

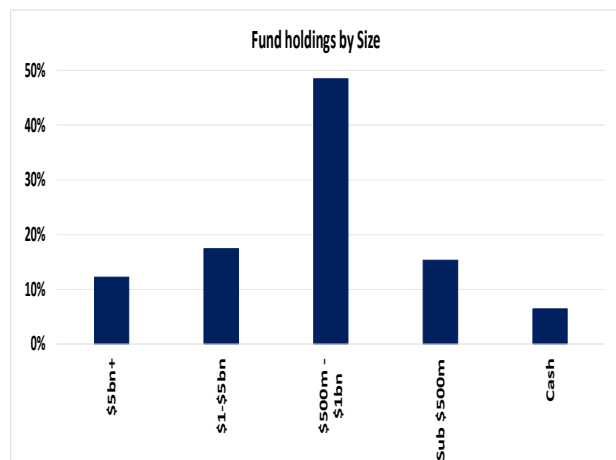
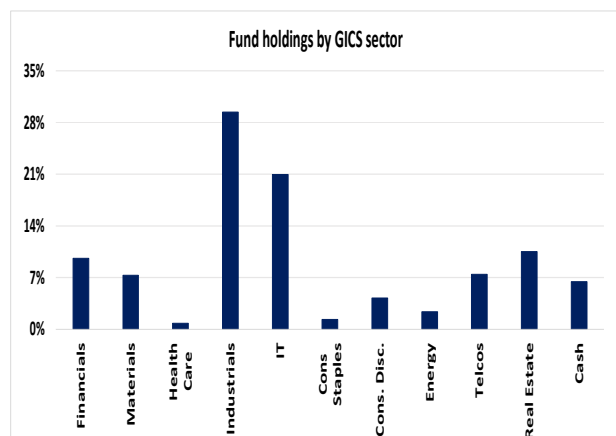
## Surrey Australian Equities Fund

### PORTFOLIO UPDATE

The Surrey Australian Equities Fund (SAEF) posted a return of -2.30% in November after all fees relative to the Small Ordinaries Accumulation Index (XSOAI) return of -0.31%. Our gain since inception now totals 11.02% per annum (XSOAI 8.90% per annum).

November hosted AGM season where we had a large proportion of our portfolio holdings report on their last financial year performance and current trading conditions. We were at least satisfied with all of these, while being more than happy with many. Some stand outs included Omni Bridgeway (OBL), Unifi Group (UWL) and Maggie Beer Holdings (MBH).

We finished the month with 6.5% of the Fund in cash and a total of 32 diversified holdings.



### FUND PERFORMANCE

The Small Ordinaries Accumulation Index (XSOAI) has benefited recently from the very strong performance of the Small Resources (XSR) sector which increased 6.3% in October and a further 3.6% in November. This compares with the Small Industrials (XSI) sector which declined by 0.6% and 1.6% over these same time periods.

While the Fund has exposure to resources, as can be seen on the preceding graph, we prefer to invest in those companies actually generating cashflow. As such, from time to time the Fund will underperform when what we perceive to be more speculative investments are having their day in the sun.

As previously mentioned, the recent AGM season increased our confidence in our holdings. It also presented us with an opportunity to hold directors and management teams to account – an investment feature we believe is lax in Australia.

The new COVID-19 variant known as Omicron has caused recent volatility. Unfortunately, this virus and its various forms are likely to be a feature of markets for all moving forward. Without downplaying its significance, we see the volatility it causes as a potential opportunity.

Time Period (to November 30th 2021)	Fund Net Return <sup>A</sup>	Benchmark Return <sup>*</sup>	Fund Relative Performance
1 mth	-2.30%	-0.31%	-1.99%
3 mth	-4.97%	-1.55%	-3.42%
1 yr	12.77%	18.44%	-5.67%
2 yr pa	14.91%	12.03%	2.88%
3 yr pa	15.88%	13.54%	2.33%
since incep pa	11.02%	8.90%	2.12%
since incep	44.17%	34.75%	9.42%

<sup>A</sup> After all fees and expenses

<sup>\*</sup> 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)

Kelsian Group (KLS)

Unifi Group (UWL)

## FUND OUTLOOK

### AGM Season – some notable names

Overall AGM season was a positive one for our group of portfolio holdings. Some stand outs we note included Maggie Beer Holdings (MBH) and Uniti Group (UWL):

#### Maggie Beer Holdings (MBH)

MBH provided what we viewed as a positive operational and trading update at its November AGM with the share price now up materially since our initial investment in the company.

Key highlights of FY21 and our expectations into FY22 included:

- Benefiting from the trend of Australians looking for a more “natural”, “healthier” lifestyle.
- Strong balance sheet and positive improvement in cashflow in the important IQ22 (stocking up for Christmas sales).
- Positive start to FY22 with growth ahead of our expectations in IQ22.
- Focus on continued growth in online sales, which benefits margins.
- The integration of Hampers & Gifts Australia (HGA) which was acquired in May 2021 appears to be proceeding well and we see strong cross sell opportunities with Maggie Beer brands.
- Continued turnaround at Paris Creek Farms.
- Reiterated guidance of \$100m revenue and \$13.5-\$15.5m EBITDA in FY22. This is up from Pro forma (corresponding) \$87m and \$12m respectively in FY21.
- Ongoing Director buying

#### Uniti Group (UWL)

November was an active month for one of the Fund's largest holding's Uniti Group. Ahead of the company's AGM, UWL confirmed a capital management initiative to buy back up to 10% of capital along with an update confirming it is trading ahead of internal budgets and will meet or exceed broker consensus EBITDA for FY22 of \$144.5m.

UWL has been growing organically and via acquisitions since listing. We believe the buyback sends the signal of less acquisitions in the medium term and steady growth in earnings ahead for the company. The share price responded accordingly during November, rising 8.9% for the month to reach all-time highs. The Fund chose to take some profits into this momentum due to portfolio sizing.

UWL remains a core position with its attractive infrastructure type assets being highly sort after by long-term investors.

#### Resources versus Industrials

The Small Resources (XSR) sector significantly outperformed the Small Industrials (XSI) and Small Ordinaries Accumulation (XSOAI) in November. It increased +6.3% in October and a further +3.6% in November, compared with the XSI sector which declined by -0.6% and -1.6% and the XSOAI which delivered +0.9% and -0.3% over these same time periods

We have consistently stated that our preferred exposure to this sector is via cash generative businesses. While this may limit some of the dramatic short-term gains that can be achieved by finding “the next big thing”, our focus is on where we think we have identified realistic value upside. We believe this will generate better risk adjusted returns for unit holders through cycles.

#### Omicron variant

Given the uncertainty surrounding how contagious and how damaging the Omicron variant could be, the market has had some recent jitters. As we managed during the initial dislocation caused by COVID-19 we will try to use such volatility as an opportunity for the Fund.

As always, we thank all Unitholders, staff, and service providers for your support in entrusting us with your capital and we wish you all a safe, prosperous and Happy Christmas and New Year period.

**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.

<b>Surrey Australian Equities Fund</b>	APIR Code SPC2070AU
<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 <b>30 Nov 2021: Redemption Price \$1.3454 Entry Price \$1.3534</b>
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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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