

## Surrey Australian Equities Fund

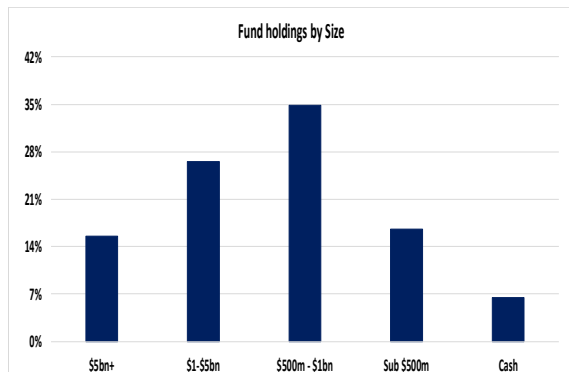
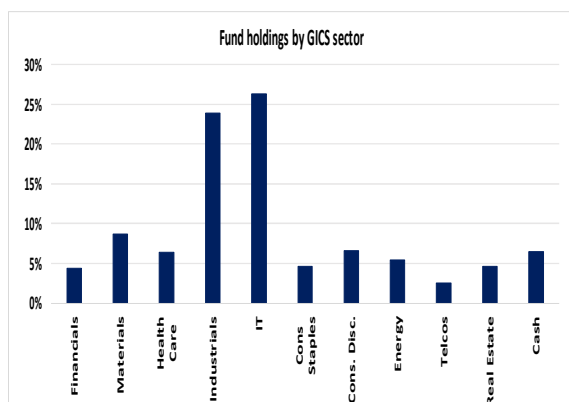
### PORTFOLIO UPDATE

The Surrey Australian Equities Fund (SAEF) had a positive month in November. **Total returns after all fees this Calendar Year are now +23%.** This is an encouraging result in both absolute terms and relative to the wider market's benchmark performance.

For the month, the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) increased by +1.6% while **the SAEF increased by +3.1% after all fees over this same period.**

There was plenty of activity within the portfolio during November with the end position being we held 31 individual stocks at period end, down on the 37 we owned on October 31<sup>st</sup>. As we mentioned in our last newsletter, 37 is at the top end of our "sweet spot" of total positions so we used various share price movements to resize some of our holdings.

Despite the reduced number of shares in the fund, our month end cash balance remained at 6%.



### FUND PERFORMANCE

The fund's monthly performance was driven by a range of different companies, highlighting our diversity.

For example, in October we discussed our view that IMF Bentham (IMF) had been sold off too aggressively post its offshore acquisition and capital raising. On the last day of November, the company received word that the Supreme Court of NSW had agreed with the Plaintiffs in the Brisbane Floods Class Action of which IMF is a major funder. While it was in a trading halt for the close of the month, we expect to see a positive share price response in December.

We have been lifting our position in Catapult (CAT) on the back of a strengthened management team, strong product offering, growing cashflows and valuation. Similarly, our weighting in Xero (XRO) and Pointsbet (PBH) have been increasing which have been of benefit.

Negative contributors included Smart Group (SIQ) and Sezzle (SZL). We remain very confident in the long-term prospects of both companies. We speak about some of these in more detail over the page.

Time Period	Fund Absolute Return <sup>^</sup>	Benchmark Return <sup>*</sup>	Fund Relative Performance
1 Month	+3.1%	+1.6%	+1.5%
CYTD	+22.6%	+21.7%	+1.0%
Since Inception	+8.9%	+7.3%	+1.6%

<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)

Corporate Travel (CTD)  
 IMF Group (IMF)  
 Jumbo Interactive (JIN)  
 Smart Group (SIQ)  
 Xero Limited (XRO)

## FUND OUTLOOK

November was a particularly hectic period with regard to announcements, capital raisings, AGM's and Initial Public Offerings as companies made late pitches to investors before Christmas.

We remain positive with regard to the outlook for local and global equity markets. In respect to this, although we may sound like a broken record, we encourage investors to continue watching the US 10-year bond yield which is providing a very positive relative valuation benchmark for stocks.

### IMF Bentham (IMF)

IMF's business strategy took another positive step forward as it evolves from an on-balance sheet litigation funder to a global funds management focussed company.

As we mentioned in our last monthly, we believed IMF had been sold off too aggressively post its offshore acquisition and capital raising. While the Fund did not receive the expected share price benefit in November, we are very pleased with the company being informed that the Supreme Court of NSW had agreed with the Plaintiffs in the Brisbane Floods Class Action of which IMF is a major funder.

Not only should this see a material inflow of cash to the business but it further de-risks its balance sheet and should improve the market rating of the stock.

### Xero (XRO)

XRO posted its 1H20 results which were very impressive across all key metrics such as client additions, revenue growth, product spread and cashflow. We weren't the only ones to think so with the share price up +18% for the month.

We remain invested in the company being attracted to its incredibly strong client proposition, top line growth profile,

large potential operating earnings leverage and balance sheet position. As such it remains a holding in the fund.

### Smart Group (SIQ)

During the month SIQ announced that its highly regarded and long-standing CEO was stepping down from the business following the release of its FY20 results in February. At the same time, it reaffirmed its earnings guidance which was in line with our expectations.

While we were disappointed to see such a good CEO retire, the silver lining to the cloud is he is being replaced by the CFO who we believe will fill the fairly large shoes which will be left behind. The weakness in the share price is to be expected particularly, given it came after the sell down in October by SIQ's largest shareholder. However, we see value at current levels and the fund retains a position in the company.

### Sezzle (SZL)

SZL has been a very successful investment for the SAEF since its IPO in July of this year. However, the market decided to put the brakes on its positive share price run selling the company off in November. We believe the underlying fundamentals remain as strong or stronger than when we first invested and so used the sell off as an opportunity to add to our position.

Given this will be our last monthly before the New Year we wish everyone a safe, happy and prosperous Christmas period and New Year.

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**

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