Samuel Terry Absolute Return Group – A Class Units

November 2022

Fund Summary

Fund Name	Samuel Terry Absolute Return Group comprising Samuel Terry Absolute Return Fund and Samuel Terry Absolute Return Active Fund*
APIR Code	STP9437AU
Fund inception	November 2003
Fund Size	A$501m
Base Currency	Australian Dollars
Investor eligibility	Wholesale investors only
Fund Liquidity	Monthly
Administrator and Custodian	Link Fund Solutions
Auditor	Grant Thornton
Management fee	1.5% plus GST p.a
Performance fee	20% of benchmark outperformance, with a high water mark, paid annually
Benchmark	RBA cash rate plus 2% p.a
Buy/Sell spread	0.5%
Platform availability	Powerwrap, Netwealth, Ausmaq

*See Appendix A for representation of legal structure

People | Small team. Experience through market cycles and across asset classes

Investment Team

Fred Woollard
Founder and Managing Director

Fred has worked in financial markets since 1981. Prior to founding Samuel Terry in 2003, Fred worked for Hunter Hall International Limited, a European family office and various stockbroking firms in Australia and the UK. Fred has an Economics degree from University of Sydney.

Nigel Burgess
Director

Nigel has worked in financial markets since 1985. Prior to joining Samuel Terry in 2009, Nigel also worked at Hunter Hall International Limited, the same European family office, Friends Provident and GIO Australia. Nigel has an Economics/Finance degree and an Accounting Masters degree, both from University of NSW.

Mitch Taylor
Portfolio Manager

Mitch has worked in financial markets since 2009. Prior to joining Samuel Terry in 2017, Mitch worked for a boutique Australian fund manager. Mitch has a Commerce degree from University of Sydney and a Master of Applied Finance from Macquarie University.

Support Team

Ouafaa Karim
Chief Operating Officer

Ouafaa has over 30 years experience in the financial services industry in the fields of operations, compliance and company secretarial. Prior to joining Samuel Terry, Ouafaa worked with CBA, AMP and MLC. Ouafaa also worked at Hunter Hall International Limited. Ouafaa has a Bachelor of Arts and a Masters in Commercial Law from Macquarie University.

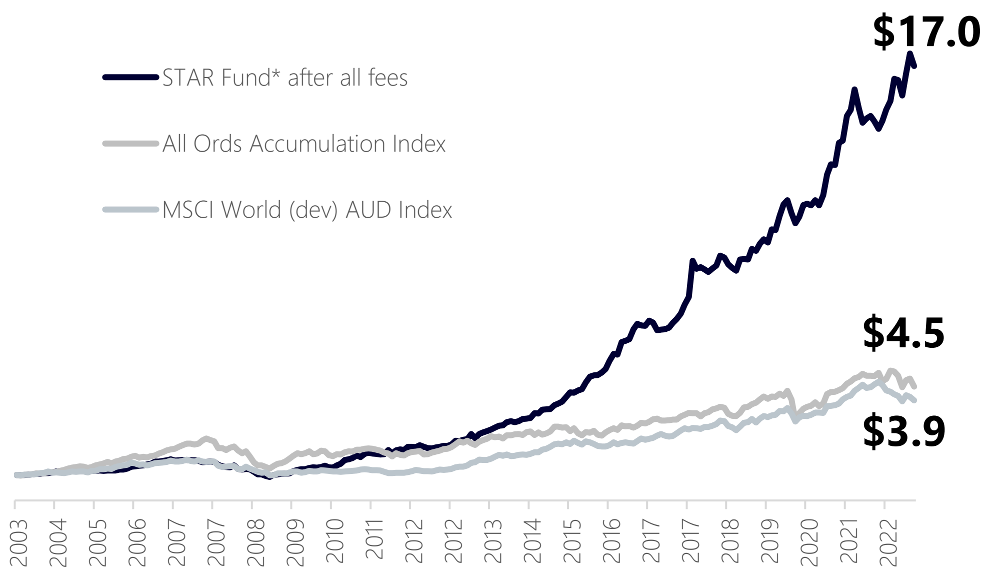
Therese Cochrane
General Manager

Therese started work as a banking and finance and commercial lawyer in 1987. She has worked in private practice in Sydney and in-house for investment banks in London. She has an Economics degree, majoring in Accounting and Economics and a Law degree, both from University of Sydney and a Masters in Law from University of Cambridge.

Performance | Good returns for 18 years

To 30 September 2022	STAR Fund* F units after fees	STAR Fund A units after fees	All Ords Accum Index	MSCI World Developed Index (AUD)
1 quarter	7.3%	6.6%	0.8%	0.7%
1 year	13.8%	13.1%	-8.6%	-11.1%
3 years (%p.a.)	17.0%	15.2%	3.1%	5.5%
5 years (%p.a.)	19.1%	17.1%	7.1%	8.3%
7 years (%p.a.)	21.5%		8.3%	8.6%
10 years (%p.a.)	23.3%		8.6%	12.4%
Since inception (%p.a)	16.2%		8.2%	7.5%

Value of $1 invested since inception



*Founder units – A class units have a different hurdle rate for performance fee. A Class Units have an inception date of 30 September 2016.

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What makes the fund different? | We have significant personal investments in the fund… we eat our own cooking

Flexible

- NOT attempting to track any index.
- Invest globally.
- Looks beyond equities.
- Invests across the range of market capitalisations.
- Willing and able to invest in unlisted and illiquid securities.
- Willing and able to be active investors.

Conservative

- Often hold lots of cash. Since inception, the average cash weighting has been 18%.
- NO borrowing or leveraging of the fund.
- NO short selling
- Do not write options, will only buy them periodically.
- Majority of investments are usually in companies which themselves have net cash. This helps us sleep at night, especially when markets are slumping.

