

## **Samuel Terry Absolute Return Fund – January 2017 monthly report**

The Fund's performance (Founder units, net of fees) and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

To 31 January 2017	STAR	All Ords	MSCI (\$A)
1 month	-0.2%	-0.8%	-2.4%
3 months	2.1%	5.9%	6.4%
1 year	39.2%	17.1%	11.0%
3 years (%p.a.)	32.4%	7.5%	10.7%
5 years (%p.a.)	26.6%	10.3%	16.4%
7 years (%p.a.)	26.8%	7.6%	11.1%
10 years (%p.a.)	15.5%	4.2%	4.3%
Since inception on 1 Nov 2003 (%p.a.)	15.6%	8.7%	6.7%

**Emeco notes**<sup>1</sup> (2.7% of the Fund), rose 11% as the company made further progress towards restructuring its balance sheet and merging with two competitors. We regard this deal as one of the cleverest debt restructurings we have seen. In the two years we have owned the notes, their price has risen from \$73 to \$87 and we have received \$20 of interest.

We sold out of **Centuria Capital**, an Australian property manager we had owned since 2012, realising a return of over 150%.

We bought some bonds of a troubled overseas company at a yield of over 20%. About 2% of the Fund is now in those bonds and we may buy some more.

We bought call and put options on the S&P 500 Index as a way of giving us exposure to both rising and falling markets, while risking less than 1% of the Fund. The reason we bought the options is that implied volatility<sup>2</sup> was at close to record lows, meaning that the market believes the outlook for American share prices is unusually stable. We have no strong view on the outlook for US share prices, but believe the Trump presidency is likely to lead to greater volatility than the benign level predicted by the options market.

The Fund's net asset value was \$ 74m or \$2.6193 per Founder unit and \$10.7383 per A Class unit at month end. 38% of the Fund was in \$A cash. It owned securities issued by 20 companies.

Fred Woollard and Nigel Burgess

9 February 2017

*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.*

<sup>1</sup> Emeco is Australia's largest mining equipment rental company. <http://www.emeco.com.au/>

<sup>2</sup> Implied volatility means the market's expectation of future volatility of a share or index as reflected in option prices.