

Surrey Australian Equities Fund

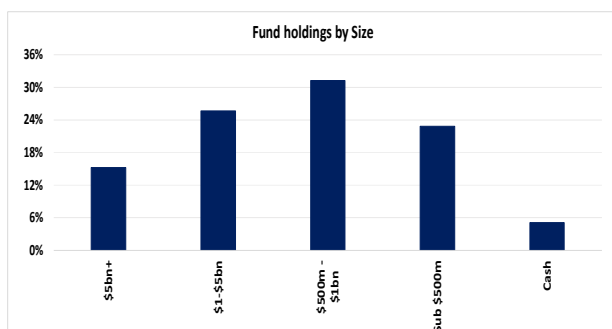
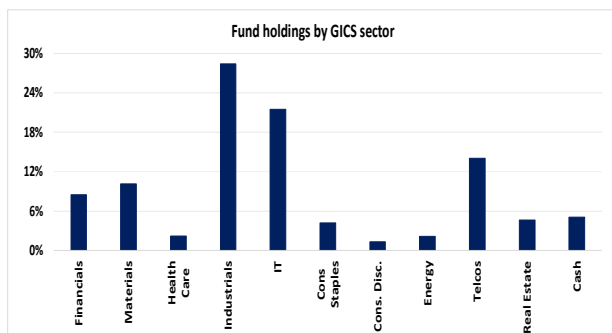
PORTFOLIO UPDATE

The Surrey Australian Equity Fund returned **+0.35% in July after all fees** which compares with the **Small Ordinaries Accumulation Index (XSOAI) return of +0.68%**.

The XSOAI return was primarily driven by small resources and in particular EV battery material names & coal stocks with **the Small Resources Index up by +7.4% and the Small Industrials Index down by -0.9%**. Given the Fund's focus on high free cash generating businesses that we believe offer better risk/reward ratios, we have a low exposure to the more speculative resources names which impacted our relative performance. We will not be changing our investment process to chase what we believe are higher risk assets.

Another feature over the month which is one we all have to learn to deal with is the lockdowns across many States in Australia due to COVID-19 and in particular, the dramatic spread through NSW. When investing in companies we look for consistent, sustainable free cashflow growth and as such have a portfolio which while not immune, we believe has lower relative exposure to COVID-19 transient risks.

The Fund ended the month with 31 individual stock positions.



FUND PERFORMANCE

Some of the recent additions to the portfolio have had a beneficial impact on the Fund's short-term performance. These stocks include DGL Group (DGL), Bluebet (BBT) and National Storage REIT (NSR). DGL and BBT were both companies we acquired in their Initial Public Offering (IPO) process while NSR was added via an equity raising the company undertook.

Of our longer-term holdings, Mineral Resources (MIN) again performed strongly as did Seven Group (SVW), and STI Holdings (STI). On the negative side Pointsbet (PBH) was lower as was Cooper Energy (COE) – both of which we have either retained or added to our positioning in.

August brings with it another reporting season. These periods often provide attractive investment opportunities as the market interprets individual earnings results. As always, we will be meeting with a large array of companies looking to measure our respective investment theses as well as searching out new opportunities.

During July the Fund declared and paid out a distribution of \$0.08769830 per unit which can be seen in our NTA per unit.

Time Period (to July 31st 2021)	Fund Net Return [^]	Benchmark Return [*]	Fund Relative Performance
1 Month	0.35%	0.68%	-0.33%
Rolling 1 year	29.94%	32.30%	-2.36%
Since Inception	42.81%	30.37%	12.44%

[^] After all fees and expenses

^{*} S&P/ASX Small Ordinaries Accumulation Index (XSOAI)

Inception date June 1, 2018

FUND TOP HOLDINGS (in alphabetical order)

Auckland International Airports (AIA)
 Lifestyle Communities (LIC)
 Mineral Resources (MIN)
 Sealink Travel Group (SLK)
 Uniti Group (UWL)

FUND OUTLOOK

We look forward to the August reporting period whereby most companies in the portfolio will update the market on earnings and business conditions. This period can provide individual share price volatility but offers an excellent opportunity to meet with management teams and get an update on their progress relative to our and the market's expectations. With volatility often comes opportunity and we will be standing ready!

With regard to our lower exposure to junior mining companies many of which have no free cashflow and are highly reliant on successful drilling results and underlying resource pricing, we are content to maintain our lower overall exposure. We will continue to focus on high free cash generative assets that we believe we understand and where we view clear, measurable value catalysts.

COVID-19 remains front of mind for most people. While the lockdowns will likely stymie short term growth, we believe that the rollout of vaccines will ideally see a more consistent reopening of society. Gradually, a light appears to be emerging at the end of a long tunnel.

In terms of the better performers for the Fund in the month of July we have called out Seven Group (SVW) and DGL Group (DGL).

Seven Group (SVW)

SVW has been a holding of the portfolio in various weightings since inception.

In May of this year SVW launched a takeover bid for ASX listed Boral (BLD). This was a key reason for a lag in the SVW share price as the market began weighing up the possibilities around how much the proposed takeover may actually cost. Clarity of this was achieved during July and as at July 31st SVW held a 69.6% interest in BLD and effective control. While the deal caused a short-term lag, in our view it is accretive to SVW shareholders as well as being a further diversification of its asset base. We will watch with interest to see what if any, changes SVW make to BLD.

Since the market became more comfortable with the SVW/BLD deal the share price has rallied, adding 14.3%

in July. We continue to see value in the business at current levels.

DGL Group (DGL)

As we have mentioned in a previous monthly update, DGL is a chemical supply chains solution company specialising in Warehousing & Distribution, chemical manufacturing and Environmental Solutions and Services. We invested in the company at its IPO price of \$1.00 per share in June with the shares closing out July at \$1.50.

We are attracted to DGL's organic and inorganic growth prospects while it is being run by management with plenty of skin in the game. During June and July, the company began some of its strategic initiatives including:

- It approved plans for the development of a new chemical's storage warehouse and its existing Mount Wellington Warehousing and Distribution facility in Auckland
- Approved construction of a new chemicals warehousing, distribution and manufacturing facility in Hawke's Bay New Zealand
- Acquired a property in Derrimut, Victoria
- Acquired contract formulator and packaging business Opal Australasia.

Management is deploying the capital raised from the IPO in line with the growth opportunities set out in the May 2021 prospectus. The key for the company now is to integrate its purchases while maintaining its culture and organic/inorganic growth aspirations.

As always, we thank all Unitholders, staff, and service providers for your support in entrusting us with your capital and 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	APIR Code SPC2070AU
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 31 July 2021: Redemption Price \$1.3327 Entry Price \$1.3407
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 Online Applications: www.surreyassetmanagement.com/how-to-invest/

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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