

Investor Newsletter

2020 Year in Review – January 2021

Dear Investor,

We enclose the January 2021 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 +2.6% in December, rounding out a terrific calendar year in which the Fund delivered +54.7%. This compares to our targeted return of +15.0% per annum after fees and a 3.6% return from the All-Ords Total Return Index (which is the All-Ords index with dividends reinvested).

PURE ASSET MANAGEMENT	1 Month	3 Month	6 Month	1 Year	Since inception*
Returns (%)	+2.6%	+16.0%	+44.8%	+54.7%	+75.4%
St Dev (Annualised %)		20.4%	22.3%	19.5%	15.4%
Sortino Ratio					9.4
Sharpe Ratio					2.0

After fees and assuming reinvestment of all income distributions

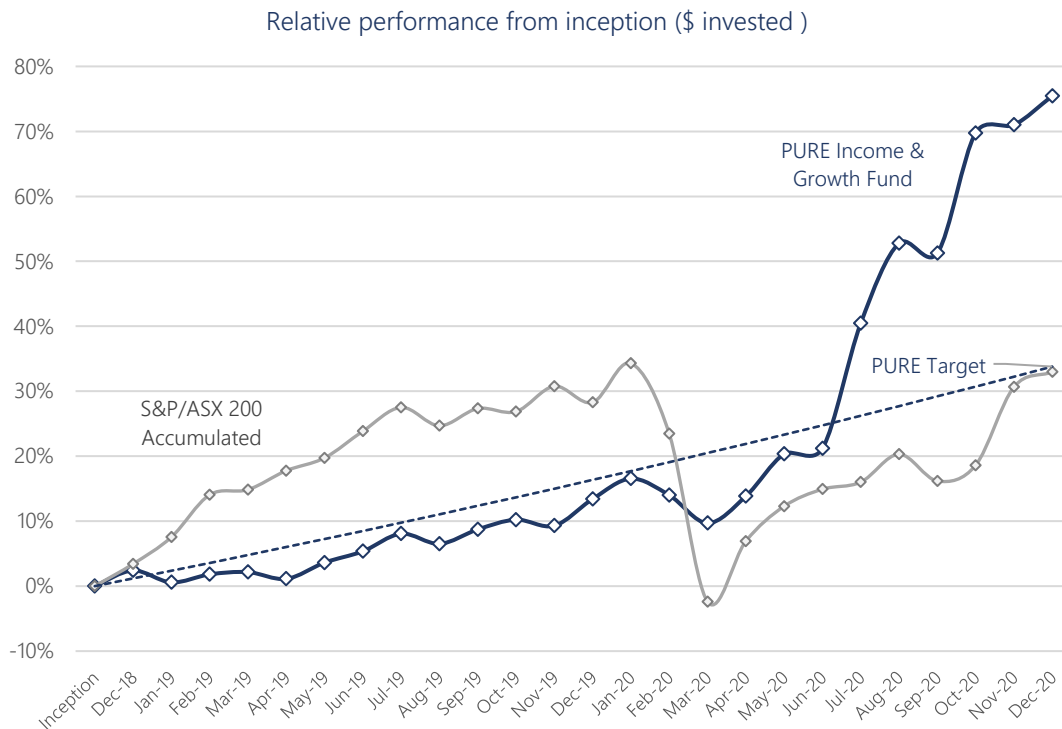
*21 December 2018

Portfolio Summary

Portfolio overview as at 31 December 2020:

Funds Under Management	\$123.2m
Since Inception Return After Fees (Foundation Class, Distribution Re-Invest)	+75.4%
Foundation Class Current Unit Price (Ex Dec 2020 Distribution)	1.5169
Total Distributions Paid After All Fees (Ex Dec 2020 Distribution)	+17.8 cpu
Total Committed Capital	>\$140m
Number of Investments	17
Average Loan Size	\$4.0m
Weighted Average Portfolio Interest Rate	+10.5%
Total Establishment and Arrangement Fees Paid to Investors (Gross)	\$1.3m

The Fund increased its funds under management by 303% in the last 12 months from \$30.6m at the close of last year to \$123.2m as at 31 December 2020. The Fund will pay out 4.5cps to investors for the current quarter distribution which will lift the 2020 payout to 10.7cps. Investors that had subscribed at the end of last year have therefore enjoyed a 10.1% distribution yield (unfranked) which is above our target of 7.5% per annum.



