

Investor Newsletter

August 2020

Dear Investor,

We enclose the August 2020 update for the PURE Income and Growth Fund. An overview of our returns and portfolio comments are detailed below.

As always, thank you for your support.

Foundation Class Portfolio Returns (After Fees)

The PURE Income and Growth Fund returned +15.9% in July, an exceptional start to the FY21 financial year that builds on FY20's +15.0% return after fees.

PURE ASSET MANAGEMENT	1 Month	3 Month	6 Month	1 Year	Since inception*
Returns (%)	+15.9%	+23.4%	+20.5%	+30.0%	+40.5%
St Dev (Annualised %)		22.9%	22.4%	16.9%	13.7%

After fees and assuming reinvestment of all income distributions

*21 December 2018

Portfolio Summary

Portfolio overview as at 31 July 2020:

Funds Under Management	\$55.2m
Since Inception Return After Fees (distribution re-invest)	+40.5%
Total Distributions Paid After All Fees	+9.2 cpu
Total Committed Capital	>\$75m
Number of Investments	12
Average Loan Size	\$3.6m
Weighted Average Portfolio Interest Rate	+10.9%
Total Arrangement Fees Paid to Investors	\$0.8m

It has been an extraordinary month for the Fund which was driven by the significant re-rating of Tesseract (TNT.ASX), our largest warrant position, as well as a very strong performance from Sensera (SE1.ASX). The share price performance for both companies is based on positive news flow, rather than exuberance and momentum, and therefore would appear to be a sustainable uplift in value.

The balance of the portfolio had no other major movements, but we were pleased to see that Hydrix Limited (HYD.ASX) successfully raised \$3.0m in new equity. Of this \$0.75m was used to partially repay our \$4.0m loan. The balance was used to augment the cash on balance sheet, which increased to \$4.2m, and will be used to fund further growth in the group's exciting portfolio of med-tech products. The capital raising triggered the reset clause in the Fund's warrants' strike price, increasing their value appreciably. This is yet to be reflected in the Fund's unit price.

The share price of Sensera more than doubled over the course of the month, bouncing off its recent lows. Due to the poor start to the company's performance after we initially invested, we were able to negotiate a significant new (additional) warrant package in the June quarter, in return for temporary waivers and the capitalisation of one quarter's interest. We are pleased to report that since then the company has announced several contract wins, including a not insignificant initial contract for a COVID test. Here Sensera will supply a key component to one of their US customers that is aiming to launch a rapid test. Details are limited at this point, but we note our new package of warrants has already accrued significant value.

Outlook

While we remain cautious on the economic outlook and conscious of the tenuous operating conditions for many businesses, the volatility and polarisation of the market continues to present a target rich environment. Now more than ever, we believe that we have a unique formula for success against this backdrop.

Stay safe.

Nick, Mike and Tim

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