

# Investor Newsletter

Period to: 28 February 2022

Dear Investor,

We enclose the March 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 February 2022.

	1 Month	3 Month	6 Month	1 Year	Since inception*
<b>Returns (%)</b>	+1.1%	+1.4%	+5.6%	N/A	+5.6%
<b>St Dev (Annualised %)</b>		1.6%	4.3%	N/A	+3.7%

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

### Fund overview as at 28 February 2022

<b>Funds Under Management</b>	\$59.2m
<b>Since Inception Return After Fees – (Foundation Class, Distribution Re-Invest)</b>	+5.6%
<b>Foundation Class Current Unit Price</b>	1.0438
<b>Total Distributions Paid After All Fees (Foundation Class)</b>	1.2cpu
<b>Number of Investments</b>	5
<b>Average Loan Size (post-deployment against current binding commercial terms)</b>	\$8.4m
<b>Weighted Average Portfolio Interest Rate (post-deployment)</b>	10.8%
<b>Total Establishment /Arrangement Fees Paid into the Fund (Gross)</b>	\$0.9m

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## Portfolio Summary

The Fund returned +1.1% for the month of February. With just c3.5% of the Fund's NAV in equity/warrants, the remainder sits in high yielding credit at an average interest rate of 10.8%. PURE's strategy should outperform in times like these, and we are pleased that our credit backed investments and increasing diversification is helping in these turbulent market conditions.

Nonetheless, commodity markets are on a tear. While there are clearly externalities at play, what is considered "different this time" hasn't actually changed at all; that is, the reticence of traditional funders to invest in miners and mining projects. There is a strong, and somewhat concerning, shift in supply side drivers and this is creating a situation where all commodity prices are lifting, not just green metals. While this is at play, the specialist resources and mining funds have all but disappeared. Globally, this is actually creating a risk level for access to commodities and supply chains that no one saw coming 10 years ago, or even 2 years ago. Surety of supply is demanding a price premium, a characteristic that appears set to continue.

For now, major historical funders appear reticent to jump in. We assume that over time they may be attracted back to take advantage of the returns available, however we think it's more likely in those areas where off-take is available, hedging is conventional and debt can be priced like a mortgage. We are happy to continue to focus on the other 97% of the market. We think its unlikely financing will ever return in a meaningful manner in this space.

While Armageddon is not in our base case however, we can only then look at things with a sense of optimism. All this mess is creating a fantastic opportunity for our investment product, and we expect to be busy for a very long time.

To that end, it's also a good time to remind investors that we are actively seeking more capital. If you would like to invest, please reach out to Dan ([dan@puream.com.au](mailto:dan@puream.com.au)) or Jean-Luc ([jluc@puream.com.au](mailto:jluc@puream.com.au)) who can help you take advantage of low volatility of returns, cash backed strategies, increasing distributions and a fundamental pricing mis-match in commodity markets. We can't do much about geo-politics, but we can ensure a Tier 1 investment strategy.

With our portfolio of stocks still holding significant positive catalysts, we increasingly believe that conditions are right to see the fund outperform.

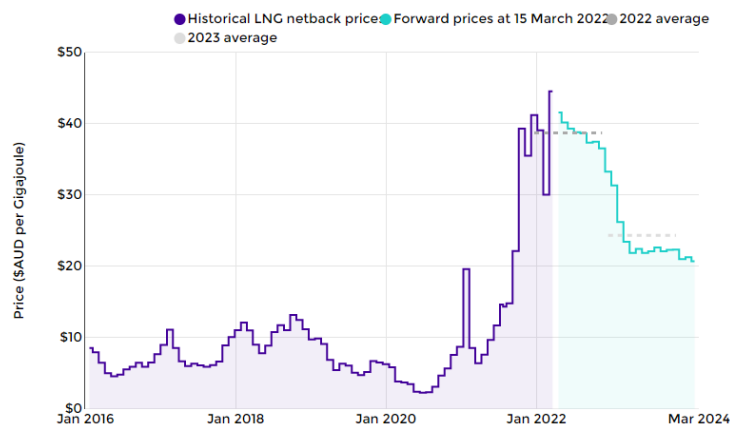
## Chart of the month

Energy markets have been in full focus over recent weeks. As the transition to green energy continues, this is not as simple as flicking a switch. Oil, Gas, and Coal will remain critical in the world’s energy mix for the foreseeable future.