Uncomplicated

- Invest only in companies and financial instruments we understand.
- Low frequency traders. Since inception, annual portfolio turnover has been less than 50%.
- We have limited brain space and limited good ideas. We Invest heavily in our best ideas. The portfolio is more concentrated than most.
- If we cannot find investments which offer attractive risk/reward, we hold cash and wait.
- Provide a high degree of transparency.

We aim to maximise post tax returns for our Australian unit holders.

What makes the fund different? | Unique Approach. Wide opportunity set, looking for simple characteristics

<u>"One way bets"</u>

Heads, I win…
Tails, I don't lose…

Typically ~80% of capital employed.

<u>"Irrational odds"</u>

Heads, I win $5…
Tails, I only lose $1…

Typically less than 20% of capital employed.

Current Portfolio | Portfolio Snapshot at 24 October 2022

- 52% of capital invested in companies with net cash.
- 13% of capital is invested in corporate credit.
- We aim to hold securities issued by 15-35 diverse names.
- Top 20 holdings represent 99% of capital. The Fund currently owns securities issued by 21 names.
- 49% of capital is invested in Australian securities, 29% is invested in non-Australian securities
- 0% of capital is invested in technology shares

Top Holdings	% of NAV
Cash (including physical gold)	20.8%
Diamond Offshore Drilling*	15.0%
AMP	11.6%
Horizon Oil	8.2%
Kiland	7.9%
Infrabuild 12% notes due 2024	6.1%
UK Banks (Barclays, Lloyds, Virgin Money)	5.2%
NobleOak Life	4.0%
US Masters Residential Fund	4.2%
Namoi Cotton	3.9%
BisAlloy Steel	2.1%

Top Sectors

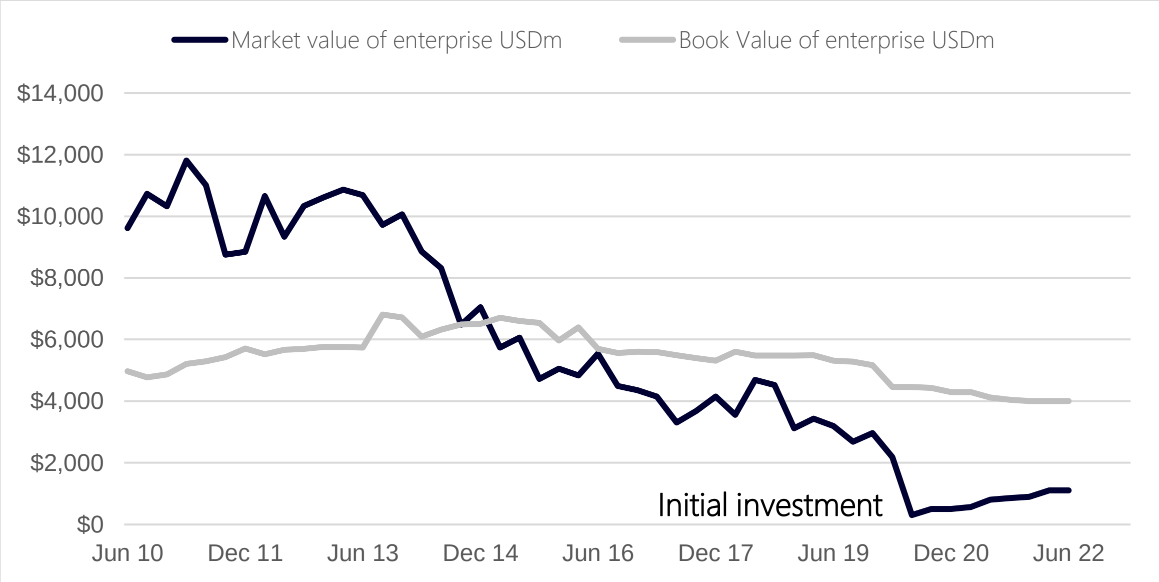
Cash	Commodities & Energy	Financials
21%	24%	21%

*Investment consists of both debt and equity instruments.

Current Holding | Diamond Offshore Drilling. Market cap: USD890m

- Diamond is a tier one offshore driller with a history of rational capital allocation decisions. It owns 13 and operates 15 drilling vessels with a book value* in excess of USD4bln.
- In April 2020 Diamond entered Ch11 bankruptcy to restructure its USD2.4bln of debt and create a sustainable capital structure. In response, Diamond's unsecured bonds were sold aggressively in the secondary market. We bought 6.5% of the unsecured bonds at around 12c per dollar of face value and subsequently joined a creditors committee which negotiated Diamond's exit from bankruptcy.
- In April 2021 Diamond emerged from bankruptcy and conducted a capital raise. As part of the bankruptcy plan, our unsecured bonds were converted to equity. We participated heavily in the capital raise and now own approximately 4% of Diamond's reorganised equity and 2% of Diamond's reorganised debt.
- In March 2022 Diamond's reorganised shares relisted on NYSE (DO.NYSE). Diamond now has a sustainable capital structure.
- Offshore drilling is cyclical. Industry conditions and rig profitability have improved materially in the last 12 months.

Diamond is still trading cheaply, when compared to history

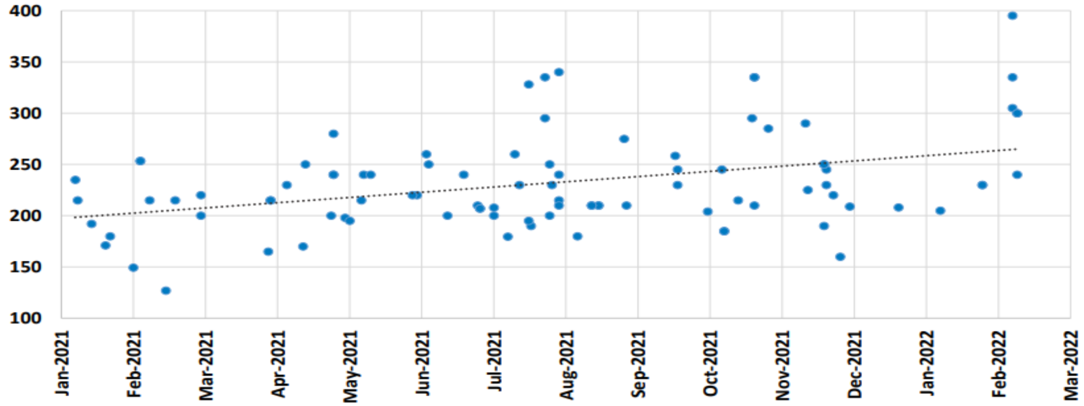


* Book Value of Enterprise excludes effect of "fresh start" accounting on book value – estimates.

