

Samuel Terry Absolute Return Fund – January 2015 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 January 2015	STAR	All Ords	MSCI (\$A)
1 month	0.22%	3.03%	3.62%
3 months	5.10%	1.66%	11.25%
1 year	21.60%	11.28%	20.28%
3 years (%p.a.)	19.40%	13.50%	23.76%
5 years (%p.a.)	22.51%	8.38%	13.08%
Since inception on 1 Nov 2003 (%p.a.)	11.99%	9.25%	6.82%

The Fund's underperformance had three main causes. 1.5% of the Fund was lost on options, mostly **S&P call options**¹ whose value was hurt by the 3% fall in that index. We have been pursuing a strategy of holding lots of cash, while also buying cheap call options that give us substantial upside exposure if the S&P Index goes up a lot. This accords with our view that we are in the second half of the bull market that started in March 2009. The second half of a bull market is a time to be cautious, but also a time when markets often rise at a rapid pace.

We were also hurt by an 11% fall in US investment bank, **Goldman Sachs** (7.7% of the Fund), perhaps because of a disappointing fourth quarter result. Finally, **Macquarie Atlas Roads** (3.4% of the Fund) fell 8% after the French government announced a review of French toll road charges.

Our best performer was Australian gold miner, **Saracen** (1.8% of the Fund), which rose 41%, helped by a 13% rise in the \$A gold price.

We welcome the Fund's first new investors since we closed it in August 2013, and encourage people who have been thinking about investing in the Fund to contact us.

The Fund's net asset value per unit was \$1.448 at month end. The Fund owned securities issued by 23 companies. 19.5% of the Fund was in \$A cash.

Fred Woollard and Nigel Burgess
12 February 2015

Samuel Terry Asset Management Pty Limited (AFSL 278294) does not guarantee the repayment of capital or any particular rate of return from the Trust. Past performance is no guarantee or indication of future performance. The unit price can go down as well as up. Investment returns have been calculated in accordance with normal industry practice utilising movements in the unit price and assuming reinvestment of all distribution of income and realized profits. The above report does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered as investment advice and should not be relied on as an investment recommendation.

¹ A call option on the S&P 500 Index is, in effect, a bet that the US stock market will rise, but our maximum loss is limited to 1-2% of the Fund, while our potential gain is a multiple of that.