

Surrey Australian Equities Fund

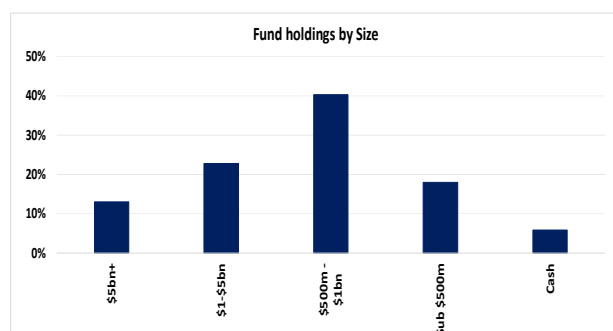
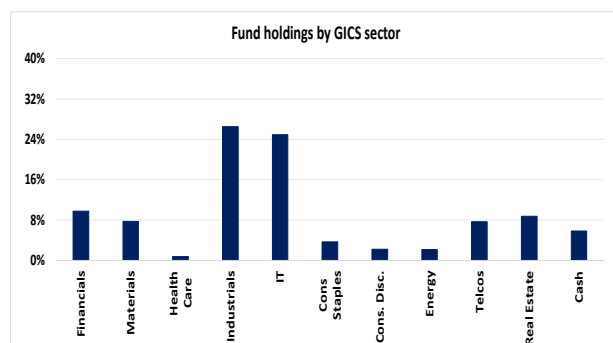
PORTFOLIO UPDATE

The Surrey Australian Equities Fund (SAEF) posted a positive return of +6.2% after all fees in August. Our 12-month gain now totals 28.4% after all fees.

As we have mentioned over the last 12-18 months corporate transparency has improved since the onset of COVID-19. This reporting season provided further such evidence with large “surprises” in company results becoming less frequent. Management teams are pleasingly, being clearer with the market while the use of online meeting tools such as “Zoom” increases their ability to communicate on a wider scale.

Several of our recent investments and indeed sales proved positive for unit holders in August. Some of our key outperformers included EML Payments (EML), PSI Insurance (PSC), Domain (DHG), DGL Group (DGL), Lifestyle Communities (LIC) and Maggie Beer (MBH).

Mineral Resources (MIN) delivered what we viewed as a positive result but the fall in Iron Ore pricing saw its share price decline. It is our largest individual exposure to mining and mining services as we exited certain holdings in the space on the back of fears around wage inflation and tight labour supply facing the Western Australian mining sector.



FUND PERFORMANCE

It was pleasing to see that while there were exceptions, on the whole earnings season presented less volatility than has been seen in past periods. This month saw positive cashflow businesses rewarded while several junior mining companies we have avoided due to their more speculative features retreated. We will continue to look for high cash generating, lowly geared, well-run companies where management and directors have material investments in the company and where we observe future share price catalysts.

While we had a number of positive contributors this month with pleasing earnings results, we have called out two results from Eagers Automotive (APE) and Domain Holdings (DHG) which we discuss in detail over the page.

COVID remains a constant across global society. Positively, many companies are generally well capitalised and economic activity has been shown to recover as communities reopen. Despite this, we have found market “consensus” earnings forecasts remain cautious relative to our expectations offering potential upside moving forward.

Time Period (to August 31st 2021)	Fund Net Return [^]	Benchmark Return [†]	Fund Relative Performance
1 Month	6.2%	5.0%	1.2%
Rolling 1 year	28.4%	29.5%	-1.2%
Since Inception	51.7%	36.9%	14.8%
Since Inception per annum	13.7%	10.1%	3.5%

[^] After all fees and expenses
[†] S&P/ASX Small Ordinaries Accumulation Index (XSQAI)
 Inception date June 1, 2018

FUND TOP HOLDINGS (in alphabetical order)

Auckland International Airports (AIA)
 Mineral Resources (MIN)
 Omni Bridgeway (OBL)
 Sealink Travel Group (SLK)
 Uniti Group (UWL)

FUND OUTLOOK

Reporting season increased our confidence in the balance sheet profiles of many ASX listed companies and in particular, those we hold in the portfolio. The global economy has performed admirably given the challenges we have all faced over the past 18-24 months. With interest rates remaining low and fiscal stimulus still providing a tailwind it was pleasing to see so many companies come through August seemingly well positioned.

Two stock results we were pleased with included Eagers Automotive (APE) and Domain Holdings (DHG).

