



SAMUEL TERRY  
ASSET MANAGEMENT

**Samuel Terry Absolute Return Group (the Fund) – Sep 2021 quarterly report**

The Fund's performance<sup>1</sup> (pre-tax, net of fees) and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

To 30 Sep 2021	STAR Founder Class	All Ords	MSCI (\$A)	STAR A Class
1 quarter	-7.2%	2.0%	2.6%	-7.1%
1 year	29.3%	32.3%	27.9%	25.4%
3 years (%p.a.)	16.2%	10.4%	12.4%	14.0%
5 years (%p.a.)	18.8%	10.8%	14.3%	
7 years (%p.a.)	23.4%	9.6%	12.9%	
10 years (%p.a.)	23.3%	10.9%	15.2%	
Since inception on 1 Nov 2003 (%p.a.)	16.3%	9.2%	8.6%	

The main contributor to the Fund's poor performance was a series of **bought options trades** which produced total losses of 10% of the Fund's value. The Fund has a long history of options trading. Overall, this has been very profitable and contributed to the returns you see above. We have had periods in which we have lost money from options. The difference this quarter was that we substantially increased the size of our positions.

Traditionally, we have sized our option purchases relatively conservatively such that a string of option losses would not cause large losses for the Fund. This rate of loss was one that our unitholders had demonstrated an ability to tolerate. By limiting our positions to that level, we have forgone much greater returns. Therefore, we decided to raise the Fund's rate of maximum loss to a level that we are comfortable with when it comes to our own money, provided, of course, we feel that the option pricing is attractive.

We recognise that not everyone is as cold-blooded as we are when it comes to the large declines that can follow from this strategy. We decided to resolve this difference by creating a new fund to conduct our options trading. The existing Fund will invest in the new fund in a size that reflects its original loss limits for options trading. We personally intend to invest in the new fund, so that we can take positions within our own (larger) loss limits<sup>2</sup>. We believe this solution allows us and our unitholders to take positions reflecting different risk appetites.

<sup>1</sup> Performance numbers are net of all fees and admin costs. The difference in returns between Founder units and A units is due to A units having a lower performance hurdle for calculating performance fees.

<sup>2</sup> Once it is properly established, we may allow external parties to invest in the new fund.

**Diamond Offshore Drilling** shares (15% of the Fund) fell 12%, despite a 4% rise in the oil price and evidence that the outlook for the offshore oil drilling industry continues to improve. We also have 4% of the Fund in debt issued by Diamond.

Another loser was Australian fund manager, **AMP** (7.3% of the Fund), which fell 12% for no apparent new reason. We bought more AMP shares during the quarter.

**NobleOak**, an Australian life insurer (6.4% of the Fund), listed on the ASX in July. The shares ended the quarter 21% above the IPO price.

**Horizon Oil**, an Australian oil producer (6.8% of the Fund), rose 14% during the quarter, after allowing for a return of capital. Nigel Burgess joined the Horizon board on 1<sup>st</sup> July.

**Kangaroo Island Plantation Timbers** (4.5% of the Fund) rose 10% during the quarter. The company's application to develop a seaport on the island was rejected by the South Australian government. Following that announcement, KIPT changed its strategy. The trees on most of its land will be removed and the land will be converted to more traditional agricultural use. KIPT has bought back 10% of its shares and is seeking shareholder consent to buy back further shares. Mitch Taylor joined the KIPT board on 14<sup>th</sup> July.

**We are delighted to announce that Mitch Taylor has become a shareholder in Samuel Terry Asset Management.** This promotion is recognition of the great work he has done for our unitholders since he joined the firm in 2017. We look forward to him contributing good results for many more years.

At 30 September, the Fund's net asset value was \$417m or \$3.4855 per Founder unit and \$12.9123 per A Class unit at quarter end. 23% of the Fund was in cash and 0.8% in options. The Fund owned securities issued by 23 companies.

Fred Woollard, Nigel Burgess and Mitch Taylor  
14 October 2021

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*Samuel Terry Asset Management Pty Limited (AFSL 278294) does not guarantee the repayment of capital or any particular rate of return from the Fund. 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.*