

Samuel Terry Absolute Return Fund – March 2014 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 March 2014	STAR	All Ords	MSCI (\$A)
1 month	1.42%	0.25%	-3.30%
3 months	6.20%	2.20%	-2.59%
1 year	30.60%	13.19%	31.55%
3 years (%p.a.)	18.41%	7.74%	12.87%
5 years (%p.a.)	25.48%	13.55%	11.88%
Since inception on 1 Nov 2003 (%p.a.)	11.50%	9.43%	5.46%

Our biggest winner was Australian timberland owner **Kangaroo Island Plantation Timbers** (9% of the Fund), which rose 19%. The company is conducting a rights issue of new shares, partly underwritten by KIPT's other directors, to help purchase and develop a new port site. The Fund will take up its proportion of the new share issue, which has been priced at around 30% of net asset value.

We also benefitted from a 14% rise in Australian sandalwood grower **TFS** (7.5% of the Fund), caused by more positive news from the company.

Our biggest loser was UK-based **Co-Operative Bank** (3.8% of the Fund), which fell 17% after announcing a £1.3bn loss for 2013, which was even worse than I had expected. This loss has forced it to make a £400m share issue, three months after it narrowly avoided bankruptcy by giving 70% of its shares to bondholders.

Even after the loss, I estimate that the Bank's shares are trading at a discount to net tangible asset value of over 35%. Pleasingly, the Bank's franchise appears largely unscathed by the turmoil at the Bank in the last year.

The Fund's net asset value per unit was \$1.6046 at month end. The Fund owned securities issued by 25 companies. 13.9% of the Fund was in \$A cash.

Fred Woollard
10 April 2014

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