Current Holding | Diamond Offshore Drilling. Market Cap: USD890m

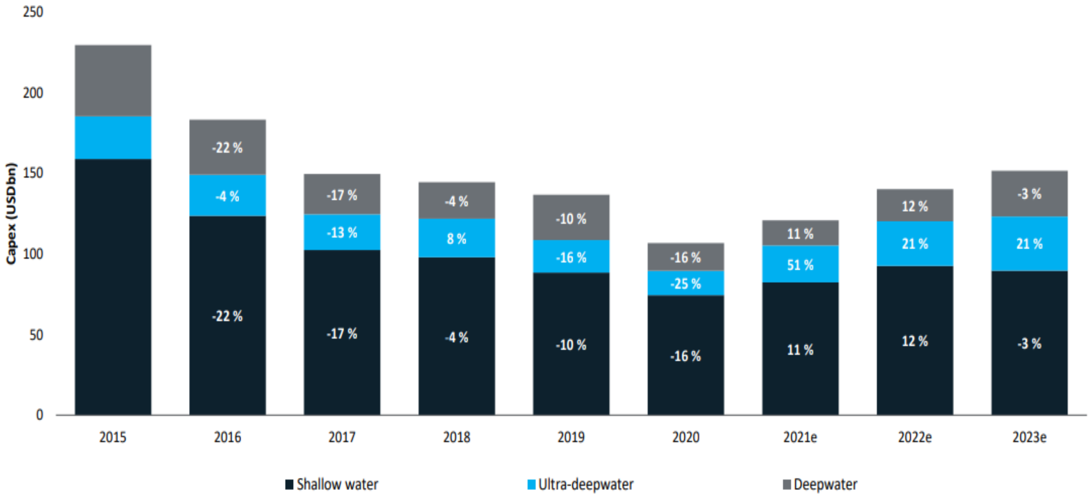
- Offshore oil accounts for approximately 30% of global oil production. Current oil prices offer attractive economics. Offshore "break-even" production costs are estimated to be below $45 per barrel.
- High oil prices from 2011- 2014 spurred a boom in offshore oil drilling, and a corresponding a boom in new vessel building. Drilling vessels take years to build and some are only just completing.
- Since 2015 the offshore drilling industry has been oversupplied. Shorter (higher "break-even") paybacks available in unconventional oil, and lower general oil CAPEX has limited demand. We don't think demand will return to 2014 peaks.
- Legacy term contracts enabled the industry to stall the inevitable retirement of long term sub-economic drilling vessels. Oil volatility in 2020 prompted majors to defer CAPEX which in-turn caused most of Diamond's peers to enter bankruptcy.
- After bankruptcies, the new vessel owners have been more pragmatic on rig retirement decisions which has reduced supply to more sustainable levels. Continued Industry consolidation is likely.
- High rig utilisation rates suggest high-spec rigs are "sold out" in many cases. Rig lease rates have risen over 70% in the past 12 months.
- If current spot lease rates sustain, Diamond could generate significant cash-flow over the next 5 years.

Drillship Rates by Fixture Date (US$kpd)



