

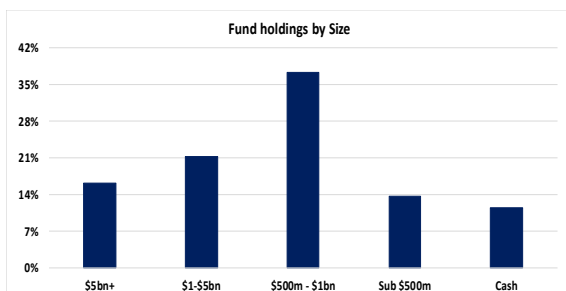
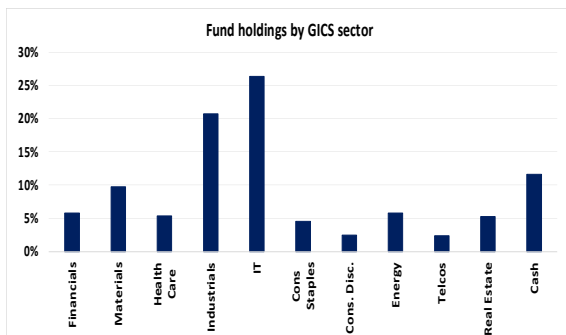
Surrey Australian Equities Fund

PORTFOLIO UPDATE

While December was a negative month for the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) which declined by -0.3%, CY19 proved to be a very positive year for the market. **The Surrey Australian Equities Fund (SAEF) declined by -2.9% after all fees for the month which capped out a net return after all fees for the 12 months of CY19 of +19.1%.**

In December we had a number of positive contributors including IMF Bentham (IMF), Cooper Energy (COE) and Lifestyle Communities (LIC). However, we were disappointed in the unsatisfactory performance of our investments in Smart Group (SIQ) and Jumbo Interactive (JIN). Fortunately, given the Fund's structure we were able to adjust very quickly. This combined with the diversity of our portfolio by stock and sector limited the negative impact these two positions had on the overall portfolio.

Following particular share trades the Fund's cash weighting totalled 11% at month end with 29 individual stock holdings. The cash position was a result of share sales toward the end of the month. Much of this has been deployed in January.



FUND PERFORMANCE

Although the risk management strategies we have in place minimised the overall negative impact of SIQ and JIN, both companies were disappointing nonetheless and detracted from our monthly figures. However, this is just a one month return for each of these stocks. We note that JIN including dividends increased 127% from when we first purchased it 12 months ago to the time of sale - an annual return we are more than pleased with.

On the positive side of the ledger IMF performed very strongly increasing +28% as the market factored in its Wivenhoe Court win and continued to rerate the company as it evolves its funds management model. Lifestyle Communities also performed well as it benefited from improved property market sentiment.

While the individual month of December was a disappointing way to end the year, we have moved to address the small number of stocks that caused the issue and are excited about the prospects for 2020.

Time Period	Fund Absolute Return [^]	Benchmark Return [*]	Fund Relative Performance
1 Month	-2.9%	-0.3%	-2.6%
CY19	+19.1%	+21.4%	-2.3%
Since Inception	+5.8%	+7.0%	-1.2%

[^] After deduction of all fees
^{*} S&P/ASX Small Ordinaries Accumulation Index (XSOAI)
 Inception date June 1, 2018

FUND TOP HOLDINGS (in alphabetical order)

Bravura Solutions (BVS)
 Cooper Energy (COE)
 Corporate Travel (CTD)
 IMF Group (IMF)
 Xero Limited (XRO)

FUND OUTLOOK

December was a busy month with corporate activity remaining constant all the way up to Christmas. This is no surprise given the strong period the market has had.

While we closed out December with 11% in cash this was largely a consequence of share sales toward the end of the month. It highlights our flexibility to be able to move our cash balance as we like without being forced to deploy capital just to satisfy a fund structure which has restrictions on cash holdings. We are a high conviction fund and we invest only where we have such conviction.

From a macro/global perspective two features that have emerged include an increasing shift toward gold and the rise in the oil price. Both are correlated to increasing tensions in the middle east.

We believe our fund is positioned for this uncertainty with our gold and energy weightings increasing materially at the start of January. While we do not profess to have doctorates in macroeconomics nor are we global political analysts, we do favour certain companies in these sectors from a bottom up / micro perspective. We will discuss these in more detail in next month's report.

What went right and what didn't?

There were some very strong performers for the fund with **IMF Bentham (IMF)** being a stand out. We have spoken about this company at length with regard to its shifting focus from an on-balance sheet litigation funder to a diversified funds management model so please refer to earlier newsletters for further information.

Lifestyle Communities (LIC) was also very positive as the market gave it more credit for its property portfolio given the backdrop of improving conditions in the Australian property industry. We continue to believe that the capitalisation rates used to value the company's assets are too conservative in this

market which offers potential value upside for investors.

Unfortunately, while the majority of the fund performed well, with the good came a select few bad performers.

Jumbo Interactive (JIN) has been a very successful investment for the fund over the last 12 months, providing Total Shareholder Returns of +127%. However, in December the company provided earnings guidance which disappointed the market. As a result, the share price fell -27% for the month.

We did not incur this full -27% decline as we sold all our position immediately upon the announcement. Our ability to react very quickly is a major benefit of being a small fund where we can be very nimble as we see fit. Larger funds just cannot do this given market liquidity restrictions.

Having deep knowledge of each of our holdings combined with the ability to move fast without the restriction of a large pool of funds is a significant advantage for us over our larger peers. We have plenty of further examples where being small has added value to unitholders in terms of our ability to both buy and sell stocks. We are happy to discuss this further for those who would like more detail.

Smart Group (SIQ) disappointed us for the second month in a row by moderately lowering its earnings guidance for the full year. This was on the back of changes in its insurance underwriting terms. Of much frustration to investors was the fact that this follows the sell down of shares by its major shareholder, the resignation of its Managing Director and the sale of shares by its Managing Director. The share price fall had a negative impact on the fund's performance.

We look forward to a positive and prosperous 2020 and as always, we appreciate your support in entrusting us with your capital. We 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	
Managers	Nicholas Maclean (B.Com, B.Arts, Grad. Dip. Applied Finance & Investment) Michael Woolhouse (B.Com, Accounting & Finance)
Investment Benchmark	S&P/ASX Small Ordinaries Accumulation Index. (XSOAI)
Fund Objective	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.
Typical Portfolio / Active stock limit	20-40 active stock holdings. No one individual stock can represent more than 15% of the portfolio
Debt / Derivatives / Shorting	Nil
Fund administrator	Mainstream Fund Services
Fund Trustee	Specialised Investment & Lending Corporation Pty Ltd
Unit Pricing / Applications / Redemptions/ Performance Reports	Monthly
Surrey Asset Management contact information	Email: info@surreyassetmanagement.com Ph: +61 3 9691 5490
Mainstream Fund Services contact information	Email: registry@mainstreamgroup.com Ph: 1300 133 451

APPLICATIONS

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

Surrey Asset Management Website: www.surreyassetmanagement.com

Surrey Asset Management Phone: +61 3 9691 5490

Mainstream Fund Services Phone: 1300 133 451

Disclaimer

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