SAMUEL TERRY
ASSET MANAGEMENT

Samuel Terry Absolute Return Group (*the Fund*) – June 2021 quarterly report

The Fund's performance[1] (pre-tax, net of fees) and those of the Australian All Ordinaries Accumulation Index and the MSCI World Equities Index, are as follow:

To 30 June 2021	STAR Founder Class	All Ords	MSCI ($A)	STAR A Class
1 quarter	14.3%	8.7%	8.6%	13.8%
1 year	38.5%	30.2%	29.9%	34.2%
3 years (%p.a.)	21.0%	10.3%	13.6%	18.4%
5 years (%p.a.)	23.0%	11.5%	14.3%	
7 years (%p.a.)	26.0%	9.3%	13.2%	
10 years (%p.a.)	24.5%	9.4%	13.9%	
Since inception on 1 Nov 2003 (%p.a.)	17.0%	9.3%	8.6%	

The Fund's good result for the quarter was mostly due to our oil and oil services companies, helped by the Brent oil price rising 18% in the quarter. Our result was held back by an average 30% cash weighting.

Diamond Offshore Drilling completed its Chapter 11 bankruptcy process on 23rd April. Our old bonds were converted into Diamond shares, and we invested in new Diamond bonds on attractive terms. The Diamond share price on 30 June was 30% higher than the equivalent bond price on 31 March. As a result of these transactions and the price rise, our weighting in Diamond shares and bonds rose to a total of 20.4%[2].

We bought more shares in **Horizon Oil**, an Australian oil producer (7.9% of the Fund). Horizon shares ended the quarter 23% above our recent purchase price.

Our biggest loser was Australian fund manager, **AMP** (6.7% of the Fund), which fell 11% despite announcing a share buyback and a proposed demerger of its real assets division[3]. We applaud these decisions but believe that much more needs to be done to improve AMP.

NobleOak, an Australian life insurer, announced that it will list its shares on the ASX in July. We subscribed for more shares in the IPO, lifting our weighting to 5.3%. The IPO price (including the pre-IPO dividend) was 15% above the cost of our shares.

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[1] Performance numbers are net of all fees and admin costs. The difference in returns between Founder units and A units is due to A units having a lower performance hurdle for calculating performance fees.
[2] 16.1% of our Fund is in in Diamond shares, 3.5% in Diamond bonds and the Fund has extended a credit facility to Diamond. These assets comprise 20.4% of our Fund.
[3] The real assets division manages real estate and infrastructure assets.

We made a takeover bid for **Kangaroo Island Plantation Timbers** (4.1% of the Fund), which increased our holding in that company from 26% to 28%.

We have decided to soft-close the fund to new applications, including from existing investors. This decision does not affect the rights of unitholders to redeem part or all of their investment in the fund. The reason we did this is that we do not want the fund to grow beyond the optimal size for our capacity to run it well. We prefer to grow slowly, consistent with our increase in capacity. This is not the first time we have closed the fund and it is possible that we may reopen the fund at some future date.

At 30 June, the Fund's net asset value was $418m or $3.8853 per Founder unit and $14.3805 per A Class unit at quarter end. These numbers are prior to our 2021 distribution, which we estimate will be around 4-5% of unitholder value.

20% of the Fund was in cash. The Fund owned securities issued by 22 companies.

Fred Woollard, Nigel Burgess and Mitch Taylor
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