

PURE Resources Fund

Dear Investor,

We enclose the December 2022 update for the PURE Resources Fund.

The PURE Resources Fund is open for investment.

Foundation Class Portfolio Returns (After Fees)

The PURE Resources Fund returned -1.1% in December 2022, and declared a 2.6 CPU distribution (Foundation Class) for the quarter, bringing the trailing 12m yield to 4.0%.

	1 Month	3 Month	6 Month	9 Month	1 Year	Since inception (Annualised)*
Returns (%)	-1.1%	+0.7%	+1.7%	+4.3%	+10.8%	+9.1%
St Dev (Annualised %)					8.1%	6.8%

After fees and assuming reinvestment of all income distributions. Fund inception 30 April 2021.

Fund overview as of 31 December 2022

Funds Under Management	\$81.3m
Since Inception Annualised Return After Fees (Foundation Class, Dist. Re-Invest)	+9.1%
Foundation Class Current Unit Price (Ex-Distribution)	\$1.1011
Total Distributions Paid After All Fees	4.1cpu
Number of Investments	9
Average Loan Size	\$7.3m
Weighted Average Portfolio Interest Rate	10.7%
Total Establishment and Arrangement Fees Paid to Investors (Gross)	\$1.2m

Current Portfolio Exposure

Fixed Income	62.8%
Equity/Warrants	7.6%
Cash	29.6%
Total	100.0%

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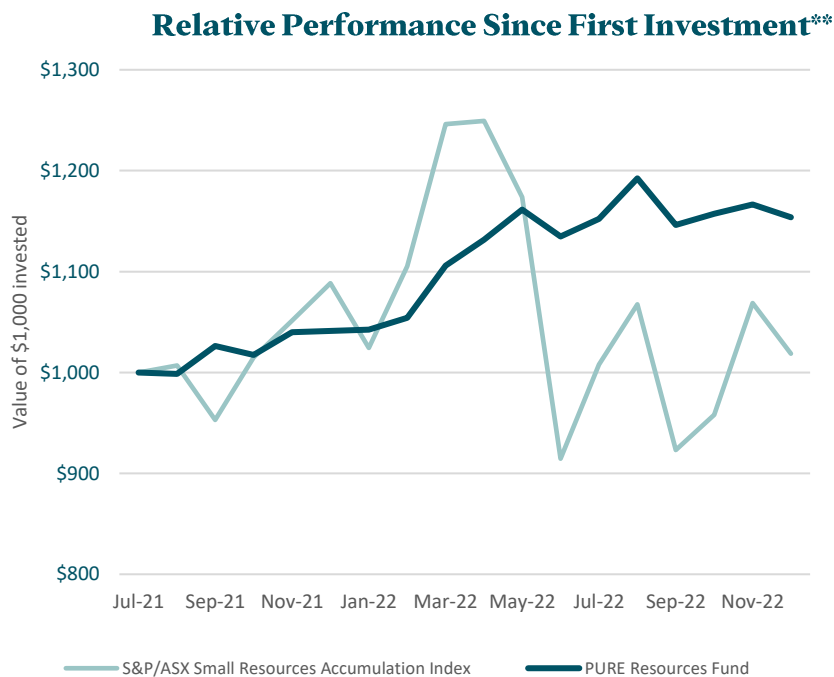
PURE Asset Management Pty Ltd | ABN 46 616 178 771 | AFSL 520396

Portfolio Summary

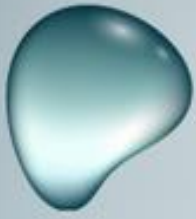
The Resources Fund delivered a down month for December, falling 1.1%, primarily driven by the gas price cap policy introduced by the Federal Government. With c30% of the Fund being exposed to East Coast gas, the equity took a hit.

The production pathways for both Comet Ridge (COI.ASX) and Vintage Energy (VEN.ASX) remain unchanged, and indeed the impact on near term pricing (12c/Gj) do not apply to new production, however, the uncertainty introduced by the Government’s market intervention are a cause for market trepidation. Ultimately we think there will be a solution to what is a populist policy.

