Investor Newsletter

Period to: 31 May 2022

Dear Investor,

We enclose the June 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 2.6% in May 2022.

	1 Month	3 Month	6 Month	1 Year	Since inception (Annualised)*
Returns (%)	+2.6%	+10.2%	+11.7%	+16.3%	+16.3%
St Dev (Annualised %)		4.0%	5.8%	5.6%	5.5%

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

Fund overview as at 31 May 2022	
Funds Under Management	$73.9m
Since Inception Return After Fees – (Foundation Class, Distribution Re-Invest)	+16.3%
Foundation Class Current Unit Price	1.1499
Total Distributions Paid After All Fees (Foundation Class)	1.2cpu
Number of Investments	7
Average Loan Size (post-deployment against current binding commercial terms)	$6.3m
Weighted Average Portfolio Interest Rate (post-deployment)	10.7%
Total Establishment /Arrangement Fees Paid into the Fund (Gross)	$0.9m

PURE online application form

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PURE RESOURCES

Portfolio Summary

The Fund returned +2.6% for the month of May and is up over 16.3% in the 13 months since inception. This performance was especially encouraging given current market turbulence.

The US stock market is officially in bear market territory, and Australia is not far off. The *equity* instruments (warrants) within the portfolio are not immune to market corrections, however, with just 12.5% *equity* exposure in the NTA, prudent stock selection and a credit focus, we should continue to outperform the traditional equity funds, particularly small-cap peers, which have already suffered a significant loss of value.

Known uncertainties are proving to be excruciatingly enduring, derived in part from China's hard lockdown and the economic repercussions of the Russian invasion of Ukraine, but also due to the supply chain disruptions that are fuelling inflation. The question is, what will the central banks do in the face of persistent inflation? At the moment we have globally synchronised interest rate rises, but for a whole generation of investors, the US Federal Reserve has come to the rescue whenever markets have started screaming, the fear is, that this time, there is no *Fed Put*[1].

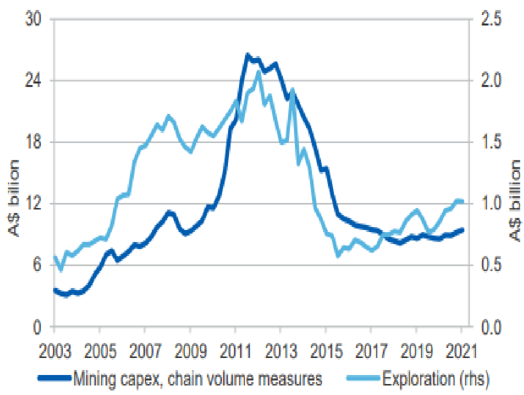
Despite the sell-off in assets, commodity prices have proved resilient and remain elevated due to the imbalance in supply and demand. This is due to several factors: (1) under investments over many years; (2) supply chain issues; and (3) demand for renewables.

High mineral commodity prices should provide some underlying support to stock prices even if company valuations contract from an increasingly indiscriminate sell-off of equities. Additionally, resource nationalism is a very real, and increasing stance, as geopolitical tensions mean countries are becoming increasingly focused on access to minerals from friendly counties. A new pseudo word has also entered the lexicon - *greenflation* – which aims to express the significant increase in the price of materials used in the creation of renewable hardware.

Chart(s) of the month

There's not enough of this...

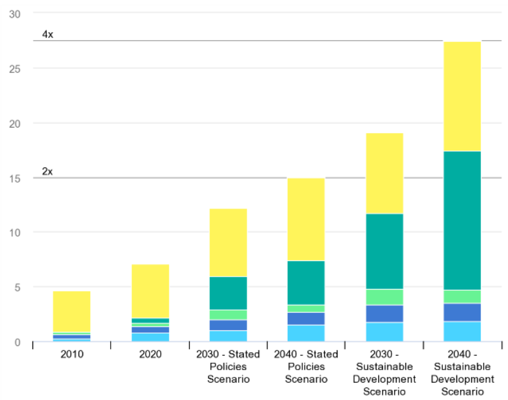
Mining capex vs exploration (A$bn)