Source: HIS and Diamond Offshore

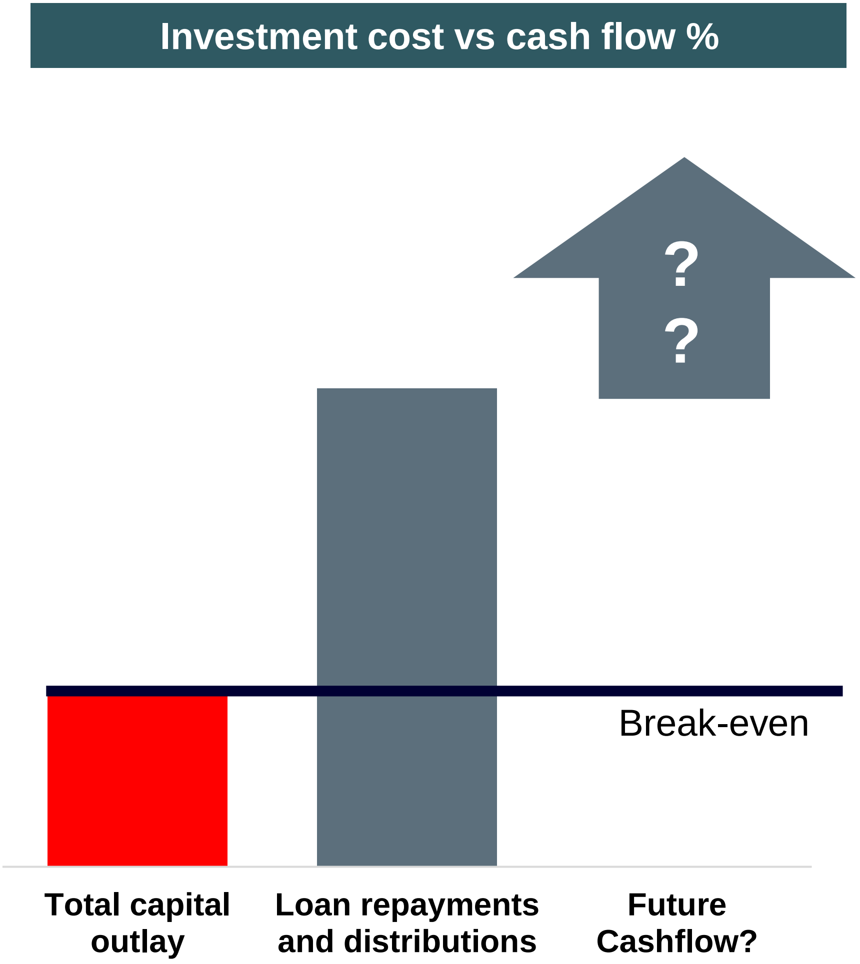
Global oil Capex forecast



Source: Wood Mackenzie. May 2022

Current Holding | Yellow Holdings NZ. Unlisted

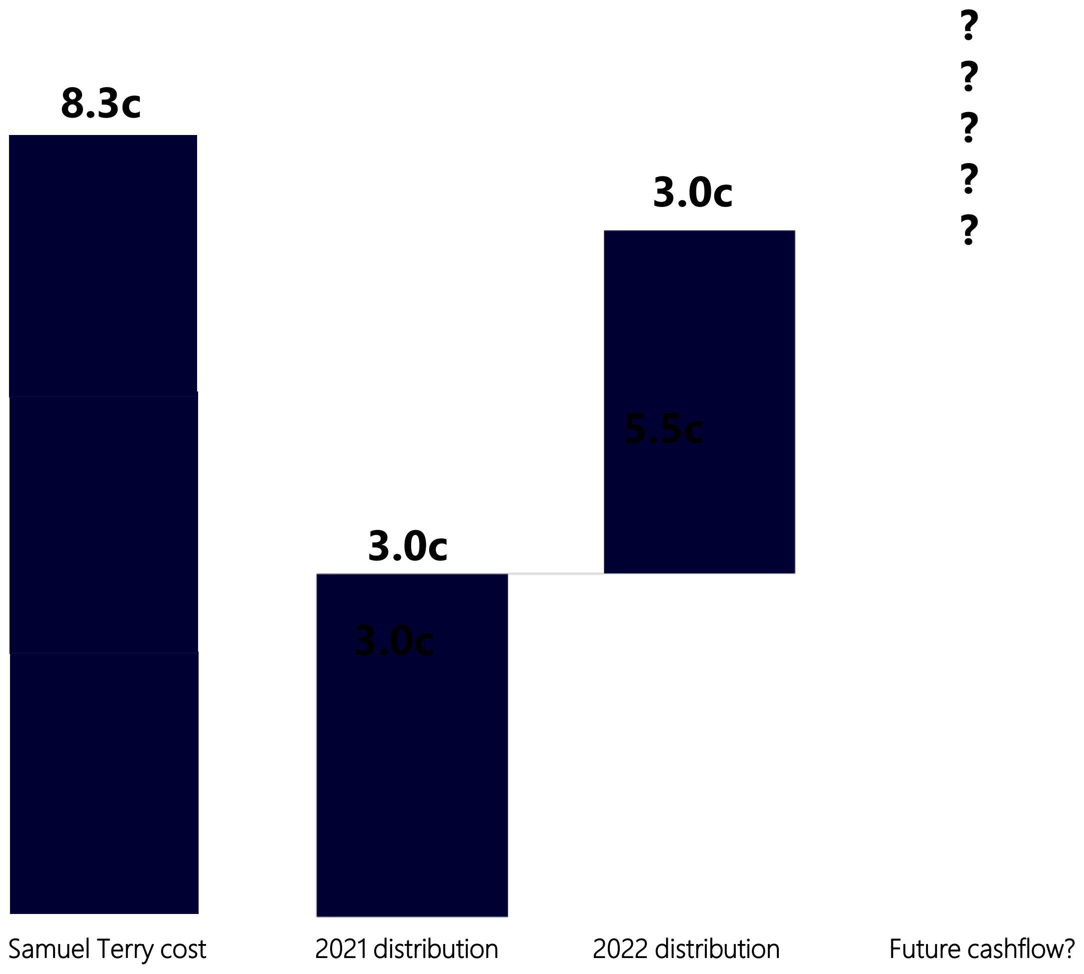
- Yellow Holdings is an unlisted company which owns the NZ yellow pages and a suite of associated digital businesses. We own 79%.
- Sold by Telecom NZ to private equity in 2007 for more than $2bln. Since then Yellow has been through numerous restructurings. It has consistently generated cash, at a declining rate.
- We acquired our interest between Dec 2018 and August 2019 in the secondary market. We bought from motivated sellers at attractive prices.
- Since taking control, we have restructured the Board, capital structure and management incentives. We are now in safe hands.
- Cash generation has continued. We have already been paid back more than our investment.
- The company should continue to generate cash at a declining rate. It has no material long-term liabilities.
- We are optimistic about the company's outlook despite it being part of a declining industry.



Current Holding | Horizon Oil Limited. Market Cap: $230m

- Horizon oil is an ASX listed oil producer with minority interests in producing assets located in New Zealand and China. The company produces over 1.2m barrels of oil per year at a break-even operating cost of less than USD20 per barrel*. Horizon's current assets are expected to sunset in the current decade.
- We bought into the company in May 2021 by way of acquiring a block of unlisted options. We own 20% of the company and have Board representation.
- At the time of our acquisition, Horizon had a poor track record of capital allocation and consequently traded at a discount. The company had a stated strategy of using its cash to grow oil reserves.
- Since we joined the Board, the company has begun returning capital to shareholders, streamlining management and reducing costs. Its strategy is now; "Maximise Free Cash Flow. Capital Management. Invest in New Business if exceptional."
- Horizon is well placed to benefit from any mid term strength in oil prices. It has no net debt and continues to generate cash.

