Martin Raymond Real Return Fund – November 2004 monthly report

NAV/unit rose by 2.1% during November. The fund again underperformed the booming Australian market, which rose 4.6% during the month, but narrowly outperformed the world index, which rose 1.9% in $A terms. The fund's performance was constrained by its high (44.3% at month-end) weighting in cash, which is kept in $A.

The main events that affected the fund during the month were:

MCI (5.5% of the fund) rose 12% after an encouraging third quarter result.

The fund sold 40% of its **Bangkok Land bonds**. The reason for the sale was that the fund's weighting in the bonds had risen to over 8% because the price had more than doubled since purchase. Although I remain optimistic about the long-term prospects for the bonds, an 8% weighting was excessive. The weighting was 4.5% at month-end.

Simon Gilbert Wines (4.0% of the fund) rose 16% for no obvious reason. The fund sold some shares after the rise.

Indosiar (3.7% of the fund) rose 7%, lagging behind the Indonesian market which rose 14% during the month.

Infomedia (3.2% of the fund) rose 15% during the month for no obvious reason. At one stage, the shares were up 20%, so we sold some.

The fund reduced its weighting in **Village Roadshow** to 3.1% because the price had risen to a level that was no longer compelling value. The fund converted half its holding from non-voting shares to voting shares because the gap between the two prices was unusually narrow.

The fund made one new investment during the month, in **Lighting Corp**, an Australian company with a market cap of around $A 70m. This company is a market leader in its field, has modest debt, a solid track record, trades at 10-12x earnings, and pays a 4.4% dividend yield. The company has good growth prospects. At month-end the fund had a 2.8% weighting in this company, and I am trying to lift the weighting to 4%.

Telewest (2.5% of the fund), a British telephone and cable TV company, rose 19% after a good profit result. The shares are still very cheap relative to Telewest's potential earnings, but I am wary of the company's large debts.

The fund's investments in **Rio Tinto and Commonwealth Bank options** declined substantially, cutting 0.4% off the fund's value. At month end, 0.26% of the fund was in these options.

Fred Woollard
3rd December 2004

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