Supply shocks, which we are seeing now with the Russia/Ukraine conflict have the ability to dramatically impact these markets, as financing impediments further impact tight markets. A shift of the world’s supply chains, under way since the COVID-19 pandemic began, also impacts supply, and pricing as a consequence.

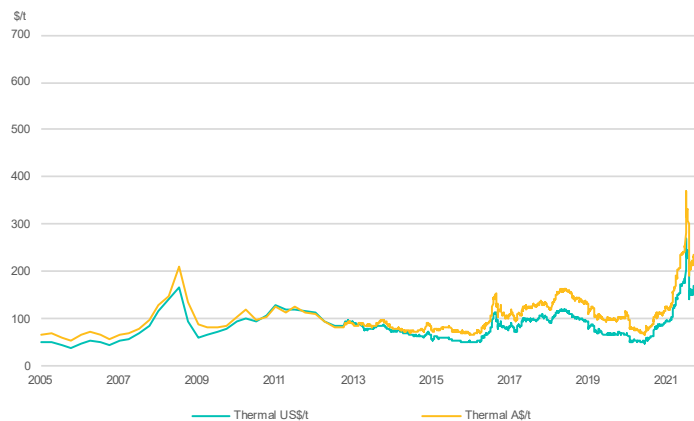
For the first time in our careers, the word “Ally” is being used in investment circles, trade patterns and financing sources. With all this in mind, resolutions still some ways off, and the likelihood of future repercussions for Russia, we expect this to continue to persist.

### Australian Net-back Gas Prices (A\$)



Source: ACCC

### Thermal Coal Prices (6,000Kcal) FOB Newcastle (US\$, A\$)



Source: Bloomberg, Consensus Economics

## Deal flow

With most of our initial capital nearly fully committed, we expect to be raising additional capital in the coming months. If you would like to invest in the PURE Resources Fund, or add to your current investment, please contact Jean-Luc Corelli at [jlc@puream.com.au](mailto:jlc@puream.com.au).

We are in advanced due diligence on several further transactions. All feature respected and high-quality management teams, assets in, or moving into production and exciting equity price catalysts.

We have a significant number of further prospective leads that sit at earlier stages, all requiring additional due diligence. As we have noted previously, our hybrid debt facility has really resonated with the East Coast resources sector particularly strongly. However, inbound inquiries have notably increased in recent months, as our profile lifted on the closure of several listed transactions over the back half of 2021. We expect this to continue to build from this point.

Commodity	Location	Loan Size	Interest Rate	Warrant Coverage	Term	Purpose
Energy	West Coast, Aus	\$10.0m	10.0%	100.0%	3yrs	Acquisition & Working Capital
Gold	East Coast, Aus	\$10.0m	12.0%	100.0%	3yrs	Project Finance
Hydrogen	East Coast, Aus	\$3.0m	10.0%	100.0%	2yrs	Working Capital

## Co-investment opportunities

We also continue to receive a strong level of inbound enquiries from companies whose funding requirements exceed the Fund's capacity for investment. Where this occurs, PURE will look to engage with our network to fund these deals through co-investment. If you are interested to participate in a co-investment deal alongside PURE, please contact Dan Porter at [dan@puream.com.au](mailto:dan@puream.com.au).

We thank you for your support.

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

## Foundation Class Unit Performance History

Month	Unit Price	Return	Distribution Re-Invest unit price
Inception	1.0000		1.0000
May-21	1.0000	0.0%	1.0000
June-21	0.9996	0.0%	0.9996
July-21	1.0018	0.2%	1.0018
Aug-21	1.0004	-0.1%	1.0004
Sep-21	1.0280	2.8%	1.0280
Oct-21	1.0193	-0.8%	1.0193
Nov-21	1.0417	2.2%	1.0417
Dec-21	1.0308	0.1%	1.0429
Jan-22	1.0323	0.1%	1.0444
Feb-22	1.0438	1.1%	1.0561

## Platform Class Unit Performance History

Month	Unit Price	Return	Distribution Re-Invest unit price
Inception	1.0000		1.0000
Aug-21	0.9987	-0.1%	0.9987
Sep-21	1.0257	2.7%	1.0257
Oct-21	1.0174	-0.8%	1.0174
Nov-21	1.0397	2.2%	1.0397
Dec-21	1.0309	0.1%	1.0409
Jan-22	1.0325	0.2%	1.0425
Feb-22	1.0440	1.1%	1.0541

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