

## Surrey Australian Equities Fund

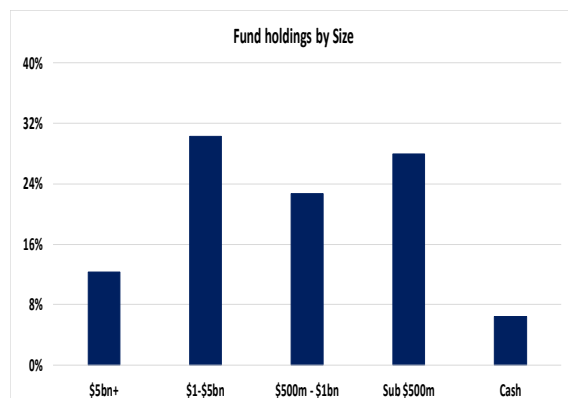
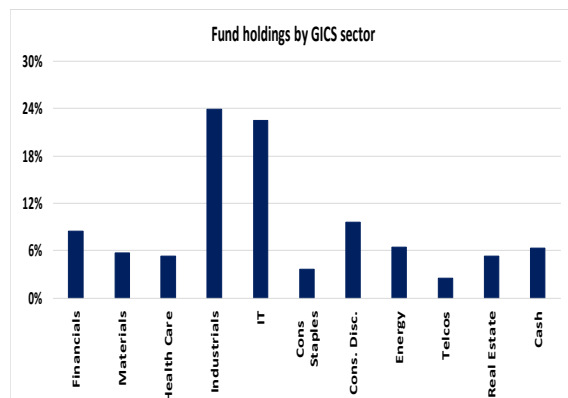
### PORTFOLIO UPDATE

The S&P/ASX Small Ordinaries Accumulation Index (XSOAI) declined by -0.5% for the month while the S&P / ASX 200 Index (XJO) returned -0.4% over the same period.

The Surrey Australian Equities Fund (SAEF) declined by 1.69% in October after all fees. This takes our **total returns after all fees for the first 10 months of Calendar Year 2019 to +19%**.

The portfolio ended the period with 37 individual stock holdings. This number of stocks is toward the upper end of our target range and is a function of numerous new opportunities which we have pursued recently.

Our month end cash balance totalled 6%. This cash balance varies month to month on the back of both investment decision making and also new fund inflows.



### FUND PERFORMANCE

Overall, we remain pleased with the operational performance of the companies within our portfolio. However, there were certain exceptions.

For example, while we have reduced our exposure to Costa Group (CGC), we still retain a position which was negatively impacted by the company's earnings announcement and subsequent capital raising. We discuss this company in further detail over the page but highlight that there are good capital raisings - for example our significant position in Pointsbet (PBH) which raised money during the month - and bad capital raisings such as CGC.

Another one of our major holdings IMF Bentham (IMF), also raised money to acquire a European business named Omni Bridgeway. We support this move which is part of management's long-term strategy but in the short term the share price has weakened as it fell back toward the discounted new share issue price. We are not concerned with this as while we need to mark to market the share prices of our holdings each month, we do not believe the current IMF share price represents its true long term value.

Time Period	Fund Absolute Return <sup>^</sup>	Benchmark Return <sup>*</sup>	Fund Relative Performance
1 Month	-1.69%	-0.50%	-1.2%
Since Inception	+5.7%	+5.7%	0.0%

<sup>^</sup> After deduction of all fees

<sup>\*</sup> S&P/ASX Small Ordinaries Accumulation Index (XSOAI)

Inception date June 1, 2018

### FUND TOP HOLDINGS *(in alphabetical order)*

Cooper Energy Ltd (COE)  
 IMF Group (IMF)  
 Jumbo Interactive (JIN)  
 Smart Group (SIQ)  
 Xero Limited (XRO)

## FUND OUTLOOK

While IMF and CGC negatively impacted the fund's performance we remain comfortable with both positions at current levels. We discuss both these companies below while also highlighting the franking credits we received (and will be distributed to all unit holders) by retaining our holding in GBST (GBT) into its final takeover.

### IMF Bentham (IMF)

IMF announced the acquisition of Omni Bridgeway during the month. This expansion has been part of managements long term strategy and we believe the structure of the deal is very attractive to shareholders. The company is evolving from an "on balance sheet" litigation funder to a diversified funds management business.

As part of the funding for this purchase, the company raised money at a placement price of \$3.50 and an entitlement price of \$3.40 per share. We support this deal and think it will be very beneficial to IMF shareholders despite the short term share price weakness it has caused.

