

# Investor Newsletter

Period to: 31 August 2021

Dear Investor,

We enclose the September 2021 update for the PURE Income and Growth Fund.

After starting the Financial Year well, the PURE Income and Growth Fund gave back some ground in August, falling 3.2%. The key detractors were some of the investments we exited reporting season (and remain) most excited about – namely LAWFinance, Tesseract, Mighty Craft, and Sensera. We discuss the valuation movements more below.

We are pleased to report that at the time of writing, since month end, the portfolio equity positions have improved and, month to date, most, if not all, of August's pull back has been recovered with Carbonxt, and LAWFinance share prices both rallying +20% so far this month.

The PURE Income and Growth Fund is open for investment.

[PURE Application Portal](#)

## Foundation Class Portfolio Returns (After Fees)

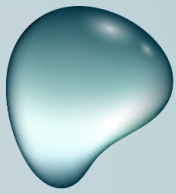
The PURE Income and Growth Fund returned -3.2% in August 2021.

	1 Month	3 Month	6 Month	1 Year	Since inception (Annualised)*
Returns (%)	-3.2%	+0.9%	-0.6%	+11.9%	+21.5%
St Dev (Annualised %)		9.4%	8.8%	13.7%	14.2%
Sortino Ratio					5.5
Sharpe Ratio					1.4

\*After fees and assuming reinvestment of all income distributions

### Fund overview as at 31 August 2021

Funds Under Management	\$121.6m
Since Inception Return After Fees – (Foundation Class, Distribution Re-Invest)	+71.0%
Since Inception Annualised Return After Fees (Foundation Class, Distribution Re-Invest)	+21.5%
Foundation Class Current Unit Price	1.3760
Total Distributions Paid After All Fees	+27.8 cpu
Total Committed Capital	>\$140m
Number of Investments	21
Average Loan Size	\$4.5m
Weighted Average Portfolio Interest Rate	9.9%
Total Establishment and Arrangement Fees Paid to Investors (Gross)	\$2.2m



## Portfolio Summary

No new positions were initiated during the month, but the Fund has increased its position in Spacetalk (SPA.ASX), with the Company drawing Tranche 2 of its facility (\$2m) to build inventory ahead of the Christmas period. Clean Sea (CSS.ASX), in which we had a holding about the size of a fish fingerling (having purchased it on market at a discount to par), repaid its Convertible Note at 100 cents in the dollar.

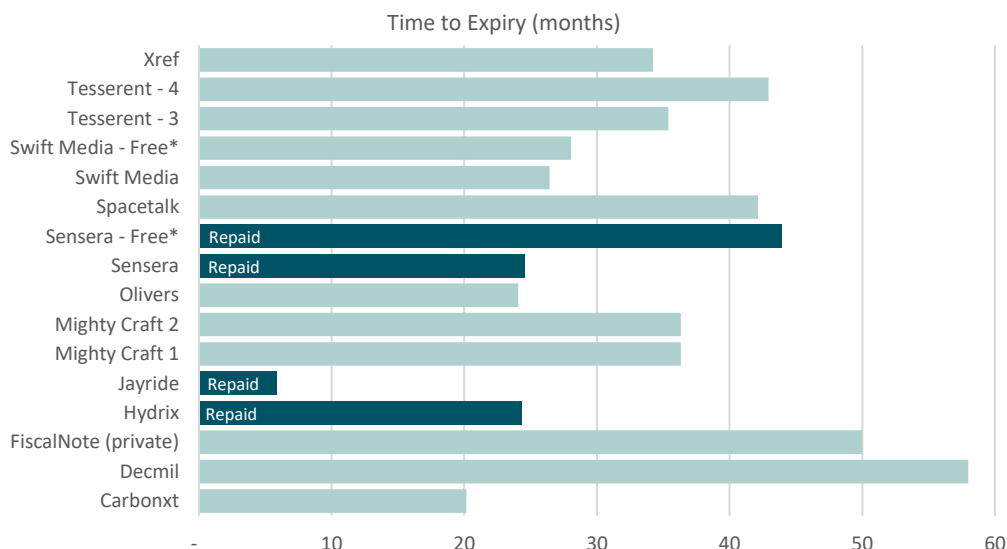
We continue to work on new transactions and are pleased to report that our capital raising has had a good start, with \$9.0m in new subscriptions during the month. We would like to take this opportunity to welcome these new investors to the Fund.

Despite no new positions initiated during the month we have, in fact, been busy as we continue to work on the pipeline. One of the attractions of the Fund's model is that, assuming no loan write-downs (none to date; none currently anticipated), all the investments we make are intrinsically profitable, each generating, on average, at least a +30% return (interest and fees over three years). On the equity side (the warrants), our job is to watch and wait for the opportunities to realise profits. We are reminded of the quote attributed to Charlie Munger:

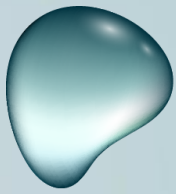
*"Assiduity is the ability to sit on your ass and do nothing until a great opportunity presents itself."*

Thankfully, unlike an equity manager, we do not need to make buy/hold/sell decisions on a daily basis. Time is a powerful advantage when investing, and provided a thesis remains intact we will give it the tenure required to mature. We know the intrinsic value of ~80% of the Fund at any point in time, being credit and cash. Many of the warrants are still *young* and out of the money, so in terms of managing the investments, we only have a handful of decisions to make on the portfolio at any time.