Nonetheless, we are very pleased with our performance over the course of 2022. The fund remained in positive territory over the year, rising +10.8% soundly outperforming all benchmarks and the small resources market itself (-6.4%). We have declared a 2.6cps distribution in light of this performance, up +73% from last half (1.5cpu) and look forward to moving to quarterly distributions over the course of 2023.



**Fund inception April 2021, first investment made in July 2021

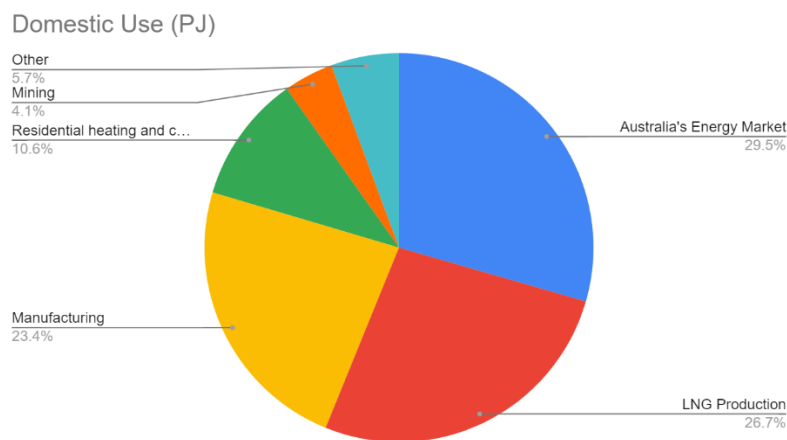


Charts of the month

Let's talk about Gas – and why not, everyone else is!

Here is a reminder of where we use gas. About 30% is used in supplying electricity generators in Australia. It's also used in the glasses you may be using to read this and the clothes you are wearing (not the energy requirement, but within the fabric itself).

Uses of Gas in Australia



Source: ACCC

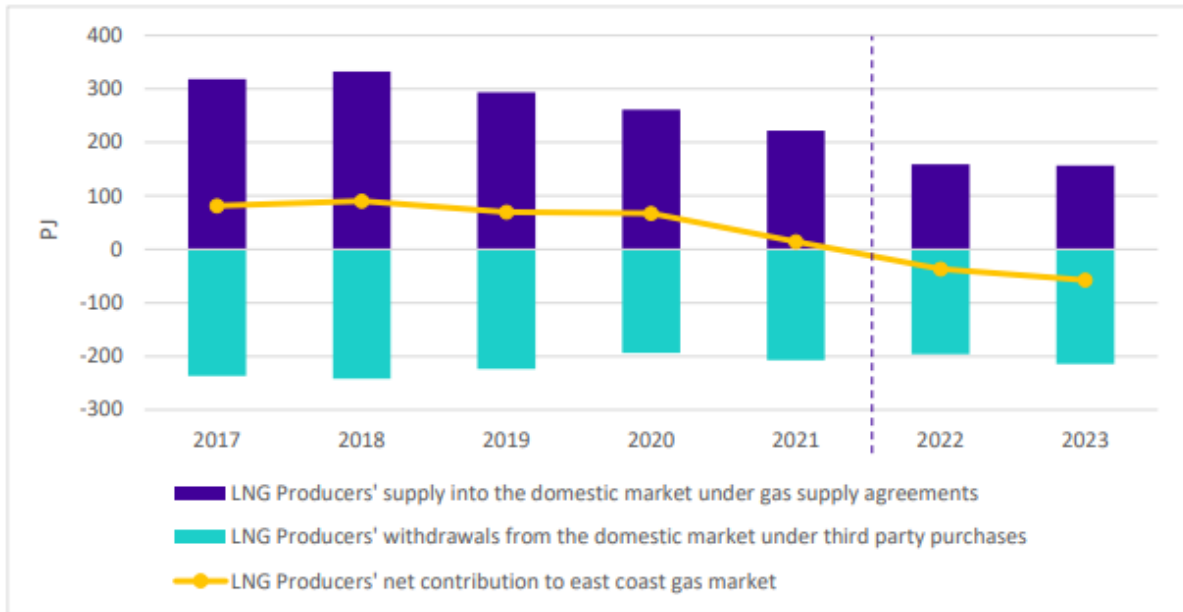
For over a decade now, it's been obvious that investment into Australia's east coast domestic gas production was insufficient. Though it's not the industry that is entirely to blame. Due to QLD State Government policy in the period 2005-2010, three separate LNG export facilities were approved for construction at Gladstone. It became an arms race as to who could finish first (Origin was the winner in 2015)

