

## Investor Newsletter

July 2020

Dear Investor,

We enclose the July 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.

### Portfolio Returns (After Fees)

The PURE Income and Growth Fund returned +0.7% in June. While FY20 was a year to forget in many ways, we're pleased to share the portfolio delivered a +15.0% return.

PURE ASSET MANAGEMENT	1 Month	3 Month	6 Month	1 Year	Since inception
Returns (%)	+0.7%	+10.5%	+6.9%	15.0%	+21.2%
St Dev (Annualised %)		7.1%	11.5%	9.3%	8.1%

After fees and assuming reinvestment of all income distributions

### Portfolio Summary

Portfolio overview as at 30 June 2020:

Funds Under Management	\$41.6m
Since Inception Return After Fees (distribution re-invest)	+21.2%
Total Distributions Paid After All Fees (31 March 2020 +1.4 cpu)	+8.4 cpu
Total Committed Capital	>\$65m
Number of Investments	11
Average Loan Size	\$3.0m
Weighted Average Portfolio Interest Rate	+11.0%
Total Arrangement Fees Paid to Investors	\$0.7m

PURE opportunistically added one new position to the portfolio in June. This was an investment in an ASX listed convertible note issued by Clean Seas Seafood Ltd (CSS.ASX). The conversion terms within the CSS note presented a highly attractive entry point for new investors in June.

Clean Seas is an Australian premium seafood business. It is a global leader in the full cycle breeding, production and sale of Yellowtail Kingfish and is renowned worldwide for its exceptionally high-quality fish.

The Company has already attracted to its share register Bonafide Global Fish Fund, which is one of the world's leading aquaculture investors, and in recent months, Norwegian bio-marine company Hofseth Group acquired a stake via a strategic placement at a premium to the then share price. Hofseth is one of the world's largest processors of Atlantic Salmon, with distribution to over 20 countries, including North America.

The Notes provide an 8% coupon and can convert into ordinary shares at any time over the next 2½ years at an 8% discount to the recent trading price, subject to a floor price of 40cps and a maximum price of \$1.20. The Notes are unsecured, but rank ahead of equity and the terms require the Company to raise equity capital if market capitalisation falls below \$30.0m.

Clean Seas (CSS.ASX) is currently trading a 53cps, a 38% discount to the prevailing price when the Notes were first issued, with a market capitalisation of \$60.0m. In our view, the CEO, who has invested materially in the business, has been doing an excellent job expanding the Company by making shrewd and logical decisions to create long-term shareholder value. Although headwinds from Covid-19 persist and have impacted growth, we believe that as a nascent player in a vast and growing market, it is execution against strategic objectives that will define the outcome of the investment more than the economic cycle.

[Company presentation to North Atlantic Seafood Forum](#)

In addition to Clean Seas, PURE's self-origination pipeline continues to expand, and we expect multiple deal closures throughout July and August, on terms in line with prior transactions.

## Performance Fee Hurdle

We're pleased to report that the Performance Fee hurdle has been lifted from 5% to 8%, effective 1 July 2020. This aligns the Foundation Class to the newly launched Platform Class of units. The Platform Class and Foundation Class are identical in fee structure, with an APIR Code being assigned to the Platform Class to facilitate the admission to various investment platforms such as Macquarie Wrap, Netwealth and Asgard.

In line with the lift in the Performance Fee hurdle and with the Fund moving to quarterly distributions at the start of CY20, the Managers will now receive any Performance Fees generated quarterly.

## Capital Raise

We remind investors that PURE are actively raising capital throughout July to facilitate an expanding transaction pipeline. With an intention to raise \$30m in new capital, interest has been strong and we currently expect to close the round early. We appreciate the support of our existing investor base and would like to extend a warm welcome to all of our new investors.

If you are interested in investing with PURE as a new or existing investor, we encourage you to click on the link below to complete an application. For existing investors you will need your Portfolio Number – if you don't have it to hand, just give us a call and we can provide it.

<https://www.olivia123.com/applications/the-pure-income-and-growth-fund.php>



## Distribution

PURE will announce and pay our second quarterly distribution over the coming weeks. The quantum will be lower than recent periods based on the following:

- i) Moving to capitalised interest for the June quarter for three out of eleven companies to assist their cash flows throughout COVID-19 (all return to cash interest for 1QFY21).
- ii) No establishment fees being realised throughout the period.

Based on the maturation of PURE's deal pipeline, we expect this figure to increase again in the September quarter as establishment fees contribute to both performance and the distribution.

## Outlook

While we remain cautious on the economic outlook and cognisant of the tenuous operating conditions for many businesses, broadly it is 'back to business' for the PURE team. Despite Covid-19 and its flow-on effects there are good businesses that require growth capital contacting us regularly.

Over the coming month we expect to announce several new transactions, with each business having continued to grow substantially (30%+ y-y) through the COVID-19 shutdown, and we're excited to lift the veil on where, why and how this has been possible.

Stay safe.

Nick, Mike and Tim

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