Horizon continues to generate free cash flow



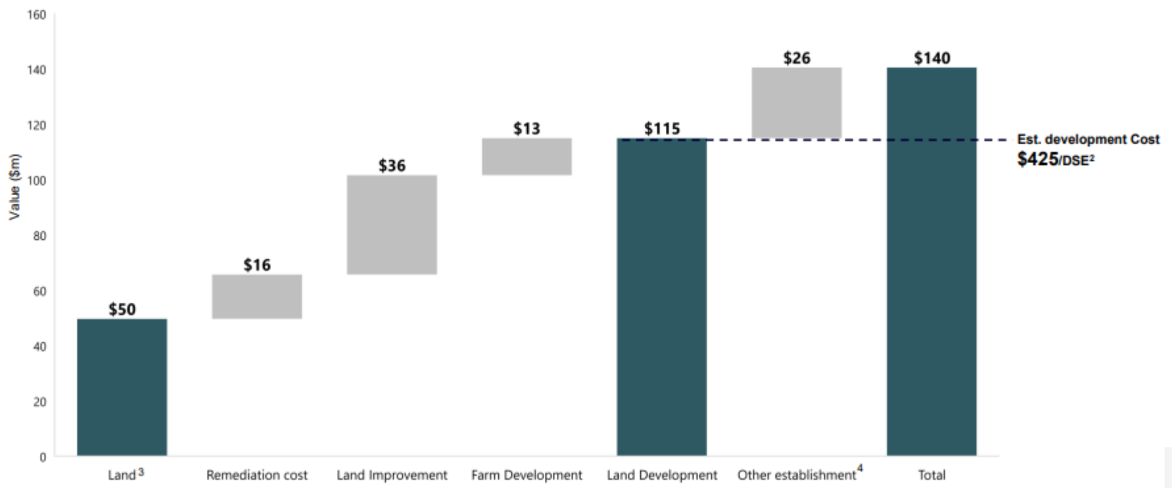
*Based on annualising the company's March 2022 quarterly results and costs.

Current Holding | Kiland Limited. Market cap: $100m

- Kiland owns 18,662 hectares of arable land on Kangaroo Island. The estate has greater than 750ml average annual rainfall and significant carrying capacity.
- Kiland is developing its landholding into an institutional grade estate with an expected carrying capacity of 270,000 Dry Sheep Equivalent (DSE).
- Samuel Terry owns 41% and has Board representation. In May 2022 we participated in and partially underwrote a material equity raise. Kiland now has approximately $55m in net cash.
- The development represents an opportunity to create a world class agricultural estate for less than $500 per DSE.
- Kiland's development involves harvesting and reverting the current tree-crop, preparing and improving the land for traditional agriculture, and establishment of a going concern sheep meat enterprise.
- Kiland intends that the reversion activities will incorporate emissions minimisation techniques and is pursuing a strategy to earn carbon credits by doing so.
- Kangaroo Island farmland traditionally trades at a discount to equivalent mainland transactions. Kiland's agricultural development opportunity is attractive even if this discount persists.
- The project is expected to take 4-6 years.

Recent High-Rainfall Grazing Farmland Sales

Kiland Expected Development Cost



Current Holding | AMP. Market Cap: A$4b

AMP Valuation Summary (A$m)	NTA*	NPAT*	Realisable Value* Low	High	Commentary
AMP Wealth – Super / Advice / Platform	640	100	1,500	2,500	~$50bln of retail and corporate super AUM. Est. 20bps long term EBIT to AUM margins achievable. Continued consolidation is expected in this sector. Advice division losing ~$100m p.a. 'Problem child' subject to ongoing restructuring. AMP has set a target for Advice to be break-even in the medium term. At- scale platform. Continued industry consolidation could make this strategically attractive to peers.
AMP Bank	1,230	110	1,200	1,500	12% CET1 Retail bank. Reasonable ROE, growing above system. NTA is ~$310m greater than statutory capital requirement.
New Zealand WM	26	31	375	425	Market leader. Fully separate from AMP.
Corporate	169	-80	-700	-700	Ongoing corporate costs are too high for the remaining group - "cost-out" ongoing.
Sub-total	**2,065**	**161**	**2,375**	**3,725**	
Sub-total per share	**$0.63**	**$0.05**	**$0.73**	**$1.14**	
Contingent liabilities and project costs	-	-	(200)	(100)	In excess of existing $410m in recognised provisions for remediation. Includes ongoing project costs for cost-out and restructuring.
Excess capital	2,000	30	2,000	2,000	Corporate excess capital net of debt. Excludes excess capital held in AMP Bank.
Contingent consideration, seed capital and carried interest	-	-	250	475	Largely arising from sale of the funds management business.
China Life JVs and PCCP minority interest	685	72	685	1,000	Non-core assets
Sub-total	**2685**	**102**	**2,735**	**3,375**	
Sub-total per share	**$0.82**	**$0.03**	**$0.84**	**$1.03**	
Total - AMP Limited	**4,750**	**$263**	**5,110**	**7,110**	
Value per share	**$1.45**	**$0.08**	**$1.56**	**$2.17**	

