

Surrey Australian Equities Fund

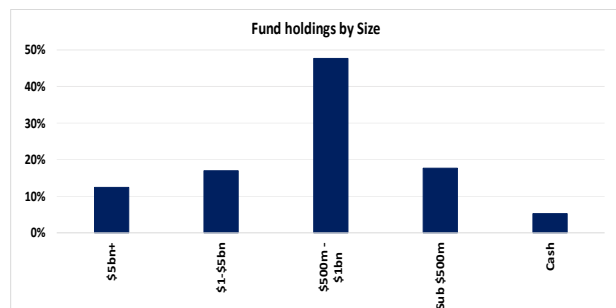
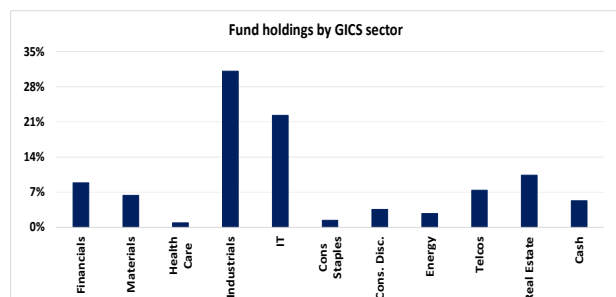
PORTFOLIO UPDATE

The Surrey Australian Equities Fund (SAEF) posted a return of -1.46% after all fees in October relative to the Small Ordinaries Accumulation Index (XSOAI) return of +0.92%. Our net gain since inception now totals 47.56% (XSOAI 35.17%).

Underperformance this month primarily related to Sealink (down 16.0%), Pointsbet (down 19.1%) and EML Payments (down 24.2%). Fortunately, of the remaining 31 stocks in the portfolio the majority performed well supporting overall returns. For example, material holdings such as People Infrastructure, Praemium and Betmakers all posted double digit gains. We discuss Sealink in more detail over the page as well the dynamics playing out during Annual General Meeting (AGM) season, the energy sector and M&A activity.

The procession of Initial Public Offerings (IPOs) and capital placements continues with relish. We have not become involved in the majority of these due to a variety of reasons such as vendor sell downs, extreme pricing and/or unattractive business models. However, two examples where we did participate include Step One Clothing (IPO) and Propel (capital raising). Both are new to the fund and have performed well to date.

We finished the month with 5.3% of the fund in cash and a total of 34 diversified holdings.



FUND PERFORMANCE

Despite being disappointed with the three previously mentioned companies negative share price performances we were satisfied with the diversity of the portfolio in minimising their overall impact on the fund. In the case of all three names, we have either retained or increased our position reflecting a level of confidence in the long-term value in these businesses.

November brings with it Annual General Meeting (AGM) season for a large number of ASX listed companies. Thorough research of annual reports and their disclosure including Director accountability is a key investment tool for the SAEF and as such we spend a considerable amount of time on this process. We believe that director accountability is not closely scrutinised by the wider market which is of detriment to all shareholders.

We will continue to vote on company resolutions in line with our investment and Environmental Social and Governance (ESG) principals.

Time Period (to October 31st 2021)	Fund Net Return [^]	Benchmark Return [*]	Fund Relative Performance
1 mth	-1.46%	0.92%	-2.38%
1 yr	28.53%	31.02%	-2.48%
2 yr pa	18.01%	13.08%	4.94%
3 yr pa	16.52%	13.52%	3.00%
since incep pa	12.06%	9.22%	2.84%
since incep	47.56%	35.17%	12.39%

[^] 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 Travel Group (SLK)
 Uniti Group (UWL)

FUND OUTLOOK

Annual General Meeting (AGM) Season

Annual General Meeting (AGM) season is in full swing with most ASX listed companies providing updates to the market. We use this period to both closely examine management and board performance from our ESG and Surrey investment principles perspectives, and to assess the outlooks of each respective company.

While ESG is gaining more attention, it has been a key part of our investment process since day one. This is inline with our investment experience of over 40 years where we have seen over and over again how companies with engaged, responsible, accountable boards will generally outperform those companies that have lacklustre, disengaged boards where members often enjoy the prestige of being a "director" but not the responsibility that comes with it.

Energy Sector

Much has been made of the tight supply of gas on the East Coast of Australia and the implications for businesses and consumers. In particular, spot gas prices averaged \$10.40/GJ in the September quarter, up 136% on PCP. This has been driven by demand for power generation and the tightening of supply in the local market.

In terms of the SAEF we have positive exposure to this trend via our holding in Cooper Energy (COE) which is a local domestic gas producer. The company has had some short-term difficulties with the optimisation of its newly built Orbost gas treatment plant although production rates are improving with COE working closely with the plant manufacturer to resolve the issues.

As these short-term issues are fully addressed, we believe COE has the opportunity to deliver a number of positive catalysts from its assets to add to its recent +50% share price rally since August 2021.

Mergers & Acquisitions (M&A)

With the cost of equity and debt at record lows, M&A activity is a prominent feature of the current investment landscape. Some companies that have recently received takeover bids (not all have progressed) include: Afterpay (APT), Praemium (PPS), Link Group

(LNK), Smart Group (SIQ), Over The Wire (OTW), Sydney Airports (SIQ), Prime Media (PRT), Class Limited (CLI), Iress (IRE) and Huon Aquaculture (HUO), Ausnet Services (AST), Oil Search (OSH) and Senex Energy (SXY) to name a few.

We believe our investment process which focusses on identifying and valuing medium-long term value latencies/events means a number of our portfolio holdings could see themselves bid for in the future. We have already started to see signs of this within the portfolio.

Sealink Travel Group (SLK)

SLK is a top 5 holding of the fund which after a very strong run up from our initial purchase price has suffered over the last few months falling from ~\$10 per share to \$7.50. Much of this related to the company recently missing out on securing the large Melbourne Metropolitan Bus Franchise contract. This has raised concerns with some in the market as to whether the company can secure further material contracts such as the upcoming Region 9 contract in NSW.

Despite the market's current uncertainty and hence share price weakness, our investment thesis and valuation for SLK remain positive and in fact, we have been adding to our position. Some of the company's features we are attracted to include:

- Recurring revenue and earnings streams via its long-term bus contracts
- Further restructuring of its low returning UK assets
- Valuable Australian ferry contracts
- Quality tourism assets we believe are ideally positioned as Australian tourism further reopens.
- Invested and engaged management team

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 Oct 2021: Redemption Price \$1.3770 Entry Price \$1.3852
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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