PURE Income and Growth Fund

Foundation Class Portfolio Returns (After Fees)

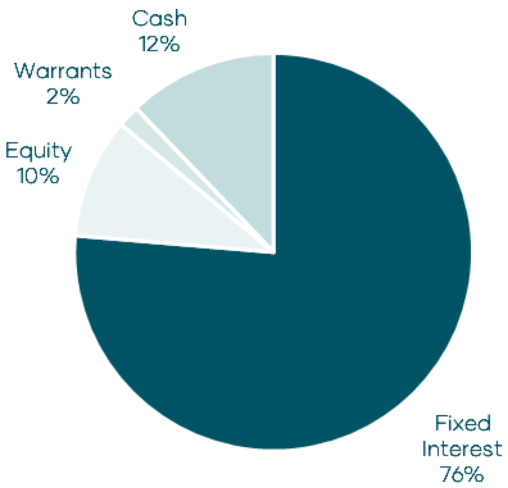
	1 month %	3 Months %	6 Months %	1 Year %	3 Years % p.a.	Since inception* % p.a.
PURE Income and Growth Fund	+0.2%	-5.4%	-7.7%	-8.1%	+11.3%	+12.0%
Standard Deviation (Annualised %)				6.7%	14.4%	12.6%
Sortino Ratio						1.9
Sharpe Ratio						0.7

** Fund inception 21 December 2018*

Fund Overview

Fund Size	$138.7m
Foundation Class Unit Price	$1.1719
Number of Investments	30
Average Loan Size	$5.7m
Weighted Average Portfolio Interest Rate	9.7%
Total Arrangement Fees Paid to Investors	$3.8m
Trailing Fund Yield (12m)	7.2%

Portfolio Asset Allocation



PURE online application form

POWERED BY OLIVIA123

Monthly Commentary

The past six months have been the most challenging since our launch in 2018. Some of these challenges have been within our control, most have not. There are several important conclusions to take away from the last year and we have spent the Christmas break reflecting on how we can do things better. We began implementing some of these initiatives in January.

These enhancements include: deal construction; valuation approach; cash management; and, an updated website to assist investors and advisors.

Deal Construction

We continue to look for ways to drive long term returns that, like our approach with warrants, is an innovative solution for companies, but gives our investors access to superior risk-adjusted returns.

Royalty funding or revenue-based financing is currently common in two areas, being resources and venture capital. We believe there is a substantial opportunity to bring this tool to ASX listed industrial companies. This approach has already proven highly successful with Mighty Craft, where the Fund has negotiated a royalty on sales of its highly successful Better Beer product.

We are not looking at royalties to replace warrants when we originate new transactions, but rather for them to be additive through negotiations, when opportunities present themselves.

We are currently in negotiations on several transactions within the existing portfolio.

