<u>Martin Raymond Real Return Fund</u> – June 2004 monthly report

NAV/unit rose by 0.4% during June, and since the fund's inception on 1st November 2003, the NAV/unit has gained 7.5%. At the end of June, the fund owned securities in nine companies. 57% of the fund was in cash.

The main events of note during the month were:

MCI (8.7% of the fund) fell 3% during June because of worsening competition and an unfavourable court ruling about the fees MCI must pay other telephone companies to connect calls.

Simon Gilbert Wines (5% of the fund) fell 10% for no obvious reason, so the fund bought some more shares. The company seems to be going well under its new management, although conditions in the wine industry are tough.

4.3% of the fund was invested in **Australian Magnesium** stapled securities. Aust Mag is in a precarious financial position, and it is quite possible that the company could go broke. The fund is protected because holders of the stapled securities are entitled to a payment from the Queensland government in November 2004. Net of this, only 0.9% of the fund is exposed to Aust Mag equity. The fund bought the shares at around half the equivalent price of Aust Mag ordinary shares. If Aust Mag survives, which it might, the shares could conceivably be worth several times their current price.

4% of the fund was invested in **Molins plc**, a manufacturer of packaging manufacturing machinery. Molins has had a strong business, but it and its competitors are going through a difficult period. The company is asset rich, with substantial surplus land holdings in the UK. The fund bought the shares for less than asset value, at 4x last year's earnings, and about 8x this year's likely earnings. The shares pay a 7.5% dividend yield and the company has a history of buying back shares. It may take a while, but I expect the fund to do well from Molins.

Fred Woollard
2nd July 2004