

Investor Newsletter

Period to: 30 June 2021

Dear Investor,

We enclose the July 2021 update for the PURE Income and Growth Fund. An overview of our returns and portfolio comments are detailed below.

After closing to new applications from November 2020, we are pleased to report the PURE Income and Growth Fund is again open for investment.

[PURE Application Portal](#)

Foundation Class Portfolio Returns (After Fees)

The PURE Income and Growth Fund returned 0.8% in June 2021 and +40.9% for the financial year.

Investors will receive a distribution of 5.7cps for the quarter to 30 June. The total FY21 distribution to investors (derived from income and realised gains) will be 18.7cpu. This equates to an unfranked yield of 16.8% based on the unit price at the beginning of the period, which is well in excess of our targeted yield of 7.5% per annum, and unlikely to be repeated.

PURE ASSET MANAGEMENT	1 Month	3 Month	6 Month	1 Year	Since inception (Annualised)
Returns (%)	+0.8%	+2.9%	-2.7%	+40.9%	+23.0%
St Dev (Annualised %)		3.0%	6.0%	19.9%	14.3%
Sortino Ratio					6.2
Sharpe Ratio					1.5

After fees and assuming reinvestment of all income distributions. Inception 21 December 2018

The Fund overview as at 30 June 2021 is shown below:

Funds Under Management	\$120.3m
Since Inception Return After Fees – (Foundation Class, Distribution Re-Invest)	+70.8%
Since Inception Annualised Return After Fees (Foundation Class, Distribution Re-Invest)	+23.0%
Foundation Class Current Unit Price	1.3744
Total Distributions Paid After All Fees	+27.8 cpu
Total Committed Capital	>\$140m
Number of Investments	20
Average Loan Size	\$3.8m
Weighted Average Portfolio Interest Rate	9.7%
Total Establishment and Arrangement Fees Paid to Investors (Gross)	\$1.7m

Portfolio Summary

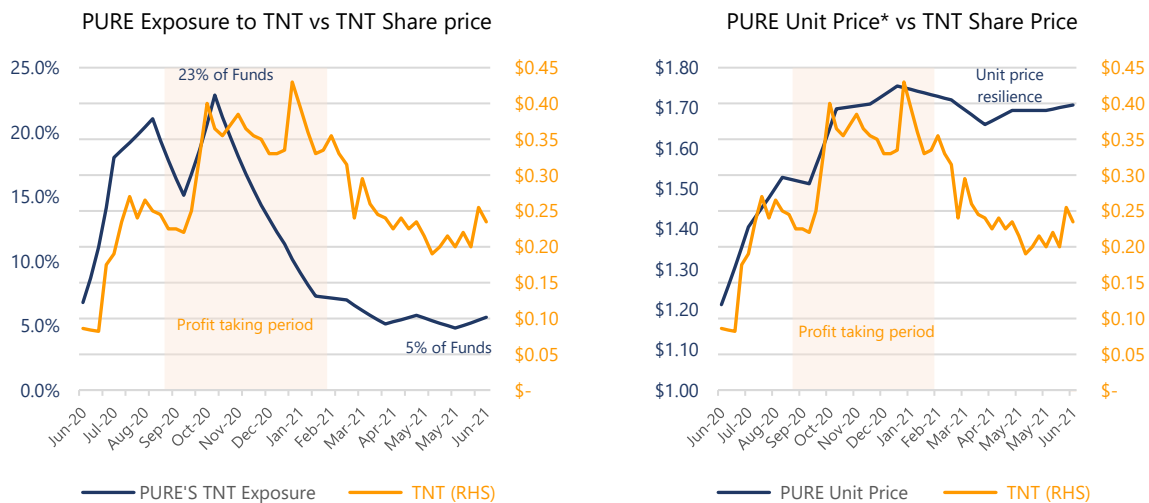
The PURE Income and Growth Fund returned +0.8% in June, rounding out a strong FY21 (+40.9%). Since our last update, the Fund increased its position with an existing pre-IPO investment (Ordermentum – discussed below), made a small investment in a pre-IPO company, and signed a term sheet binding on commercial terms (but still subject to documentation) on a new \$10m loan as part of a \$20m facility for an ASX-listed company. It is expected, but not guaranteed, that this transaction will close next week. The existing portfolio continues to perform well, with a variety of company specific updates outlined below.