The race was driven from the potential uplift in volumes from QLD Coal Seam Gas fields that were drilled out, and then subsequently merged with one another. Think of older names like Sunshine Gas, QGC, and Arrow.

All good ideas – except the fields never produced enough gas to warrant three facilities and all estimates of production well pressures were overblown. Sure, there are some very large fields; Santos has Fairview and Origin (APLNG) has Spring Gully both in the Surat Basin (near Roma). Nonetheless, the policy mistake has left those LNG trains seriously short of gas, to the point where Santos and Origin are losing money on their investment. Understandably, any molecule that came close to transmission pipes in QLD, SA and Northern NSW went to Gladstone and out through the trains to Asia.



East Coast Domestic supply 2017 – 2023E



Source: ACCC

That's left us in a bit of a pickle. Any industry watcher has been aware of this for nigh on 10 years but it seems like Government has only just caught up. A domestic Reservation scheme for the East Coast has been mentioned since 2018, but never enacted.

The policy recently ratified by the Federal Government is somewhat akin to arresting the ambulance officer who turned up at a car crash. A 12c/GJ price cap doesn't apply to new production – and our investments in Vintage and Comet Ridge are spared this – however given many long term supply contracts were in the range of 8-9c/Gj, it will have the perverse impact of pushing these prices higher.

Given the legislation also contains elements of potential future margin management (i.e. you supply and the Government tells you what you can earn) this intervention could have a further detrimental impact to future investment.

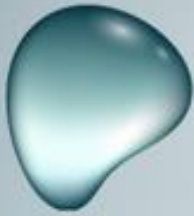
To our mind all this has done is ensure that domestic gas supply will fall materially over the next few years.

Why would the international owners of the uncontracted gas at APLNG and QCLNG spend more capital in Australia to sell at 12c/GJ (or for comparison a ~US\$8/mmbtu gas price)? Leave it in the ground and you can either probably sell it for A\$30/GJ when Rome (or Roma) is burning in 2-3 years' time, or leave it in the ground for 10 years and sell it to the international market. Maybe the plan is to end gas use in Australia over the next 7-8 years, but this approach won't end well.

We thank you for your support.

Dan, Nick, Mike, Tim, Jonathan and Jean-Luc





Monthly Returns – After Fees

PURE Resources Fund – Foundation Class													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY21											0.0%	0.0%	0.0%
FY22	0.2%	-0.1%	2.8%	-0.8%	2.2%	0.1%	0.1%	1.1%	4.9%	2.3%	2.6%	-2.3%	13.7%
FY23	1.6%	3.5%	-3.9%	1.0%	0.8%	-1.1%							1.7%

PURE Resources Fund – Platform Class (APIR: PUA1097AU)													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY22		-0.1%	2.7%	-0.8%	2.2%	0.1%	0.2%	1.1%	4.9%	2.3%	2.6%	-2.3%	13.4%
FY23	1.6%	3.5%	-3.9%	1.0%	0.8%	-1.1%							1.7%

Unit Price Data Download

Please click on the link below to download the updated unit price data for each unit class.

[PURE Resources Fund – unit price data to 31 December 2022](#)

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