Dear Unitholders,

The Fund generated a satisfactory return during the year as you can see in the following table, which compares the Fund's return (net of fees) to the Australian All Ords Index and the MSCI World Index.

To 30 June 2015	STAR	All Ords	MSCI ($A)
1 year	32.45%	5.67%	23.28%
3 years (%p.a.)	27.20%	14.47%	24.50%
5 years (%p.a.)	26.86%	9.36%	14.27%
Since inception on 1 Nov 2003 (%p.a.)	13.15%	8.94%	7.05%

The Fund's biggest winners during the year were the liquidation securities we discussed in last year's annual report. These generated the following returns:

- Asset Resolution Ltd - up 160%
- BAO Trust - up 42%
- Hamilton Securities - up 80%
- Kangaroo Island Plantation Timbers - up 147%

Other notable winners were Australian wind farm owner, Infigen (up 33%) and Japanese property investor Astro Japan, up 28%.

Asset Resolution Ltd

A large part of our time and effort during the year, especially in recent months, has been devoted to Asset Resolution Ltd. ARL is an unlisted Australian public company with a complex history. Over the last two years, we acquired 18% of ARL at less than half of its net asset value. As ARL's publicly stated strategy was to sell all its assets, and return the proceeds to shareholders, this was an unusually attractive situation. After each of our ARL purchases, the company repaid us more than we paid, meaning that our ARL shares effectively cost us less than zero.

In April 2015, Hamilton Securities, an investment company 37% owned by the Fund, launched a takeover bid for ARL at less than half of ARL's net asset value. The Fund supported Hamilton's bid by providing Hamilton with an interest free loan facility and an offer to underwrite a rights issue, for which it charged no underwriting fee.[1]

Hamilton's bid was accepted by 6% of ARL shareholders. Soon after the bid closed, we called a meeting of ARL shareholders to replace the board. On 11th September 2015, Fred Woollard and two of our nominees became directors of ARL, pledging to list ARL's shares on the Stock Exchange and turn ARL into an investment company.

ARL appears in our list of holdings as 10.9% of the Fund. This is before a capital repayment in July that reduced the weighting to its current level of about 5%. Arguably, this undervalues ARL as it prices ARL at less than half of its net asset value.

Kangaroo Island Plantation Timbers Ltd (KPT)

KPT has been a long-running saga for the Fund, and was for a long time a cause of much angst and substantial losses. After we pushed through a recapitalisation in 2013 (that narrowly averted

[1] It is highly unusual, if not unique, for a supplier of capital to treat a borrower as generously as we treated Hamilton in the ARL bid. Although we think what we did was beneficial for the Fund as well as for Hamilton, we don't expect this approach to catch on. As shareholders in Goldman Sachs (a company not known for making interest-free loans or charging zero for underwriting share issues) we certainly hope not.

bankruptcy), and a change of management, KPT is making great strides towards monetising its substantial land and timber assets. This progress has been reflected in KPT's share price, which has risen seven-fold in less than three years.

This has created a problem of sorts for the Fund, in that our weighting in KPT was over 22% on 30 June 2015 and now exceeds 30%. As we own about 48% of KPT it is simply not possible to easily sell enough shares on the share market to reduce our weighting to a level that we would normally prefer, ie less than 10%. We are acutely aware of this problem.

As KPT's publicly stated strategy is to sell its assets at the best price, and we have a high regard for its board and management, we have decided to retain our stake for the time being, particularly as KPT shares still trade at a meaningful discount to the company's expected realisable value. Although we would like to restore a more balanced weighting, we are not prepared to unnecessarily give away large amounts of value to do so.

Cash and calls

The Fund's biggest loser during the year was Fred's idea of investing in a portfolio of put and call options on various shares, and indices. The logic behind it was partly that option prices, in several markets, were statistically cheap for much of the year. This meant that, in theory at least, buying options seemed to be an attractive gamble, provided the options were bought cheaply enough.[2]

Buying options also fitted in with our cautious view of markets. Owning put options protected us from large drops in global markets. Owning call options on the S&P 500 Index gave us exposure to any rapid rises in the US market, even though a large part of the Fund was safely invested in cash. This strategy, which was our biggest loser, was intended to give us "heads we win a lot, tails we lose a little" type exposure to the US market. The US market was unusually flat, rising about 5% during the year, so we lost money on these trades.

Although we made good money on some option trades, overall they cost us about 2% of the Fund's value during the year and have cost us a further 2% in the first four months of the current year. Despite these losses, we like using options to reduce risk in the Fund, or increase our market exposure, when it appears statistically attractive to do so. Don't be surprised to see us do it again.

Changes to the Fund and its manager during the year

In December 2014, Nigel Burgess become a partner in STAM. He had been involved in the Fund's investment decisions for several years, and has made a significant contribution to the Fund's performance.

