

Samuel Terry Absolute Return Fund – October 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 October 2012	STAR	All Ords	MSCI (\$A)
1 month	1.89%	2.97%	-0.59%
3 months	4.75%	7.39%	6.08%
1 year	8.92%	8.92%	10.66%
3 years (%p.a.)	20.39%	3.49%	3.23%
5 years (%p.a.)	7.22%	-3.62%	-4.46%
Since inception on 1 Nov 2003 (%p.a.)	8.83%	8.10%	2.07%

The Fund's biggest winners this month were Australian property funds manager, **Centuria Capital** (5.8% of the Fund) which rose 13% for no obvious reason, and Japanese property owner **Astro Japan Property** (4.6% of the Fund) which also rose 13%, helped by a favourable debt restructure.

Our two investment banks did well, partly due to better than expected profit numbers and continued share buybacks at both banks. **Macquarie Group** (5.4% of the Fund) rose 12%, while **Goldman Sachs** (6.2% of the Fund) rose 8%.

The Fund bought more units of **Brookfield Australian Opportunities Fund**, an Australian property fund, which had previously announced that it intends to sell all of its assets (units in various Australian unlisted property funds) and distribute the proceeds to its investors over next few years. I estimate that we bought BAO at a price which will generate us a return of over 20% pa.

Net of the first cash payment which we received on 2nd November, 6.1% of the Fund has been invested in BAO. Soon after we finished buying, BAO units were delisted from the Stock Exchange. In order to be realistic, but conservative, we will be pricing our BAO units at the same 45% discount to NTA¹ at which the units were bought.

Changes at Samuel Terry Asset Management

I am delighted to report that Nigel Burgess has become a non-executive director of STAM. Nigel and I have known each other professionally for over 25 years, and we worked together in London in the late 1990's. Nigel and I have worked together on investments for the last few years and he found several of the Fund's more successful investments including Challenger Kenedix, Nexus Bonds and Lion Selection. Nigel is also a unit holder in the Fund. I believe that his enhanced involvement will be of considerable benefit to the Fund.

Tim Cole has retired from the board after eight years. I thank Tim for his contributions to STAM and to the Fund.

Cameron Stockbrokers, from whom I had sub-let an office for several years, closed in October. Its business was bought by BBY Stockbrokers, a much larger firm. Nigel and I have moved to desks in BBY's premises. My new office number is 02 9226 0137.

¹ Net Tangible Asset value per unit

The Fund's net asset value per unit was \$1.2146 at month end. The Fund owned securities issued by 25 companies. 1.6% of the Fund was in \$A cash and 3.9% in Japanese yen cash.

Fred Woollard
9 November 2012

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