

## Samuel Terry Absolute Return Fund – June 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 30 June 2017	STAR	All Ords	MSCI (\$A)
1 month	0.2%	0.3%	-2.7%
3 months	-3.8%	-1.5%	3.5%
1 year	17.3%	13.1%	15.3%
3 years (%p.a.)	28.1%	6.8%	12.2%
5 years (%p.a.)	26.7%	11.6%	17.2%
7 years (%p.a.)	26.6%	8.8%	12.2%
10 years (%p.a.)	15.6%	3.5%	5.0%
Since inception on 1 Nov 2003 (%p.a.)	14.9%	8.7%	7.0%

The highlight of the month was at **Spicers**, an Australian paper distributor (6% of the Fund), which is our third largest holding. Shareholders finally approved a capital restructuring which we expect to make Spicers both more profitable and more attractive to investors. Although the shares are 20% higher than our purchase price, there is considerable potential in the shares, which trade for less than half of net tangible asset value, a large part of which comprises net cash and surplus property.

The 2017 bonds of UK-based **Co-Operative Bank** (3.5% of the Fund) rose 13%. This was because of a debt restructuring which is very likely to cause our bonds to be repaid in September. Although we will make a return of over 20%pa from repayment of these bonds, this was not what we expected when we bought the bonds. The scenario we regarded as most probable was that the bonds would convert into equity, which we expected to eventually generate an even greater return.

Global markets remained fairly stable, which was bad news for those, like us, who have been betting on increased volatility. Losses on our **call and put options on the S&P 500 Index** cost us 0.4% of the Fund. At month-end, 1.4% of the Fund was invested in these options, which are a bet that the global economy and political system are not as extraordinarily stable as the market is implying.

The fund's administrator and custodian, White Outsourcing, has been renamed Link Fund Solutions following its purchase by Link Group, one of Australia's largest share registry and financial administration firms. Apart from the change of name, we do not expect unitholders will notice much difference. You can learn more at: <http://www.linkfundsolutions.com/> and <http://www.linkgroup.com/>

The Fund's net asset value was \$72m or \$2.5672 per Founder unit and \$10.3464 per A Class unit at month end. Both unit prices are before calculation of the 2017 distribution. 14% of the Fund was in \$A cash. It owned securities issued by 21 companies.

Fred Woollard and Nigel Burgess  
11 July 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.*