the Indonesian economy.

So why did I then sell a large part of our SCM shares? Partly, it was about risk management. I was also influenced by a comment from an SCM executive who was puzzled as to why SCM shares were now attracting lots of interest from stockbrokers and fund managers at 19x earnings, but a few years ago when the shares traded at 6x earnings, there was almost no interest in the shares. As I travelled through Jakarta I could not help noticing many new cars on the roads, and many new buildings under construction. Hotels are now full, and a lot more expensive! The final trigger was a newspaper article saying that a tycoon is going to build a 111 storey building, the world's 5<sup>th</sup> biggest, in central Jakarta, at a cost of \$2bn. All of these are indicative of a market that is closer to a top than a bottom. While I expect substantial further growth from Indosiar and SCM, and have a high regard for their management, increased caution is warranted.

**Goodman Japan** (4.2% of the Fund), a Japanese industrial property owner, rose 4% after receiving a takeover bid from its controlling shareholders at about half of net asset value. I don't like this, but expect we will be forced to sell.

In Australia, we sold our last shares of **Hunter Hall**, a fund management firm the Fund has owned since 2005. The reason for the sale was the loss of two key executives, and my suspicion that Hunter Hall might have lost its investing prowess. Unrelated to the Hunter Hall sale, we started buying another Australian funds manager, but so far have only bought a small position.

The Fund's net asset value per unit was \$1.312 at month end. The Fund owned securities issued by 24 companies. 5.6% of the Fund was in \$A cash.

Fred Woollard  
8 June 2012

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