A year in Review

Over the last year the Fund performed well ahead of our targeted 15.0% p.a. return after fees. This is in large part due to the strong performance from Tesseract (TNT.ASX), at a point when the portfolio was smaller and less diversified. Because of this, the year can be broken into two very different halves, with the first half of the year to December delivering 44.8% growth, and the second half of the year declining by 2.7%.

Tesseract, which climbed very rapidly at the start of the fiscal year, became a headwind in the second half, despite the Fund *cashing in* 60% of its warrant position as the share price reached its highs.

The point is illustrated in the charts below, which shows the Fund started to take profits in September 2020, but the +400% increase in the share price from June through to October, meant that, despite this, the position rapidly became overweight. Ongoing profit-taking of our position during the following months, however, meant that by the time the share price fell sharply from February, we had already *right-sized* the position, thus insulating the Unit Price from the brunt of share price retracement though to June.



*Distribution Re-invest Unit Price

We are pleased to report the company's shares are rising again, while the smaller position and higher diversification should mitigate volatility in the future.

Volatility aside the Fund has had an exceptional year and we are pleased to report that, although we are not part of the annual Mercer Survey of (139) Australian funds, had we been, we would have ranked 10th in Australia.

Top 10 Australian share funds (ranked by 1-year performance*)

Manager/fund	1-year		3-year		5-year	
	(%)	Rank	(% pa)	Rank	(% pa)	Rank
Forager Australian Value	89.0	1	8.2	82	-	-
Collins St Value Fund	88.5	2	-	-	-	-
First Sentier Australian Equities Geared - Growth	80.0	3	24.5	1	26.7	1
Smallco Broadcap Fund	48.5	4	14.0	12	15.9	10
Bennelong Core Equities	47.1	5	17.6	4	18.8	4
Bennelong Concentrated Equities	45.3	6	14.0	13	18.5	6
Perpetual Wholesale Ethical	44.2	7	10.3	46	10.6	79
Hyperion Australian Growth	43.0	8	23.0	2	18.0	8
Antares High Growth Shares	41.8	9	10.4	43	13.8	21
ECP AM All Cap	40.7	10	21.2	3	18.0	7

Source: Mercer; AFR

Most Companies in the Fund continue to navigate COVID well, with the exception being Oliver's (OLI.ASX), which remains impacted by the east coast lockdowns. We have been impressed with the recent restructure conducted by the management team, however, and have formed a very good working relationship with the Board and key shareholders, and multiple options remain at hand. We expect that, as a result of the restructure, operating leverage will result in strong profitability once conditions normalise.

Income & Growth Fund Deal Flow

The Fund has had a great start to July and remains late stage in discussions or execution of multiple originations, with two transactions of \$10m likely to go binding over the coming weeks. Both offer highly attractive economics, and we look forward to providing further details to investors in the next newsletter.

Numerous opportunities remain, and the Investment Team continue to receive a significant level of inbound deal flow.

We thank you for your support.

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
Jan-21	1.5022	-0.97%	1.7375
Feb-21	1.4869	-1.02%	1.7198
Mar-21	1.3910	-3.52%	1.6592
Apr-21	1.4199	2.08%	1.6937
May-21	1.4199	0.00%	1.6937
Jun-21	1.3744	0.83%	1.7077

Platform Class Unit Performance History

Month	Unit Price	Return	Distribution re-invest unit price
Inception	1.0000		1.0000
Jul-20	1.1598	15.98%	1.1598
Aug-20	1.2635	8.94%	1.2635
Sep-20	1.2291	-0.86%	1.2526
Oct-20	1.382	12.44%	1.4084
Nov-20	1.3922	0.74%	1.4188
Dec-20	1.3911	2.66%	1.4566
Jan-21	1.3781	-0.93%	1.4430
Feb-21	1.3641	-1.02%	1.4284
Mar-21	1.2760	-3.53%	1.3779
Apr-21	1.3025	2.08%	1.4065
May-21	1.3025	0.00%	1.4065
Jun-21	1.2639	0.83%	1.4182

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