

Samuel Terry Absolute Return Fund – September 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 30 September 2012	STAR	All Ords	MSCI (\$A)
1 month	0.97%	2.13%	2.68%
3 months	2.41%	8.20%	5.49%
1 year	14.33%	13.36%	13.01%
3 years (%p.a.)	20.54%	1.84%	2.23%
5 years (%p.a.)	7.04%	-3.60%	-4.57%
Since inception on 1 Nov 2003 (%p.a.)	8.69%	7.83%	2.16%

Our biggest winner was Australian gold miner **Saracen** (7.1% of the Fund), which rose 41% helped by a 4% rise in the \$A gold price and a substantial increase in its reserves. As I have been for many years, I remain bullish on gold and on Saracen.

Other winners included Australian medical supplier **ITL** (5.3% of the Fund) which rose 11%, helped by ongoing share buy backs, and US investment bank **Goldman Sachs** (5.9% of the Fund), which rose 7.5%.

Our biggest loser was an **Australian distressed mortgage fund** (0.7% of the Fund) which fell 63% because of a larger than expected loss and a split into two entities, both of which are committed to selling their assets and returning cash to their owners. We bought more of one because it traded at a discount to NTA¹ of over 80% and a slight discount to its net cash per unit.

Other significant losers included:

- Australian wind energy producer **Infigen** (4.7% of the Fund) – down 13%
- Australian publisher **Commstrat** (0.6% of the Fund) – down 48% because of poor results
- French tollroad owner **Macquarie Atlas Roads** (6.4% of the Fund) – down 4% because of adverse changes to French tax laws.

We added two new holdings to the Fund. **Brookfield Australian Opportunities Fund** (4.5% of the Fund) recently announced that it will sell off its property fund assets and be wound up over the next few years. Net of the first cash payment due later this month, we bought BAO at a discount to NTA of about 45%.

Ingenia (3.9% of the Fund) owns and operates 33 retirement homes across Australia. After the sale of its US assets is complete it will have only modest debt, and (at the price we paid) the shares were trading at a discount to NTA of about 30% and a P/E ratio of about 10x. I particularly like the fact that the retirement home industry provides many opportunities to invest capital at high rates of return.

We sold our shares in Indonesian TV station **Indosiar** (formerly 6.7% of the Fund), realising a 313% return in just over a year.

The Fund's net asset value per unit was \$1.1921 at month end. The Fund owned securities issued by 25 companies. 4.2% of the Fund was in \$A cash and 4.1% in Japanese yen cash.

¹ Net Tangible Asset value per share

Fred Woollard
10 October 2012

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