

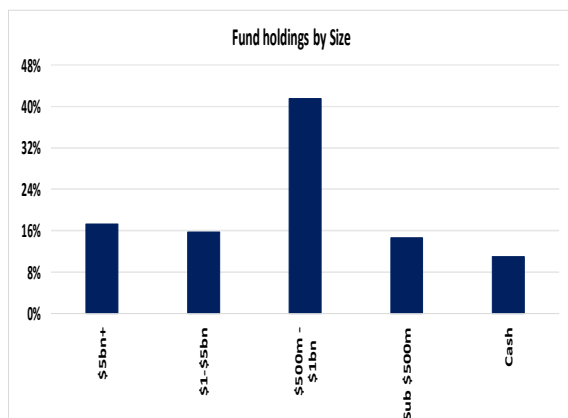
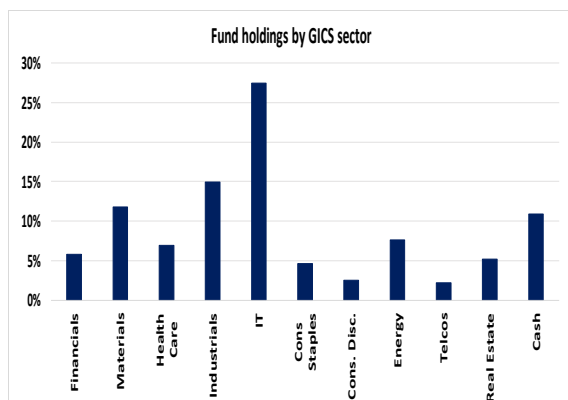
## Surrey Australian Equities Fund

### PORTFOLIO UPDATE

January delivered a positive start to 2020 with **the Surrey Australian Equities Fund (SAEF) increasing by +5% for the month. Our rolling 12 month return now stands at +20%.**

The returns were well balanced across the portfolio with most investments performing well. We prefer to see a wide spread of outperformers as opposed to relying on one or two “large” winners as we maintain our focus on achieving risk adjusted returns for unitholders.

We reallocated a portion of our holdings and net cash over the month across new and existing positions. The selling of some stocks is in line with disposing of those holdings we believe have reached our fair value or where we believe they have deviated from our roadmap to value realisation. As at month end, we held investments in 30 individual stocks and carried 11% in cash.



### FUND PERFORMANCE

Performance was strong across most of our holdings during the month. Despite this positive outcome the Small Industrials 1-year forward Price / Earnings multiple remains at a discount to the large industrials (ex-Financials) equivalent multiple.

From a macroeconomic perspective the market benefited from The US and China reaching a preliminary trade agreement, US bond yields remaining low, and an easing of tensions in the Middle East. Offsetting this we are closely monitoring the Coronavirus and its implications. We talk about this further over the page.

While we remain upbeat on the outlook for equity markets in 2020, after a very strong 2019 we do have a more cautious stance than the beginning of last year. That is not to say we are trying to precisely time the market, rather it is a reinforcement of our approach to only invest where we have high conviction.

Time Period	Fund Absolute Return <sup>^</sup>	Benchmark Return <sup>*</sup>	Fund Relative Outperformance
1 Month	+4.8%	+3.4%	+1.4%
12 Months	+19.5%	+18.8%	+0.7%
Since Inception	+10.8%	+10.6%	+0.2%

<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 (COE)  
 EML Payments (EML)  
 Fisher & Paykel (FPH)  
 IMF Group (IMF)  
 Xero Limited (XRO)

**FUND OUTLOOK**

January 2020 started the decade positively for the Australian equity market. Much of this is a result of the US and China reaching a preliminary trade agreement, an easing of tensions in the Middle East, a continuation of very low bond yields and positive earnings results from some large US listed companies including Microsoft, Amazon and Tesla.

**US 10 Year Government Bond Yield**



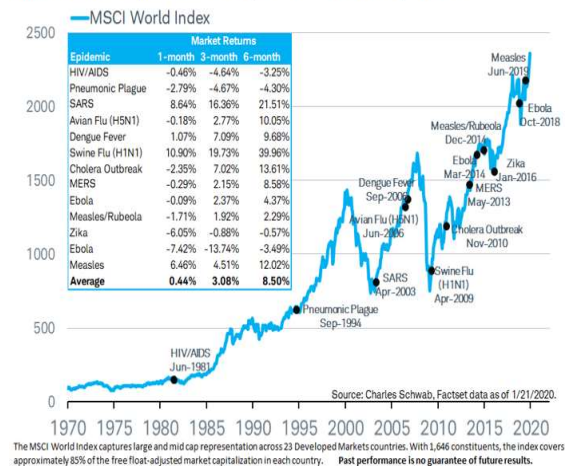
Offsetting the positive news to some degree was the spreading of the Coronavirus and its implications. From a personal perspective we empathise with all those people impacted.

In terms of the portfolio, we do not have any travel businesses or a material exposure to companies directly focussed on the Chinese consumer market. However, when it comes to the global economy, everything is interconnected with nothing more dangerous to markets than fear. As such we remain cautious but are focussing on the facts as opposed to reacting to the constant stream of dramatic headlines – some true and some false. Some points of note include:

- While this virus is spreading faster than the SARS virus, it appears to not be as lethal with the death rate ~2% versus SARS at ~10%.
- Of this 2% a material portion have pre-existing health issues
- Governments across the world are reacting swiftly.

From a financial perspective to keep our long term investment view in context, we find it useful to consider the impact on global markets during past epidemics. Clearly there is a short-term impact but when markets rebound it is fast and hard.

**Immune: world epidemics and global stock market performance**



In summary while we are cautiously monitoring the situation, we believe our portfolio is well positioned and carries plenty of cash to deploy as appropriate.

February brings with it reporting season where we hit the road to meet with a large number of company management teams. This is always an illuminating time where we reassess each of our positions according to our valuation roadmaps while also scouring around for new investment ideas.

While it has been a positive start to the year we will continue to tread carefully as we look to grow our returns for unitholders. 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
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**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 Online Applications:** [www.surreyassetmanagement.com/how-to-invest/](http://www.surreyassetmanagement.com/how-to-invest/)

**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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