

Samuel Terry Absolute Return Fund – July 2017 monthly report

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

1 month	1.0%	0.2%	-1.2%
3 months	1.5%	-2.1%	-1.3%
1 year	9.2%	6.6%	11.2%
3 years (%p.a.)	28.3%	5.3%	11.8%
5 years (%p.a.)	27.0%	10.8%	17.2%
7 years (%p.a.)	25.6%	8.2%	11.9%
10 years (%p.a.)	15.7%	3.7%	5.1%
Since inception on 1 Nov 2003 (%p.a.)	14.9%	8.7%	6.9%

Our fund had a mixed month. Australian property investor **AIMS Property Securities Fund** (8.3% of the Fund), rose 10% after a well-regarded activist investor surfaced as a 5% holder. Even after the price rise, the AIMS fund still trades at a discount of more than 20% to the value of its assets.

Global markets continued to quietly rise, which was bad news for those, like us, who have been betting on increased volatility. At month-end, 1.5% of the Fund was invested in matching call and put options on the S&P 500 Index.

In addition to betting on volatility, we bet 2% of the Fund on continuation of the US bull market. We have bought call options on the S&P 500 Index expiring in June 2018 that require a rise of about 8-15% in the index before they pay off. It is probable that the options will end up worthless, but we regard the gamble as incredibly favourable. We perceive the odds on these options as similar to a coin toss which pays you ten times your money if you win.

Losses on call and put options on the S&P 500 Index cost us 0.7% of the Fund.

The Fund paid distributions of \$0.073 per Founder unit and \$0.453 per A Class unit.

The Fund's net asset value was \$77m or \$2.5178 per Founder unit and \$9.9916 per A Class unit at month end. 16% of the Fund was in \$A cash. It owned securities issued by 21 companies.

Fred Woollard and Nigel Burgess
10 August 2017



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