

Samuel Terry Absolute Return Fund – November 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 November 2017	STAR	All Ords	MSCI (\$A)
1 month	4.7%	1.9%	3.2%
1 year	10.8%	14.8%	21.7%
3 years (%p.a.)	29.2%	9.2%	12.5%
5 years (%p.a.)	29.0%	10.7%	18.5%
7 years (%p.a.)	24.3%	8.4%	13.5%
10 years (%p.a.)	17.5%	3.6%	6.4%
Since inception on 1 Nov 2003 (%p.a.)	15.6%	9.0%	7.7%

The Fund's biggest winner was our call option position on the **S&P 500 Index**. The index rose 2.8%, which caused our call options to rise substantially. Those options contributed a total of 6.1% to the Fund's return.

Our biggest loser was **Kangaroo Island Plantation Timbers** (30.1% of the Fund), which fell 6%¹. This was because at month end, the company announced a \$20m share issue at \$2.00 per share, a 17% discount to the last sale price of \$2.41. We were very pleased with the capital raising, which was well supported by a number of new institutional investors, as it makes the company much stronger financially. The Fund did not participate in the raising because it already has a large holding in KPT.

We sold our shares in Australian miner **South32** at more than three times the price we paid in late 2015.

We also sold our shares in **Vealls**, an Australian investment company at \$14.56. We had been slowly accumulating shares in Vealls since 2015 and had paid an average of \$9.56. We bought Vealls because it had net assets of about \$15 per share, almost all of which was cash. This was the first idea pitched to us by colleague Mike Conway. So far Mike has scored two wins out of two ideas.²

Change at STAM: Mitch Taylor has joined the investment team. We have known Mitch for several years and been impressed by his work. We welcome his arrival and expect he will contribute significantly to the Fund's results in coming years.

The Fund's net asset value was \$91m or \$2.8515 per Founder unit and \$11.37 per A Class unit at month end. 22% of the Fund was in \$A cash. It owned securities issued by 17 companies.

Fred Woollard and Nigel Burgess
11 December 2017



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¹ KPT entered a two day trading halt on 30th November while the share issue was completed. This made it hard for us to fairly price KPT shares for our NAV calculation. We felt that using the last sale price of \$2.41 would overstate our performance, but using a price of \$2.00 per share was unrealistic as the share issue was heavily oversubscribed. After much discussion, we decided to value the shares at \$2.20. After the shares resumed trading on 4th December, they closed at \$2.30.

² We are embarrassed to recall that we did not buy Mike's other idea which was also taken over at a large premium.

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.