

Surrey Australian Equities Fund

PORTFOLIO UPDATE

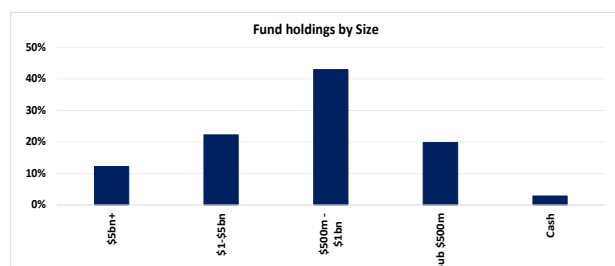
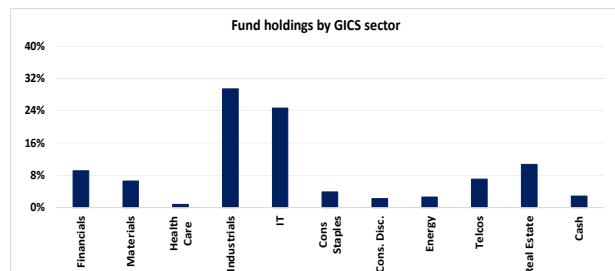
The Surrey Australian Equities Fund (SAEF) posted a return of -1.30% after all fees in September relative to the Small Ordinaries Accumulation Index (XSOAI) return of -2.14%. Our quarterly net gain now stands at +5.21% (XSOAI +3.4%) and net gain since inception totals +49.7% (XSOAI +33.9%).

The second half of Septembers' are generally quieter periods from a stock specific level following the busy 6 weeks of company earnings results presentations. However, that is not the case for wider macroeconomic and political events!

Some of the events which shaped the market over the last few weeks included:

- Fears as to the future of large Chinese property developer Evergrande and any flow on implications for wider areas such as iron ore pricing.
- China's reaction to Australia's nuclear submarine deal with England and the United States.
- Slight increases in global interest rates, partially as a result we believe, of trepidation around the increase / removal of the US's debt ceiling.
- Clarity around Australia's roadmap out of COVID-19 lockdown (particularly in Victoria).

We discuss some of these over the page.



FUND PERFORMANCE

The SAEF outperformed the XSOAI as we maintained our focus on executing our investment process and not being swayed by short term momentum trends.

Some particularly pleasing share price increases were delivered by our larger holdings DGL Group (DGL), Auckland International Airports (AIA) and Lifestyle Communities (LIC).

The COVID reopening "trade" continues and we believe our Fund is well positioned for this. This is despite our decision-making being made on a bottom up, fundamental basis as opposed to following high level thematic.

Time Period (to September 30th 2021)	Fund Net Return [^]	Benchmark Return ⁺	Fund Relative Performance
1 mth	-1.30%	-2.14%	0.84%
3 mth (September Quarter)	5.21%	3.44%	1.77%
1 yr	29.05%	30.41%	-1.36%
2 yr pa	17.87%	12.28%	5.60%
3 yr pa	13.21%	9.43%	3.78%
since incep pa	12.88%	9.16%	3.71%
since incep	49.74%	33.94%	15.80%

[^] 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)

DGL Group (DGL)

Lifestyle Communities (LIC)

Sealink (SLK)

Uniti Group (UWL)

FUND OUTLOOK

The 10-year bond yield increased from ~1.27% in mid-September to 1.55% before falling back below 1.55%. Short jumps like this will typically spook markets as they did during the middle of the month. We remind our Unitholders that bonds are still trading near all-time lows and still make equities look attractive.

While we are closely watching inflation and its impact on yields, we also don't discount the need for the Republicans and Democrats to agree on an expansion or removal of the US debt ceiling (targeted to be achieved in October). While in our opinion the chances of this not being achieved and the US defaulting on its debt are low, political posturing by both parties as they look to achieve certain objectives can cause disruption to yields during this arduous process.

US 10 Year Bond Yield – 1 Year



US 10 Year Bond Yield – 5 Years



US 10 Year Bond Yield – 20 years



Rising residential property market and consumer confidence

House prices have risen ~20% nationally over the past 12 months. While this is challenging for first home buyers, it should increase consumer confidence and continue to increase construction activity. We have seen this flow through the portfolio via holdings such as Domain Holdings (DHG) and National Storage REIT (NSR).

COVID-19

An exit plan to COVID-19 lockdown is getting ever closer to fulfilment. We are seeing international travel markets open up and many countries removing most/all COVID-19 restrictions. As Australia enters CY22 we expect the economy to see significant benefits as we once again return to some version of normality. This is particularly the case given so many businesses have recapitalised and rationalised operations over the last 18 months.

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 30 Sep 2021: Redemption Price \$1.3973 Entry Price \$1.4057
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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