



SAMUEL TERRY ASSET MANAGEMENT

SAMUEL TERRY ABSOLUTE RETURN FUND

FUND SUMMARY AS AT 31 OCTOBER 2015

Objective The Fund aims to grow investors' wealth at over 10% p.a. while minimising the risk of loss to investors' capital.

The Manager believes that a return of over 10% p.a. is likely to exceed the return of most asset classes and share indices, but the Fund is not managed with the explicit objective of matching or beating any index.

Fred Woollard, the investment manager of the Fund, has invested most of his family's net worth in the Fund and manages it as his personal portfolio, albeit one shared with outside partners. Nigel Burgess, STAM's other director, is also a large investor in the Fund.

Fund description The Fund is an Australian domiciled unit trust and has net assets of \$A29m. The Fund is denominated in \$A and its financial year ends on 30th June.

The Fund does not borrow money or short-sell securities. It tends to buy and hold securities rather than being an active trader.

Those who like to pigeonhole funds by "style" would probably describe the Fund as "deep value global contrarian". The Manager aims to buy most of the Fund's securities at a sufficiently large discount to intrinsic value to ensure a margin of safety against loss as well as the potential to generate returns of over 10% p.a.

The Fund is open to subscriptions and redemptions at the end of each month.

Under Australian law, the Fund is obliged to distribute its net income to unit holders at least once a year. This usually takes place in July. Most unit holders reinvest their distributions back into the Fund.

Performance history The Fund’s performance (after all fees and expenses) and that of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index in Australian dollars are shown below in \$A:

To 31 October 2015	STAR	All Ords	MSCI (\$A)
1 month	6.15%	4.59%	5.71%
3 months	9.54%	-5.47%	-1.02%
1 year	35.86%	0.45%	22.91%
3 years (%p.a.)	29.24%	9.88%	24.48%
5 years (%p.a.)	23.39%	6.78%	15.01%
Since inception on 1 Nov 2003 (%p.a.)	13.61%	8.54%	7.27%

The above numbers assume reinvestment of all distributions and dividends.

Asset Allocation The Fund invests globally, but has a bias towards Australia.

It can invest in equities, debt or cash. From time to time, a substantial proportion of the Fund may be invested in distressed debt and/or emerging markets. The Fund has a bias toward small, illiquid and obscure securities.

The Fund Manager aims to hold 20-30 diverse securities. Most of the portfolio is invested in companies the Manager perceives as “low risk” but a small part of the portfolio is invested in high-risk securities, which have potentially high reward.

The Fund sometimes buys debt that is at serious risk of default, or which has already defaulted, but only if the price is very attractive. We hope to buy more such debt, when conditions permit.

On 31 October 2015, the Fund owned securities issued by 24 companies. 63.8% of the Fund was in Australian securities, 5.6% in USA, 2.7% in France, 2.6% in Japan, 1.8% in UK and 1.5% in Russia. 23.4% was in \$A cash, and 2.7% in distressed debt.

Investor information Investors in the Fund receive a monthly report informing them of the Fund’s performance, and news about the Fund’s investments.

The company’s website (www.samuelterry.com.au) contains further information on the Fund, as well as a complete archive of the Fund’s monthly and annual reports.

The Fund is open to Wholesale Investors only Page 18 of the Fund’s Information Memorandum contains a full definition of what makes an investor “wholesale”, but the most common ways an investor can be regarded as “wholesale” is to either:

- a) invest at least \$A 500,000 into the Fund, or
- b) have a “Qualified Accountant” certify that the investor either has a net worth of at least \$A 2,500,000, or has earned at least \$A 250,000 per annum in each of the last two years.

The minimum initial investment size is \$A 50,000.

Fees The Fund has four sets of fees:

- a) A management fee of 1.5% p.a. of net assets of the Fund (plus GST¹)
- b) A performance fee of 20% (plus GST) of the Fund's return above 10% p.a. This is calculated after deducting the management fees and operating expenses of the Fund, and is subject to a "high water mark".
- c) Fees are payable to the Fund's Administrator, Custodian and Auditor.
- d) An Exit Fee is payable by investors who redeem their units within three years of subscribing for units. The amounts of the Exit Fees are:

Time of redemption of funds	Amount of Exit Fee
During first year after initial investment.	3% of the Redemption Price
During second year after initial investment.	2% of the Redemption Price.
During third year after initial investment.	1% of the Redemption Price
During fourth and remaining years of investment.	Nil.

Exit Fees are payable to the Fund, not to the Manager. The purpose of the Exit Fee is to discourage investors with a short term investment horizon from investing in the Fund, and to compensate long term investors for the disruption to the Fund caused by short term investors exiting the Fund.

Some reasons this Fund might not be suitable for you

Although performance in recent years has been good, the Fund has had periods of poor performance, and, at times, is likely to do so again (as will most funds).

- The Fund has a more concentrated portfolio than most other funds.
- Part of the Fund's portfolio is in illiquid and/or obscure securities. If you are looking for a fund that invests in well-known, blue-chip securities, this Fund is not for you. (But we currently own Goldman Sachs shares, and have owned large cap companies such as Microsoft and Telstra in the past.)
- The Fund's illiquid securities could be difficult to sell quickly if the Fund received a large number of redemption requests at once.
- At times, a small proportion of the Fund will be invested in speculative securities. Some of these will pay off. Others will become worthless, *as some have done*.
- The Fund is managed with the objective of maximizing after-tax returns for Australian residents, rather than maximizing pre-tax returns.
- The Fund has been designed to be unsuitable for investors seeking a short term home for their money.
- The Fund is unlikely to pay a regular income.

¹ GST refers to the Goods and Services Tax charged by the Australian Government. Notionally the rate of GST is 10%, but in practice for investment funds, it is only 2.5%.

- Most of the Fund's portfolio will usually be risk-averse and defensive; but in times of panic you should expect the Fund to be an aggressive buyer of more speculative securities if their prices fall to levels judged to be ridiculously cheap. Some people do not feel comfortable about this approach, even though it generated good returns for the Fund following the panic of 2008-2009.

Directory

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Fred Woollard is founder, owner and chief executive of Samuel Terry Asset Management. His e-mail address is: fred@samuelterry.com.au

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Disclaimer

This report is a summary of the Samuel Terry Absolute Return Fund. Before investing in the Fund, prospective investors are encouraged to read the Fund's Information Memorandum.

If there is a conflict between this summary and the Information Memorandum, the Information Memorandum prevails.

Samuel Terry Asset Management Pty Limited 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 Fund's unit price can go down as well as up. Investment returns have been calculated in accordance with normal industry practice utilising movements in unit price and assuming reinvestment of all distribution of income and realized profits. This summary 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.