

## **Samuel Terry Absolute Return Fund – December 2014 monthly report**

The Fund's performance (net of fees), and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

To 31 December 2014	STAR	All Ords	MSCI (\$A)
1 month	0.44%	1.93%	2.09%
3 months	4.42%	2.58%	7.55%
1 year	22.01%	5.02%	13.48%
3 years (%p.a.)	21.77%	14.30%	23.12%
5 years (%p.a.)	22.83%	6.44%	11.68%
Since inception on 1 Nov 2003 (%p.a.)	12.07%	9.03%	6.53%

The Fund's underperformance had two main causes. The largest was a 5% fall in the fund's largest holding, **Kangaroo Island Plantation Timbers** (16.1% of the Fund). Despite being a director of KIPT, I have no idea why its share price fell.

Our other big loser was Russia's largest bank, **Sberbank** (1.4% of the Fund) which fell 34% in \$US terms, partly because the rouble fell 20% in response to Russia's rapidly weakening economy. Sberbank's share price reflects this by trading at a discount to book value of over 30%, despite the bank's history of earning more than 20% returns on equity. On the surface, Sberbank appears strong and, if things ever go right in Russia, there is potential for the shares to do very well. Obviously, there are many risks and uncertainties in owning a Russian bank, which is why we have only a small part of the Fund in Sberbank.

We bought some more shares in unlisted Australian property company, **Asset Resolution Ltd**, more than doubling our weighting to 8.4% of the Fund. ARL's publicly stated strategy is to sell its assets and return the proceeds to shareholders. The price we paid was less than half of ARL's net asset value and over half the price we paid was backed by ARL's net cash.

**The Fund will re-open to new investors on 31 January.** If you, or anyone you know is interested in investing in the Fund, please let us know. Attached with this report is a presentation on the Fund and its updated Information Memorandum.

The Fund's net asset value per unit was \$1.4448 at month end. The Fund owned securities issued by 25 companies. 18.8% of the Fund was in \$A cash.

Fred Woollard and Nigel Burgess  
11 January 2015

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