*Samuel Terry Estimates. Before announced Buy-Back

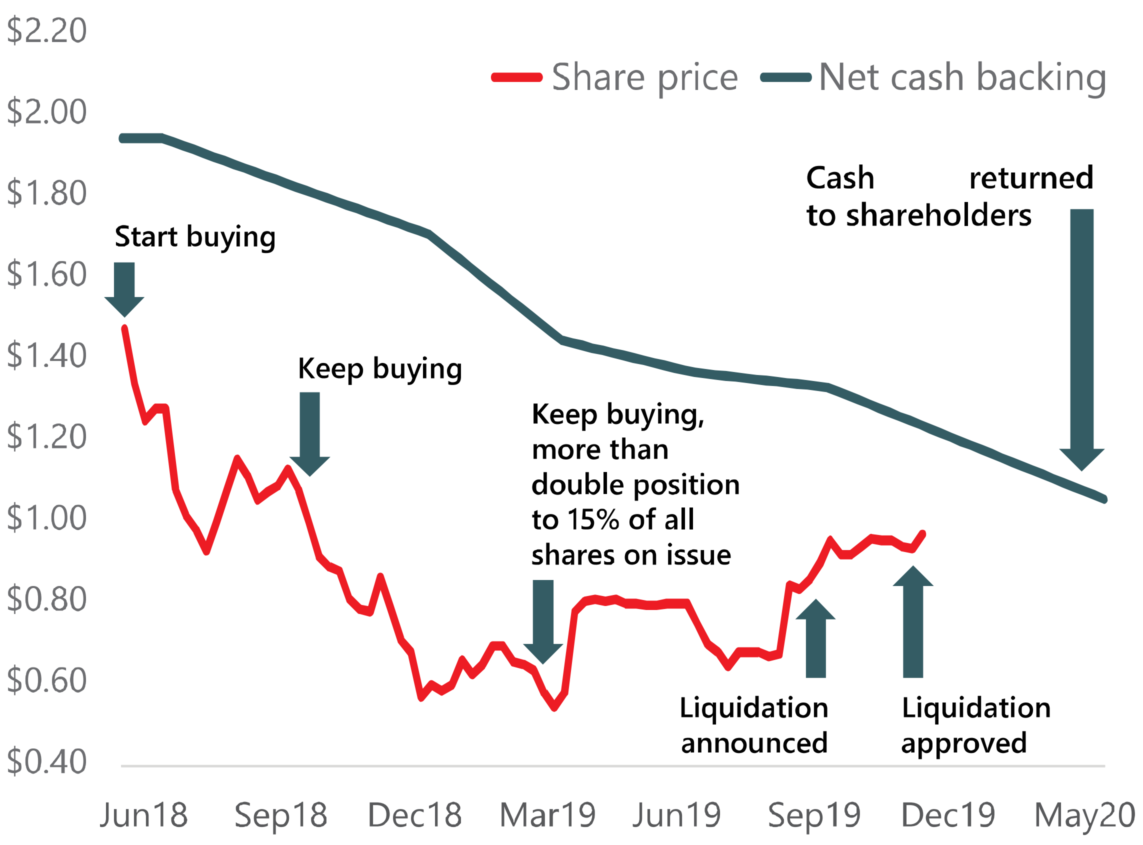
As a result of recent asset sales, the majority of AMP's market valuation is backed by its excess capital. Following 5 years of controversy, AMP is again profitable and continues to own a suite of A-grade assets.

Recent actions suggest AMP may be breaking itself up – a low risk wind-up strategy is highly attractive. The biggest risk to AMP's value proposition is the adoption of an acquisition led growth strategy.

Historical Holding | OneMarket Limited. Market cap: $112m (immediately prior distribution in June 2020)

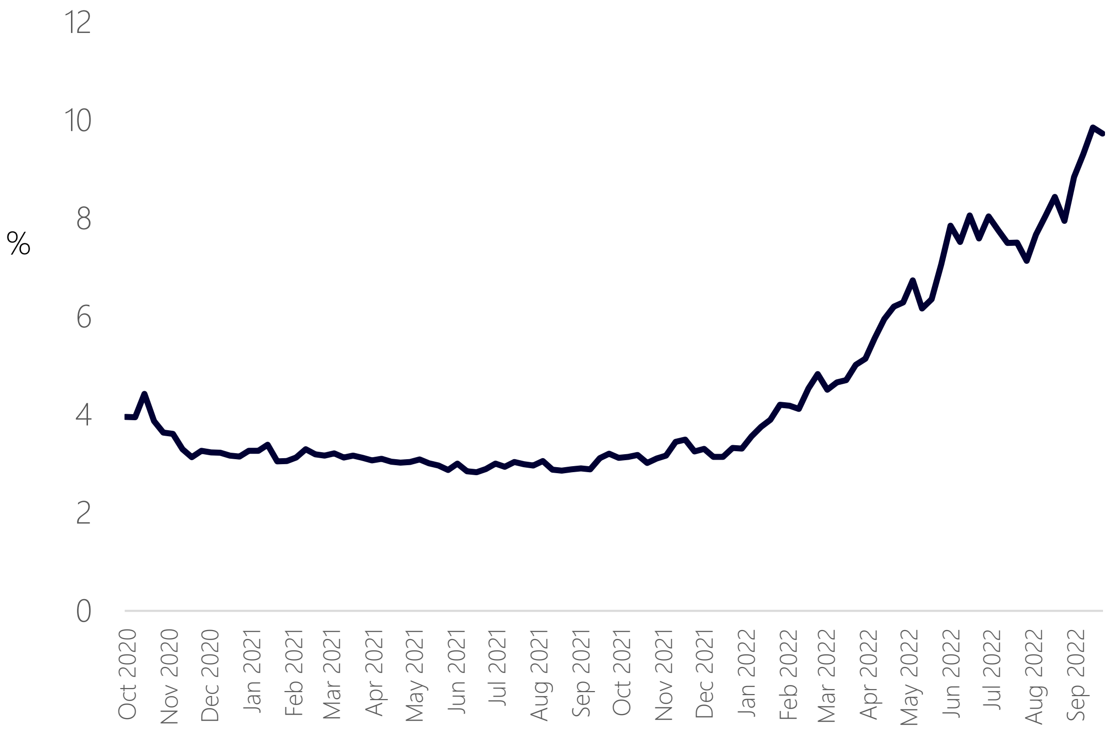
- OneMarket is a former technology business, now in liquidation. The company returned $1.08 in cash to shareholders in June 2020.
- Spun-out of Westfield Corporation in June 2018. For every $100 worth of Westfield shares, holders received less than $1 of OneMarket shares. Many holders were motivated sellers.
- We originally bought shares because they were trading for less than cash backing and a fraction of invested capital. We thought investing in the company's technology was a worthy investment with significant upside.
- The management and Board were first class, we expected they would act rationally and return cash if further investment in the technology was irrational.
- Unfortunately the technology did not work out. However, the company was liquidated with significant cash remaining.
- We still made a profit.

