

Investor Newsletter

December 2020

Dear Investor,

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

As always, we thank you for your support.

Foundation Class Portfolio Returns (After Fees)

The PURE Income and Growth Fund returned +0.7% in November. While we were happy to deliver another positive month for unitholders, the Fund was unable to keep pace with runaway equity markets as the ASX All Ords Total Return Index increased 10.2% for the month.

PURE ASSET MANAGEMENT	1 Month	3 Month	6 Month	1 Year	Since inception*
Returns (%)	+0.7%	+11.9%	+42.1%	+56.4%	+71.0%
St Dev (Annualised %)		20.4%	22.3%	19.5%	15.4%

After fees and assuming reinvestment of all income distributions

*21 December 2018

Portfolio Summary

Portfolio overview as at 30 November 2020:

Funds Under Management	\$109.2m
Since Inception Return After Fees (Foundation Class, Distribution Re-Invest)	+71.0%
Foundation Class Current Unit Price (ex-Distribution Re-Invest)	1.5224
Foundation Class Current Buy/Sell Unit Price	1.5277 / 1.5171
Total Distributions Paid After All Fees	+13.2 cpu
Total Committed Capital	>\$125m
Number of Investments	16
Average Loan Size	\$4.1m
Weighted Average Portfolio Interest Rate	+10.5%
Total Establishment and Arrangement Fees Paid to Investors (Gross)	\$1.3m

Inflows during the month of November were strong (not reflected in the summary above), with the Fund well-positioned to settle all transactions to hand in 1Q21.

With vaccinations for COVID-19 to begin this month in the US and the Presidency now officially called, we expect the market's attention to revert more meaningfully to US stimulus. The Republicans remain one seat from a majority in the Senate, with two seats yet to be called, ensuring the path to stimulus remains uncertain. As such, we expect equity markets will continue to take a lead from commentary around this point. As existing investors in the Fund will be aware though, but for the benefit of new investors to the Fund, PURE is largely agnostic to the macro picture, with the companies that PURE is investing in typically growing rapidly in a new product or service area.

The commercialised but often nascent nature of these business models means that even if the total addressable market for a company shrinks or grows due to various macro events during the loan life, it is generally growing off a low enough base to not matter. Ordermentum is a great example, as reported in last month's newsletter, where although the Company is 100% exposed to a hospitality customer base, which in turn was severely impacted by COVID-19 related lockdowns, revenue, gross profit and customer count has grown double digit since the start of the lockdowns.

Moving onto the Fund specifically, we were pleased to deliver another positive month after such strong performance in the portfolio YTD. The return, however, was below our average monthly target of +1.25% after fees, required to deliver our annual target return of +15.0% (although we note the Fund has so far returned +41.1% financial year-to-date). For the interest of the reader, at our current weighted average portfolio interest rate of 10.5% (before fees), we require c.0.5%-0.6% performance per month in capital gains in order to achieve our annual return target.

Importantly, from a portfolio risk perspective, we made significant progress in rightsizing our position in Tesserent during the month of November, without unduly impacting performance of the Fund unit price or Tesserent's stock price, the latter being something we manage carefully. Tesserent, in the space of approximately six weeks, grew from c.\$40m market capitalisation, to more than \$250m, and with our significant warrant exposure to the Company, we enjoyed strong returns in the portfolio. In a very short timeframe, however, the position grew to become significantly overweight in the portfolio.

We are pleased to report that through a combination of strategic stock crossings to institutional investors, and some on-market sales, we have successfully managed down our Tesserent position to a much more conservative weighting, while realising a healthy profit on the investment (more than the loan value), which will underwrite above-average quarterly distributions for Fund investors for at least the next three quarters.

As a case study of what the PURE Income & Growth Fund funding mechanism can do to unlock equity value in an ASX-listed company, we could not be more pleased with how Tesserent has unfolded, and we will be providing a more in-depth case study on this as part of our 2020 year in review document to be published in January.

Outlook

LawFinance is a work in progress, but still very much within the nature of investing at this end of the market, and we are happy to get involved to help our portfolio companies create value for themselves and our investors. Other than this position, we are satisfied with the operational performances and cash reserves of all the companies in the portfolio and have every reason to be optimistic about the Fund's likely performance in both the near-term and in the year ahead.

Stay safe.

Nick, Mike, Tim, Dan and Jean-Luc

Foundation Class Unit Performance History

Month	Unit Price	Return	Distribution re-invest unit price
Inception	1.0000		1.0000
Dec-18	1.0240	2.40%	1.0240
Jan-19	1.0058	-1.78%	1.0058
Feb-19	1.0181	1.22%	1.0181
Mar-19	1.0216	0.34%	1.0216
Apr-19	1.0112	-1.02%	1.0112
May-19	1.0362	2.47%	1.0362
Jun-19	1.0231	1.68%	1.0536
Jul-19	1.0494	2.57%	1.0807
Aug-19	1.0343	-1.44%	1.0651
Sep-19	1.0558	2.08%	1.0873
Oct-19	1.0704	1.38%	1.1023
Nov-19	1.0614	-0.84%	1.0930
Dec-19	1.0619	3.76%	1.1341
Jan-20	1.0912	2.76%	1.1654
Feb-20	1.0674	-2.18%	1.1400
Mar-20	1.0130	-3.77%	1.0971
Apr-20	1.0511	3.76%	1.1383
May-20	1.1112	5.72%	1.2034
Jun-20	1.1117	0.71%	1.2120
Jul-20	1.2883	15.89%	1.4045
Aug-20	1.4015	8.79%	1.5279
Sep-20	1.3868	-1.05%	1.5119
Oct-20	1.5114	12.24%	1.6975
Nov-20	1.5224	0.73%	1.7099

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