Below is the life remaining on our current warrant portfolio. As you can see below, there remains plenty of time for the Fund to realise profits from these investments.



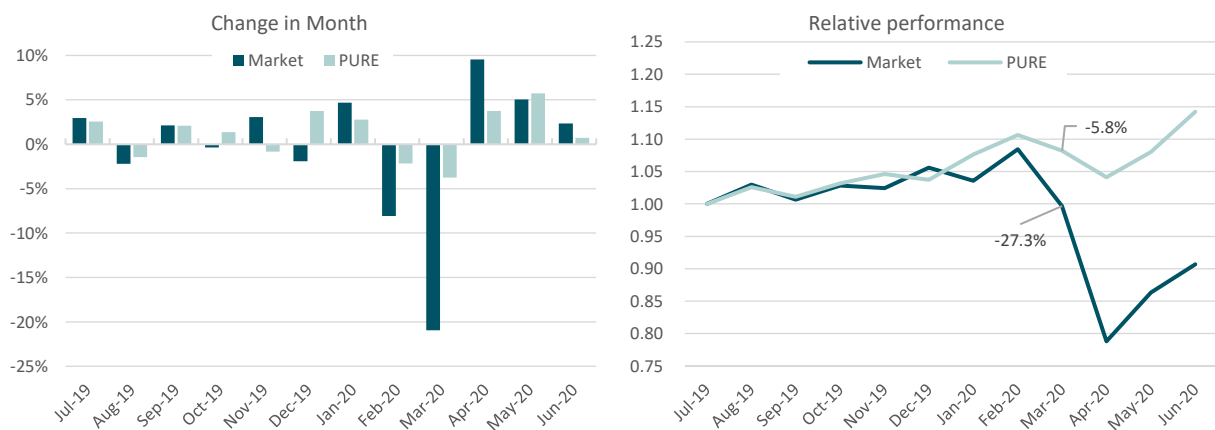
Whilst month-to-month movements in warrant value can be disappointing for the interim impact it can have on the unit price, we remind investors that volatility is far more geared to the *upside*. We note that in every



case the catalysts that first attracted us to equity exposure in these names, whilst in many instances delayed by COVID, remain very much intact.

With the stock market now looking nervous we wanted to take this opportunity to reiterate that a weaker market is good for the Fund.

Naturally the value of our equity and warrants can come under pressure in the short term, but with 80% of the Fund value in cash and credit, the impact is significantly diminished, as was demonstrated during the market correction last February and March.



Moreover, although share prices can react to changes in sentiment, many of the companies in which we invest are enjoying structural growth through innovation. Although the valuation applied to earnings can fall, we would expect the revenue and profit of the businesses to continue to grow, potentially more than offsetting this impact.

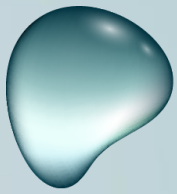
What a tougher market does present, however, is opportunity. As many of you know the aim of the Fund is to offer growth capital to growing companies when they are unhappy with their share price (cost of equity).

The market rally of the last 18 months has been a difficult backdrop for the Fund, both in terms of relative performance (keeping up with equity funds) and competitively, as many companies have opted to raise equity, rather than choosing our hybrid offer.

When markets are choppy, we have three value drivers:

- Portfolio companies may need to raise capital at lower share prices. This can trigger the pricing reset mechanism in our warrants. We have this clause to protect us from dilution, however, it can also be an effective measure to bring forward value, as the warrant strike price resets down, potentially moving the strike price from being at a substantial premium, to the prevailing share price.
- More companies are unhappy with their share price and the relative appeal of our offer increases.
- Negotiating terms with management teams becomes a whole lot easier.

Like most investors, we don't wish for a severe market downturn, but a market that is underperforming is our preferred operating condition. If this initial wobble is indicative of a tougher year ahead for markets, we would enter this harsher environment with a healthy cash balance (we expect to reach over \$20-\$25m cash in the coming weeks), all the loans most impacted by COVID repaid, and plenty of optimism that we will find deals that will prove to be very lucrative in the years ahead.



**PURE**  
ASSET MANAGEMENT

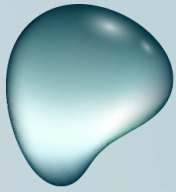
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<https://www.linkedin.com/company/pure-asset-management>

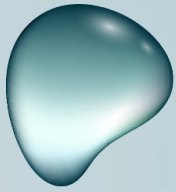
We thank you for your support.

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
Jul-21	1.4211	3.40%	1.7658
Aug-21	1.3760	-3.17%	1.7097



## 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
Jul-21	1.3068	3.39%	1.4663
Aug-21	1.2653	-3.18%	1.4197

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