OneMarket Limited share price vs net cash backing



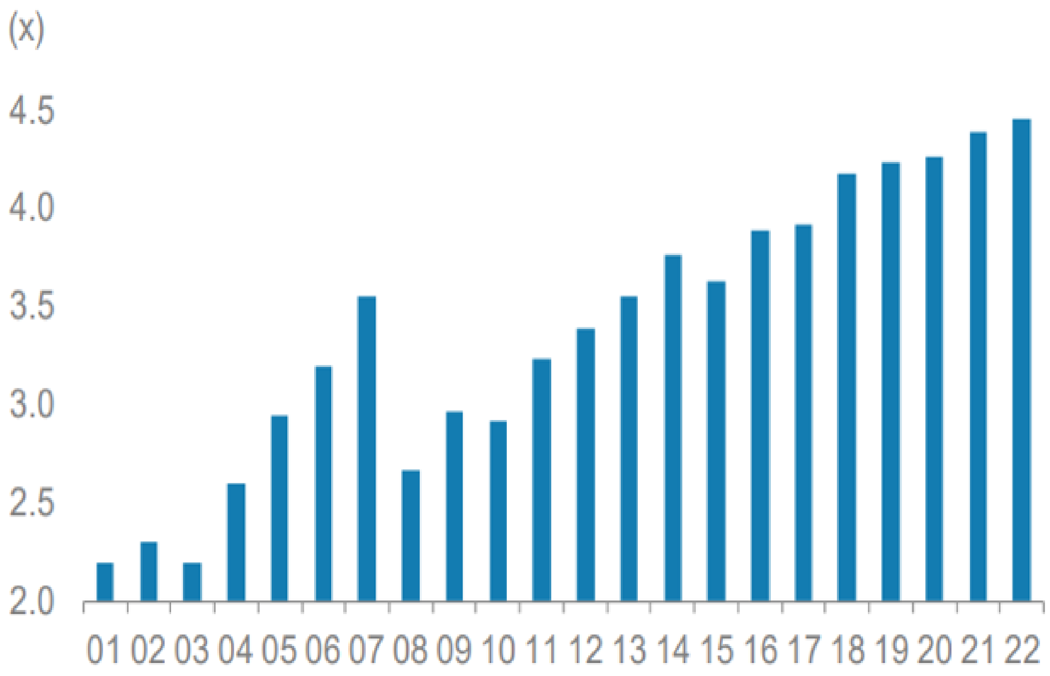
Future Opportunities | Potential for stress in some parts of the High Yield debt market

High Yield interest rates have already doubled



The above chart represents the spot US High Yield Index interest rate. It combines the US 3 month Libor rate with the US CDX High Yield credit spread. Source: Bloomberg & Samuel Terry.

New Issue 1st Lien Loan Leverage (x)



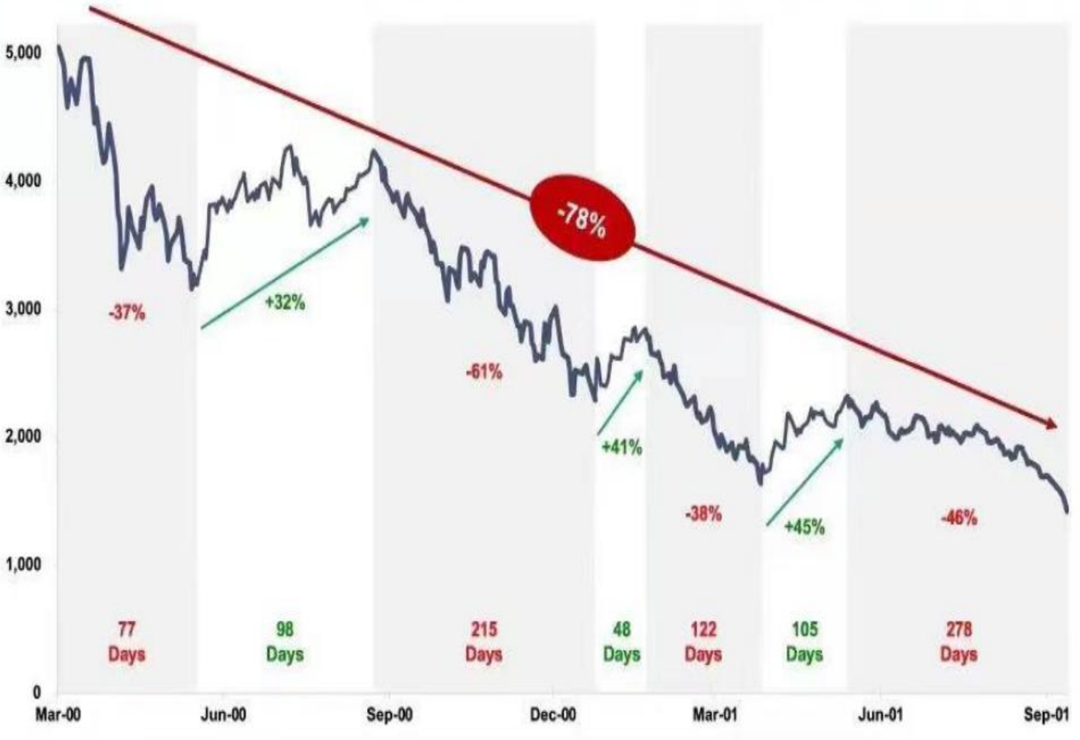
The above chart displays the debt to EBITDA multiple for new issues of high yield debt in the US. Source: Morgan Stanley, May 2022.

Recent moves in interest rates coupled with the potential for recession in some sectors may create opportunities.