Source: RBA, ABS

...to provide this

Total mineral demand for clean energy technologies by scenario, 2010-2040 (x)



Source: IEA

What keeps us positive about commodity prices is that supply issues continue to be almost universal. A lack of key materials is an ongoing constraint for many industrial segments. Base metals continue to reflect extremely

[1] The *Fed Put* is the market belief that the Fed would step in and implement policies to limit the stock market's decline beyond a certain threshold

tight market conditions, despite the likely continued increase in demand that is forecast in coming years as *clean* electrification efforts continue.

Even as we head into a period of slower economic growth, or perhaps contraction, we expect commodities markets to remain tight and therefore supportive of commodity prices. Supply of most commodities continues to fall relative to demand, as new mine development remains significantly lower than demand levels, with mine approvals, exploration and capex all held back by political decisions and regulatory processes.

Looking ahead, the term *greenflation* is something we are likely to hear a lot. Virtually all green technologies require significant amounts of metals and minerals, such as copper, lithium and cobalt. Electric vehicles, for example, use over six times more minerals than their conventional counterparts. An offshore wind plant requires over seven times the amount of copper compared with a gas-fired plant to match the energy output.

No matter which path to decarbonisation ultimately follows, green technologies are set to account for the lion's share of the incremental growth in demand for most metals and minerals for the foreseeable future. Yet, as demand rises, supply is constrained in the short and medium term as it typically takes five to ten years to develop a new mine.

Over the last two years we have already witnessed the repercussions of this in the price of lithium (+600%) and cobalt (+250%), but also in the pariah commodities like coal (+500%) and gas (+300%). Most commodities are following a similar, if less extreme, trend.

It remains to be seen if structural drivers will be able to withstand cyclical weakness, but commodity prices would need to retreat a long way from these elevated levels to make any of the investments we have, or are considering, uneconomic.

For our Fund, the backdrop of falling company valuations, but an improving outlook for profits, could hardly be better.

Deal flow is strong

While inbound inquiry levels have been strong all year, lately we have seen a noticeable lift. As equity markets dislocate share prices from any sense of fundamental value, our hybrid credit offering continues to resonate. We are in advanced due diligence on a number of transactions, with assets in, or moving into production and exciting equity price catalysts.

Commodity	Location	Loan Size	Interest Rate	Warrant Coverage	Term	Purpose
Oil/Gas	Mid-West, USA	$10.0m	12.0%	100.0%	3yrs	Project Finance
Gas	West Coast, Aus	$10.0m	12.0%	100.0%	4yrs	Project Finance
Fertiliser	West Coast, USA	$3.0m	12.0%	100.0%	2yrs	PRE-IPO
Gold	East Coast, Aus	$10.0m	10.0%	100.0%	4yrs	Project Finance
Gold	East Coast, Aus	$10.0m	12.0%	100.0%	3yrs	Project Finance
Contract Mining	East Coast, Aus	$10.0m	10.0%	100.0%	3yrs	Equipment Finance
Total		**$53.0m**				

Fundraising is underway

Market conditions have become extremely conducive to PURE's hybrid investment strategy. As such, the PURE Resources Fund is actively embarking on a fundraising campaign to capitalise on the opportunity being presented.

If you would like to invest with the PURE team, please access the online application form via the Olivia123 link below:

The greatest compliment our investors can give is the referral of friends, family and associates. If you know of other investors who are seeking additional investment opportunities, please feel free to contact us at any time.

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
Mar-22	1.0951	4.9%	1.1080
Apr-22	1.1206	2.3%	1.1338
May-22	1.1499	2.6%	1.1459

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
Mar-22	1.0953	4.9%	1.1059
Apr-22	1.1208	2.3%	1.1317
May-22	1.1500	2.6%	1.1460

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