

Investor Newsletter

November 2020

Dear Investor,

We enclose the November 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 +12.2% in October. Market conditions strengthened globally in the lead-up to the US election, with the ASX All Ords Accumulation Index rising 1.9% for the month.

PURE ASSET MANAGEMENT	1 Month	3 Month	6 Month	1 Year	Since inception*
Returns (%)	+12.2%	+20.9%	+49.1%	+54.0%	+69.8%
St Dev (Annualised %)		19.4%	20.7%	19.9%	15.7%

After fees and assuming reinvestment of all income distributions

*21 December 2018

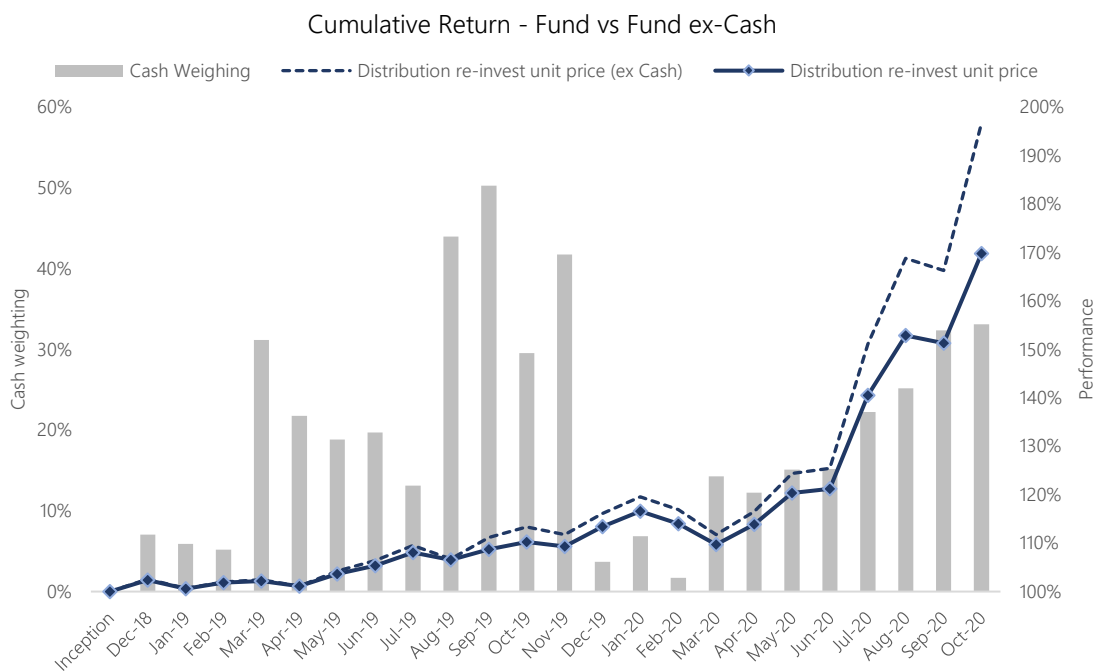
Portfolio Summary

Portfolio overview as at 30 October 2020:

Funds Under Management	\$100.1m
Since Inception Return After Fees (Foundation Class, Distribution Re-Invest)	+69.8%
Foundation Class Current Unit Price (ex-Distribution Re-Invest)	1.5114
Foundation Class Current Buy/Sell Unit Price	1.5167 / 1.5061
Total Distributions Paid After All Fees	+13.2 cpu
Total Committed Capital	>\$115m
Number of Investments	15
Average Loan Size	\$4.2m
Weighted Average Portfolio Interest Rate	+10.5%
Total Establishment and Arrangement Fees Paid to Investors (Gross)	\$1.2m

The fund has continued to enjoy solid cash inflows from existing and new investors, and although the additional cash is weighing on performance, the deal pipeline remains robust. We note a continual challenge of the fund will be aligning the timing of these two streams, as cash inflow is becoming consistent and steady, but the deployment of capital is lumpy.

This has been exacerbated recently with cash receipts being augmented with partial profit taking on the warrant position in Tesseract and early loan repayments from two borrowers. Both Sensera and Hydrix have repaid their loans in full, plus early redemption fees, in October and November, respectively.