### Costa Group (CGC)

CGC downgraded guidance (again) to the market during the month while also announcing a capital raising to shore up its balance sheet.

While we are frustrated by yet another earnings downgrade from CGC, we are taking up our rights at the discounted share price which we believe to represent significant value.

### GBST (GBT)

As discussed in our April and June 2019 investment commentary, the Fund took a position in the competitive takeover of GBST. The initial takeover proposal was valued at ~\$2.50 per share and the Fund held the position through multiple bids from three different corporations. The final takeover bid was won by Kiwi Holdco (Cayco) which is the group holding company for FNZ. The takeover price of \$3.85 consists of consideration of \$3.50 cash per share plus \$0.35 by the way of a special fully franked dividend.

Unit holders in the fund will benefit from the attached franking credits which will be distributed at period end along with all other franking benefits from other holdings.

November brings plenty of AGMs for us to attend where we can meet management and receive an update on business conditions. There is also the usual end of Calendar Year rush of new Initial Public Offerings (IPOs) for us to consider. We look forward to the opportunities this might present for the Fund.

As always, we appreciate your support in entrusting us with your capital and welcome any ongoing queries you may have.

**SURREY ASSET MANAGEMENT**

Surrey Asset Management is an investment management company established in 2017 to manage the Surrey Australian Equities Fund. It is wholly owned and managed by Nicholas Maclean & Michael Woolhouse who have in excess of thirty years of combined financial markets experience. Both Fund Managers have significant personal investments in the fund.

The Fund offers investors exposure to ASX listed companies with the objective of earning returns in excess of the S&P/ASX Small Ordinaries Accumulation Index over rolling 5-year periods. This is done by following a defined investment process within the construct of our core values of fact-based investing, transparency, authenticity, accountability and humility.

Surrey Australian Equities Fund	
<b>Managers</b>	Nicholas Maclean (B.Com, B.Arts, Grad. Dip. Applied Finance & Investment) Michael Woolhouse (B.Com, Accounting & Finance)
<b>Investment Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index. (XSOAI)
<b>Fund Objective</b>	To provide investors exposure to ASX listed companies with the objective of earning returns in excess of the S&P/ASX Small Ordinaries Accumulation Index over rolling 5-year periods, with a strict focus on capital preservation.
<b>Typical Portfolio / Active stock limit</b>	20-40 active stock holdings. No one individual stock can represent more than 15% of the portfolio
<b>Debt / Derivatives / Shorting</b>	Nil
<b>Fund administrator</b>	Mainstream Fund Services
<b>Fund Trustee</b>	Specialised Investment & Lending Corporation Pty Ltd
<b>Unit Pricing / Applications / Redemptions/ Performance Reports</b>	Monthly
<b>Surrey Asset Management contact information</b>	<b>Email:</b> <a href="mailto:info@surreyassetmanagement.com">info@surreyassetmanagement.com</a> <b>Ph:</b> +61 3 9691 5490
<b>Mainstream Fund Services contact information</b>	<b>Email:</b> <a href="mailto:registry@mainstreamgroup.com">registry@mainstreamgroup.com</a> <b>Ph:</b> 1300 133 451

**APPLICATIONS**

Further information on the Surrey Australian Equities Fund and how to invest can be found by downloading an Information Memorandum from our website and/or contacting the investor services team on the details below:

**Surrey Asset Management Website:** [www.surreyassetmanagement.com](http://www.surreyassetmanagement.com)

**Surrey Asset Management Phone:** +61 3 9691 5490

**Mainstream Fund Services Phone:** 1300 133 451

**Disclaimer**

Surrey Asset Management Pty Ltd ("Surrey AM"), [ABN 16 620 265 821 Corporate Authorised Representative No. 1263417 of Specialised Investment and Lending Corporation Pty Ltd (AFSL 407100)] believes the statements contained in this document, to the extent it is aware, to be reliable & accurate at the time of its production. However, the information in this document is general in nature and does not take into account your personal circumstances, financial needs or objectives. Statements contained in this document are not general or personal advice and should not be considered as a recommendation in relation to an investment in the Fund or that an investment in the Fund is a suitable investment for any specific person. You should seek independent financial/legal advice and read this presentation in conjunction with the relevant Information Memorandum available on our website prior to acquiring a financial product. Surrey AM, its directors and employees do not accept any liability for the results of any actions taken or not taken on the basis of information contained in this document, or for any negligent misstatements, errors or omissions.