

Samuel Terry Absolute Return Fund – November 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 November 2013	STAR	All Ords	MSCI (\$A)
1 month	2.90%	-1.38%	5.27%
3 months	7.37%	4.93%	8.42%
1 year	33.45%	22.64%	41.87%
3 years (%p.a.)	19.72%	9.01%	13.93%
5 years (%p.a.)	22.75%	12.45%	8.82%
Since inception on 1 Nov 2003 (%p.a.)	10.98%	9.42%	5.52%

Our biggest winner was **Keybridge Capital**, an Australian investor in distressed assets (9.7% of the Fund) which rose 22% because a company associated with one of its directors made a 16c per share takeover bid. Like the CEO (who owns 20% of Keybridge) we believe that the bid is too low, as Keybridge has NAV¹ of 22c per share, of which 12c is net cash. In addition, Keybridge has substantial tax losses and franking credits, an unusual and attractive combination.

Australian sandalwood grower **TFS Corp** (4.9% of the Fund) jumped 38%. Possible reasons for this were positive statements at the annual meeting and a broker commencing research coverage with a "buy" recommendation.

The Fund's NAV increased by 1.1% because we received a 2.9c per unit repayment from Australian property securities fund **BAO**. As you may recall, BAO is in liquidation and we receive cash whenever it sells assets. As its units are now unlisted, we value our BAO units at the same 45% discount to NAV at which we bought them. The effect of this is that our unit price increases whenever we receive cash from BAO². In the year we have owned BAO, it has repaid us almost all of our 8.1c cost price, and still has NAV of about 6c per unit. We expect the majority of this to be repaid in 2014. BAO is now 2.7% of our Fund.

Less cheerful was Australian insurer **Calliden** (1.4% of the Fund) which fell 26% after yet another disappointing profit announcement. Fortunately, we had sold the majority of our shares at higher prices in recent months. The CEO has promised a lot, but disappointed many times. I hope that that the board or large shareholders finally take firm action in response to this.

Australian gold miner **Saracen** (4.5% of the Fund) dropped 15% partly because of a 2% fall in the \$A gold price, but more because of terrible sentiment towards gold producers. Despite its high production costs, we remain reasonably comfortable with Saracen because it is debt free, has good management, and it has pre-sold a lot of gold at prices higher than those currently prevailing.

The Fund's net asset value per unit was \$1.4768 at month end. The Fund owned securities issued by 24 companies. 17.9% of the Fund was in \$A cash.

Fred Woollard
9 December 2013

¹ Net Asset Value, usually expressed in these reports on a per share or per unit basis.

² The reason that BAO cash payments increase our NAV is that cash payments convert an asset we value at 55% of underlying NAV (ie our share of BAO's NAV) into cash that is worth 100% of NAV.

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