It is worth a taking a moment to remind investors that, unlike a typical credit fund, we do not mind our borrowers repaying early. We believe the opportunity to redeploy the capital is evident, and as these loans are repaid, the money can be put back to work elsewhere. This means we can harvest a second set of warrants recycling the same capital.

Our challenge in the year ahead is improving the efficiency of our capital deployment process. This remains somewhat tailored to each deal, despite having many elements that are procedural and lend themselves to a more process driven approach. To this end, we have recently recruited a new analyst/fund administrator, who previously worked with Tim Callan at K2, and will be tasked with establishing systems to improve our procedures. We believe this will ultimately enhance our reporting to unit holders.

As our more *seasoned* unitholders will know, we don't spend too much time worrying about the macro or microeconomic picture. Suffice to say, the likely end of uncertainty around the US presidency and positive comments about a potential Pfizer vaccine buoyed markets in October, which already seemed somewhat underpinned by monetary easing and fiscal stimulus, despite the second lockdown taking its toll in Europe.

Markets, while suffering bouts of volatility, have enjoyed a strong trajectory since the March lows. While this would normally make conditions more challenging for the Fund to deploy capital, the bifurcation of companies' valuations – many hitting unprecedented highs, with others still trading near their lows – means we are finding plenty of attractive opportunities.

The Fund's exposure to equity prices is mainly through the proxy of warrants, and therefore share price movements are fractionalised, as most of our NAV is credit and cash. It was, however, encouraging that we enjoyed strong performances in the underlying prices of several portfolio companies during the month.

- Oliver's +54%,
- Xref +21%
- Sensera +42%
- Swift +25%
- Tesserent +66%

The abnormally strong performance this month is due to the fact that the latter three companies in this group are also the ones in which the Fund's performance is most leveraged. Moreover, we are pleased to report, these gains were not offset by any material declines in the other holdings in the portfolio, nor any credit losses.

Deal Flow

Deal flow continues to be encouraging with over \$30.0m in early discussion or under negotiation, with several smaller deployments likely to occur in November. We are pleased to report that in recent days we have finalised a \$5.0M deployment into a private company called Ordermentum. Without wishing to set the expectations too high, in some ways, this is the most exciting company we have funded to date, and more information on this investment is detailed below.

As we head into year-end, we hope to close 2020 with several other larger transactions, but due to the nature of due diligence, negotiations and legal documentation, we cannot be definitive on timing.

The PURE Resources Fund

We are delighted to report that Dan Porter has joined PURE Asset Management in the role of Portfolio Manager. Most recently Dan was Head of Mining Research at Wilson Advisory, and has previously worked at Petra Capital, UBS, Nomura and Merrill Lynch. Dan will add capacity to the

Fund's current operations and is also charged with investigating and, hopefully, establishing a second fund, focussing on Resources, Mining Services and Mining Technology.

Since setting up PURE we have observed consistent interest for our offering from advisors to mining companies, and the potential of this has been corroborated with feedback from both investors and preliminary discussions with mining companies.

We are cognisant of the fact that resources are perceived as more hazardous than our current sector focus, and therefore, it is appropriate that this should be a separate fund. We are, however, at the early stages of developing what will be a unique approach to due diligence and deal configuration, which together with our bond+warrant structure, may well afford us an asymmetric opportunity to deploy capital profitably.

This will take some time to work through and in the meantime, we would be delighted to hear the thoughts of our investors.

PURE Water

PURE Asset Management has made the first, of what we hope will be many, charitable donations. We wanted to share this with our investors, whose backing of the Fund has afforded our Company the opportunity to give something back. The donation is to [charity: water](#), a not for profit organisation whose mission is to bring clean and safe drinking water to people in developing countries.

Our funding will sponsor a project to develop a water pump for a community. The donation is funded from the income earned by PURE AM and not from the Fund, and it is our hope that over many years we will be able to provide clean water to 1,000s of people across the world.

Outlook

We are retaining significant cash to fund the pipeline and insulate the portfolio against a severe market sell-off that might be expected: if the current Pfizer vaccine proves to be a false dawn; the rate of COVID-19 hospitalisations and deaths starts to correlate with the rapid increase in cases; and/or, if the US presidential election dispute gathers more widespread support.

At this stage, we believe that there is every reason to be optimistic about the Fund's performance in the months ahead.

Stay safe.

Nick, Mike, Tim and Dan

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

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