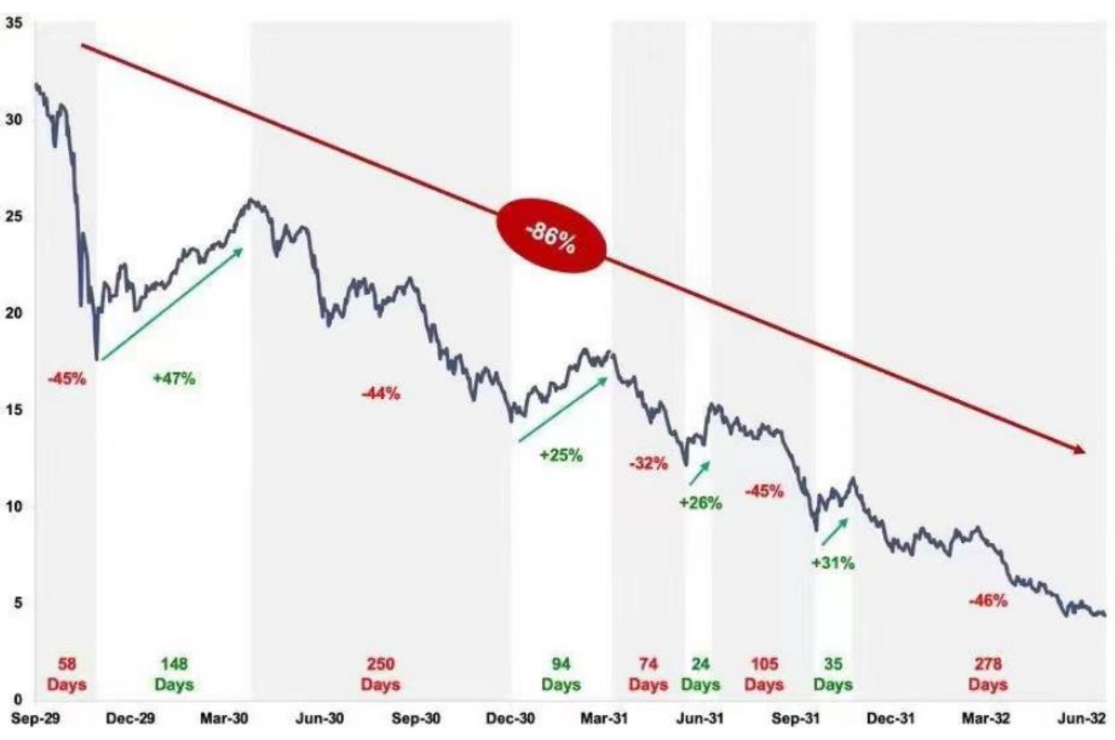
We invest across the capital structure. We have experience and capability in assessing, acquiring and implementing "work-out" strategies for distressed debt issuers.

Future Opportunities | Lessons from other Bear Markets. Be patient and beware of Bear Market rallies

NASDAQ during .com bubble



S&P500 during Great Depression



Source: Public Coatue investor presentation based on Bloomberg data as a May 2022. For illustrative purposes only.

Heightened uncertainty is prompting increased share market volatility. We continue to exercise caution and patience.

Reasons NOT to invest | Our fund is not for everyone

1. The Fund has a more concentrated portfolio than most other funds.

2. Although performance in recent years has been favourable, the Fund has had periods of poor performance, and will do so again.

3. Illiquid and/or obscure securities comprise part of the Fund’s portfolio. If you want to invest only in well-known, blue-chip securities, this Fund is not for you.

4. The Fund’s illiquid securities could be difficult to sell quickly if the Fund receives a large number of redemption requests at once.

5. At times, a small proportion of the Fund will be invested in speculative securities. Some of these will pay off. Others will become worthless, as some have done.

6. The Fund is managed with the objective of maximizing after-tax returns for Australian residents, rather than maximizing pre-tax returns.

7. The Fund has been designed to be unsuitable for investors seeking a short-term home for their money.

8. The Fund is unlikely to pay a regular income.

9. Most of the Fund’s portfolio will usually be risk-averse and defensive; but in times of panic you should expect the Fund to be an aggressive buyer of more speculative securities if their prices fall to levels judged to be ridiculously cheap. Some people do not feel comfortable with this approach, even though it generated good returns for the Fund following the panics of March 2020 and 2008-2009.

Reasons NOT to invest | Our fees are higher than those of many other funds, especially index funds

Management Fee

- 1.5% p.a.

Performance Fee

- 20% above the RBA Cash Rate + 2% pa, with a high-water mark

Still interested?

Feel free to contact us to hear more.

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Appendix A – Fund structure

In 2019 Samuel Terry Absolute Return Active Fund (STAR Active) was established to acquire STAR Fund's interest in an operating business (Yellow NZ). This was done in an effort to maximise after tax returns to Australian Unit holders. Unit holders resolved to staple STAR Active to STAR Fund. Stapling in this way is quite common in the market.

Investors in STAR Group

Distributions

Investors hold an equal number of units in each Fund

Dividends (franked)

Samuel Terry Absolute Return Fund

Holds "passive" investments, such as minority investments in listed securities.

Tax status as a managed investment trust, taxed on a "flow through basis" assuming the Fund distributes all of its table income in any year.

Pays annual distribution consisting of realised capital gains and income.

Stapled

Same number of units on issue

Samuel Terry Absolute Return Active Fund

Holds "Active" investments, such as control positions in operating businesses.

Tax status as a Public Trading Trust. Treated like a company for Australian tax purposes.

Can distribute franked and unfranked dividends and/or capital returns to investors, at the discretion of STAM.

STAM receives management and performance fees based on the aggregate net assets of both trusts.

Disclaimer

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 presentation 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.

We cannot and are not providing tax advice, and encourage you to seek independent tax advice before investing.

STAM may pass on part of its management and performance fees to financial advisers and other third parties that introduce investors to the Fund.