Eagers Automotive (APE)

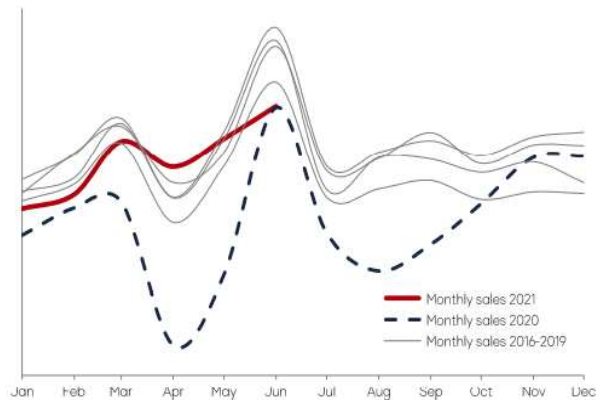
APE is Australia's largest automotive dealership group which is well run and has a positive balance sheet. It's share price has performed strongly since the COVID lows last year and this is deservedly so as it continues to deliver positive strategic and earnings achievements for shareholders.

Through a combination of high demand, tight supply and a diligent cost out program the company delivered 1H21 Revenue growth of 13% and Profit Before Tax (PBT) growth of 442%. The operating leverage to the bottom line is a consequence of a very high revenue but low gross margin (GM) operating model whereby improvements in GM can have an amplified impact on earnings.

Demand has increased from COVID lows which has supported APE's sales. Furthermore, a tightening in supply due to certain parts issues has bolstered the company's ability to make higher margins. Finally, a sharp rise in used car sales has effectively made it cost effective today relative to history to trade in a used car for a new one.

We expect demand to stay high over the medium term. As can be seen on the following graph we are still not near record highs for new vehicle sales. In addition, contrary to some market expectations we are forecasting supply to remain tight supporting GM's. This coupled with the company's strong cost out program could lead to earnings upgrades in the future.

Monthly New Vehicle Sales
2016 to June 2021⁽¹⁾



* Source: Eagers Automotive

Domain Group (DHG)

We have been closely monitoring DHG for a number of years believing its core offering held much promise if it was well managed. We initiated a position in February of this year and have gradually added to our weighting taking advantage of short-term share price movements.

We took out of the result certain key themes:

- We respect the relatively new CEO and what he has achieved to date
- Growth in their depth offerings and expansion out of their core State of NSW
- Balance sheet strength
- Pricing power
- Significant exposure to an upturn in property listing volumes.

We look forward to continuing the journey with DHG and seeing it potentially benefit from the new CEO and any recovery in residential property markets volumes across Australia.

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 Aug 2021: Redemption Price \$1.4156 Entry Price \$1.4242
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

Surrey Asset Management Pty Ltd ACN 620 265 821 (**Investment Manager or Surrey AM**), a corporate authorised representative (number 1263417) of Specialised Investment and Lending Corporation Pty Ltd ACN 149 520 918 (AFS licence number 407100) (**Trustee and AFSL Holder**). The authority of the Investment Manager is limited to general advice and deal by arranging services to wholesale clients relating to the Surrey Australian Equities Fund (**Fund**) only. Specialised Investment and Lending Corporation Pty Ltd ACN 149 520 918 is the trustee of the Fund and the issuer of the information memorandums. This document contains general information only and is not intended to provide any person with financial advice or offer of any kind. Prospective investors should carefully consider the contents in the information memorandums in full and seek professional advice prior to making any decision regarding an investment in the Fund. No reliance may be placed on this document for any purpose nor used for the purpose of making a decision about a financial product or transaction. Information relating to the Fund contained in this document has been prepared without taking into account the objectives, circumstances, financial situation or needs of any person, and may differ to information contained in the information memoranda. This document may also contain forward looking statements regarding our intent, belief or current expectations with respect to market conditions. Past performance and/or forward-looking statements are not a reliable indicator of future performance. Except as required by law and only to the extent so required, neither the Investment Manager, Trustee, AFSL Holder nor its affiliates warrant or guarantee, whether expressly or implicitly, the accuracy, validity, timeliness, merchantability or completeness of any information or data (whether prepared by us or by any third party) within this document for any particular purpose or use or that the information or data will be free from error. Further, the Investment Manager, Trustee and its affiliates expressly disclaim any responsibility and shall not be liable for any loss, damage, claim, liability, proceeding, cost or expense arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with or from the use of the information in this document.