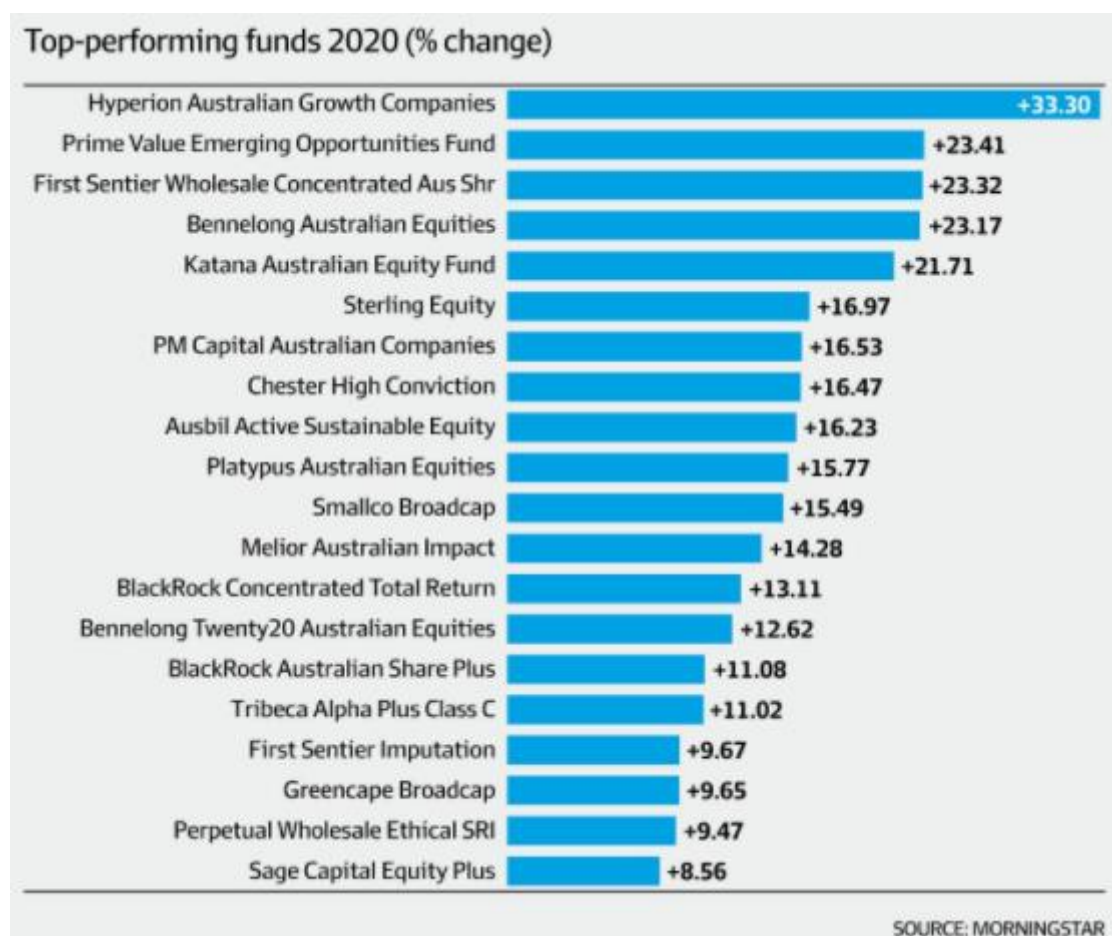
The Fund has performed remarkably well and although the +30% CAGR is unlikely to be a hurdle we can continue to meet, we are pleased to say we continue to believe that we can meet or beat our target for the foreseeable future. As many of you will know the Fund benefited from the share price performance of Tesseract, which has increased 8-fold since we invested. A significant profit has been realised on this warrant position, which will/is being distributed.

We have temporarily closed the fund to new investment as we have enjoyed exceptional inflows in recent months and need to focus on deploying this capital before we reopen to ensure returns are not overly diluted. We are progressed on over \$20m of transactions, which if all are finalised would allow us to reopen sooner than the current target of 1 April.

We always want to retain a cash position that is higher than a typical fund but, as previously stated, we need to manage this better in the future, as excluding cash the fund's investments are up +107% since inception, versus the +75% reported.

As managers we believe we are just as capable of finding good investments as our peers, however, in our view, it is the structuring of our investments that shifts the odds in our favour. As such, our key risk is not at the investment level, but rather competition, as we continue to benefit from what we consider a pricing anomaly, of which we are taking advantage through our approach.

A natural consequence of this is that we do not seek a media profile and are not listed in the normal journals that rank our peers. Investors will be pleased to note however, that earlier this month the AFR published an article on the best performing equity funds in Australia for 2020. We are not listed with the data provider (Morningstar), but had we been, with a 54.7% return, we would have been the top performing fund by some way.



It would be hubris to think we can either maintain this level of return or continue to come out on top of the rankings, but we have a high conviction that, providing we continue to execute well and that the competitive forces don't compete away the win-win that we are offering investors and companies, we can continue to outperform most of our equity fund peers for the foreseeable future.

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
Dec-20	1.5169	2.61%	1.7545

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