

Samuel Terry Absolute Return Fund – April 2013 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 April 2013	STAR	All Ords	MSCI (\$A)
1 month	0.90%	3.82%	3.67%
3 months	2.54%	6.75%	5.64%
1 year	10.85%	20.97%	16.18%
3 years (%p.a.)	20.74%	6.75%	5.12%
5 years (%p.a.)	12.98%	2.60%	0.32%
Since inception on 1 Nov 2003 (%p.a.)	9.66%	9.39%	3.38%

The Fund had a mixed month. Our biggest loser (again!) was Australian gold miner, **Saracen Minerals** (3.8% of the Fund) which fell 50% due to a 7.2% drop in the \$A gold price. Other gold shares, particularly high-cost producers like Saracen, had sharp falls during April. Fortunately for Saracen it has pre-sold part of its production for the next three years at high prices. As the gold price has fallen, Saracen's forward sales have become a valuable asset, worth nearly half the company's market capitalisation. The Fund responded to the fall by buying more shares, doubling our holding at close to the month's low price. High-cost gold mines are inherently speculative, but with its forward sales limiting our downside, I regard Saracen as an attractive mix of risk and potential reward.

Winners included Australian insurer **Calliden** (4.6% of the Fund) which rose 15% because of an improving outlook and French motorway owner **Macquarie Atlas Roads** (6.7% of the Fund) which rose 9% after it declared its first dividend.

Our biggest winner was **Microsoft**, which rose 16% helped by a good profit result and disclosure that ValueAct Capital, a well-regarded investor, had bought a large stake. In the two years we have owned Microsoft it has generated a total return of about 13%pa (in \$US terms), even though the threats to its core business have become more serious. As Microsoft had grown to over 5% of the Fund, we sold some of our shares, reducing our weighting to 3.1%.

We also sold part of some other holdings to fund a large redemption by one unitholder. This was to pay for a beautiful house, and I was delighted to be told that the Fund's good performance had greatly assisted with the purchase. The ultimate purpose of this Fund is to enable its investors to achieve their financial goals and I hope there are more such happy stories in years to come.

The Fund's net asset value per unit was \$1.3607 at month end. The Fund owned securities issued by 23 companies. 10.2% of the Fund was in \$A cash.

Fred Woollard
9 May 2013

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