

Samuel Terry Absolute Return Fund – July 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 July 2015	STAR	All Ords	MSCI (\$A)
1 month	-0.10%	4.23%	5.89%
3 months	9.11%	-0.82%	6.26%
1 year	31.77%	5.41%	30.67%
3 years (%p.a.)	27.32%	14.65%	27.39%
5 years (%p.a.)	25.22%	9.36%	15.45%
Since inception on 1 Nov 2003 (%p.a.)	13.04%	9.26%	7.52%

There was no particular reason for the Fund's poor performance. Our biggest loser, costing 0.7% of the Fund was our position in **call options on the S&P 500 Index** (0.3% of the Fund). These are intended to give us exposure to upward moves in the US market at the cost of modest losses if the index does not rise. So far, the S&P Index has had a fairly flat 2015, so the strategy has generated modest losses. Nevertheless, we still like a strategy that gives us exposure to any increases in the market, while having large exposure to cash and defensive assets to protect our downside if markets fall.

We are disappointed to report that this is the first year in which the Fund will not be paying a distribution to its unitholders. This was caused by **Asset Resolution Ltd** (4.8% of the Fund) not paying a promised capital repayment on 30th June. Instead, ARL made a smaller payment in July, but did not inform its shareholders of this change in payment until July.

We have called a meeting of ARL shareholders to replace the ARL board with our nominees. We have stated that our intention is to turn ARL into a listed investment company. The shareholders' meeting will take place on 11th September.

We accepted a takeover bid for **Ask Funding**, an Australian finance company, which was 1.4% of the Fund. This investment was a mistake and caused us a small loss.

We started buying an Australian company at a large discount to its net asset value, most of which is in cash. We believe it is likely (but not certain) that the company will be wound up in the next few years. Unfortunately, the shares in this company are difficult to buy.

The Fund's net asset value per unit was \$1.7088 at month end. The Fund owned securities issued by 22 companies. 31% of the Fund was in \$A cash.

Fred Woollard and Nigel Burgess

13 August 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.