Two years ago, 29% of the Fund was invested in securities that were in a form of liquidation. We had believed that these securities were so cheap, and the likelihood of the discounts narrowing was so high, that it would have been unfair to our unitholders to allow new investors into the Fund.

Accordingly, the Fund was closed to new investors from August 2013 until January 2015. The decision to re-open the Fund was partly because the price of these securities had risen, and partly to provide extra cash to fund Hamilton's takeover bid for Asset Resolution Ltd.

[2] Usually, options are priced at levels that ensure that statistically, option buyers are likely to lose, similar to the way gamblers in a casino are likely to lose.

We changed the Fund's custodian from JP Morgan to White Outsourcing. White is owned by Steadfast Group, one of Australia's largest insurance brokers. We have been very happy with White's role as the Fund's administrator since 2005 and they are doing a good job as custodian. JP Morgan, who remain our sub-custodian, did a good job as custodian, but were much more expensive than White.

No distribution

As you may have noticed, the Fund did not pay a distribution in 2015, the first time this has happened. We try to ensure that the Fund has some distributable income each year, if only to ensure that the Fund's franking credits are distributed to unitholders.

The reason this year is different is due to ARL. At a meeting held on 24th June, ARL shareholders voted to approve a capital repayment on 30th June 2015, which would have formed part of our distributable income. Shareholders were told at that meeting that the payment would be made on 30th June.

Late in June, the ARL board decided to reduce the payment and defer it until July. The effect of this was to reduce the Fund's distributable income from a positive to a negative number. ARL did not disclose the change until early July, which was too late for us to take corrective actions.

Macroeconomic views

We have generally been cautious throughout the year, believing that most major world markets are in the second half of a major bull market that started in early 2009. We worry that the Australian economy is at risk from the end of the mining boom and the possible end of the property boom.

This stage of the cycle is a time to be cautious, but also to recognise that markets can sometimes experience large rapid rises. Hence our preference for owning defensive shares, lots of cash and (when we can buy them cheaply) call options over major indices.

Our attitude to risk is summarised in the following paragraph, which has appeared in previous annual letters.

Because we do not have the ability to accurately predict economic and market conditions, we aim to diversify in a way that can be expected to do reasonably well across the widest possible number of potential scenarios. This requires that our strategy is able to overcome not only occasional bear markets and dislocations, but all of the other hurdles that are endemic to active investment management. The list includes bad luck, bad timing, and occasional mistakes in judgment. Most importantly, any truly robust long-term investing strategy must be built to survive the worst possible scenarios the market can throw at us and allow us to live to play another day. If we do this, we are unlikely to be the best performers in any given year, but we do have a good chance of continuing to generate satisfactory overall returns.

The Fund's robustness is assisted by our longstanding policy of having the majority of the Fund in cash, or in securities which themselves have net cash on the issuer's balance sheet. During the year, an average of 18% of the Fund was in cash and at year-end, 29% of the Fund was in cash. In addition, at year-end, 57% of the Fund was in companies which themselves had net cash.

As we both have large personal stakes in the Fund, this policy helps us to sleep soundly.

Outlook for the Fund

So far this financial year, the Fund is up 9.4%. The strong performance of world share markets in recent years is making it increasingly difficult for us to find attractive investments, but we are still finding interesting opportunities and remain optimistic about the Fund's outlook.

Finally, if you know of someone whom you think would benefit from investing in the Fund, please don't hesitate to give them our contact details.

Yours sincerely,

Fred Woollard and Nigel Burgess

31 October 2015

LIST OF HOLDINGS AT 30 JUNE 2015

AIMS Property Securities Fund	3.62%
Air Change International Ltd	0.08%
Ask Funding Ltd	1.18%
Asset Resolution Ltd	10.88%
BAO Trust	0.71%
Centuria Capital Ltd	3.45%
Emeco 9.875% $US notes due March 2019	3.65%
Greenvale Energy NL	0.09%
Hamilton Securities Ltd	2.98%
Infigen Energy	2.79%
ITL Ltd	0.76%
Kangaroo Island Plantation Timbers	22.05%
Keybridge Capital Ltd	4.27%
" 7% Notes due 31 July 2020	0.68%
Pasminco bonds	0.03%
Premium Income Fund	0.26%
Saracen Mineral Holdings	1.37%
Australian securities	**58.85%**
Astro Japan Property Group	1.40%
Co-Operative Bank plc	2.42%
Galileo Japan Trust	1.34%
Goldman Sachs	6.11%
Macquarie Atlas Roads	2.39%
Sberbank ADRs	1.27%
S&P 500 Index 2250 call options	0.18%
Overseas securities	**15.11%**
Cash and other assets/liabilities	**26.04%**