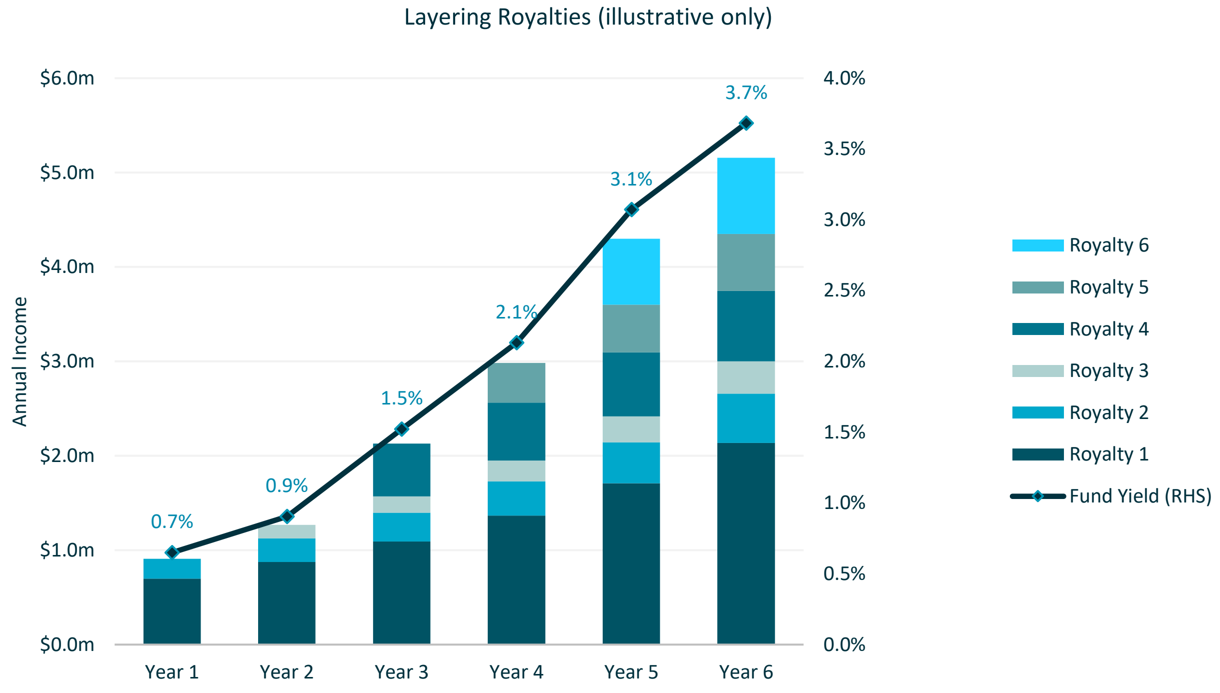
The advantages of royalties are manifold, and explored below, but perhaps the key attraction is that the royalties are designed to survive the repayment of any financing facility PURE may have in place. We are not aiming to pay for these royalties, but rather to negotiate this additional benefit.

Our aim is to layer these royalties on top of each other, such that each year the Fund's income is underpinned at a higher level than would be the case with just the interest and fees we currently receive. We would expect this initiative to add 0.75-1.25% performance and income in the year ahead, with scope for this to grow materially over time.

The benefits of royalty funding include:

- **Predictable returns:** Royalty financing typically involves a fixed percentage take of a company's revenue. This is in contrast to equity returns (including warrants), where returns depend on the company's future valuation, which is difficult to predict. We will continue to have the benefits of warrants, and will negotiate additional packages where appropriate, but this new tool in our armoury, will, over time, make the Fund returns: higher; more predictable; and less correlated to the underlying equity market.
- **Lower risk:** Royalty financing is considered lower risk than other forms of financing because investors receive a share of the company's revenue, rather than ownership in the company. This means that investors are not exposed to the same risks that come with equity, such as changes in market sentiment, low profitability or changes in management or strategy. For the Fund the risk is even lower, as we are receiving this income in lieu of an alternative benefit, but without deploying more capital.
- **Potential for higher returns:** While the returns from royalty financing may be predictable, they can also grow appreciably. Most of the companies we review have high revenue growth. As we lock in royalties today, the potential for this stream of income to grow over 5-10 years is significant and we expect it to be a material benefit to the Fund as we build out our royalty portfolio.
- Below we illustrate the potential that this annuity revenue could generate if we can successfully implement the approach with portfolio companies. This income would be additional to interest on the loan portfolio and other fees generated.

  (NB. The yield is based on current Funds under Management being unchanged throughout the period).



Valuation approach

As a hybrid fund, we have various tools to generate investment returns. Traditionally, warrants have provided this 'kicker'. While in some cases warrants have provided spectacular returns, if corporate execution falls short of expectations, or we experience an aggressive sell-off in small-cap equities, as we have seen in the last 14 months, the warrants may not make a contribution to the performance.

Even though we value the warrants conservatively, in our view their volatility still adds too much *noise* to the monthly unit price. We have implemented a new policy to *write-off* the initially calculated warrant value. This won't impede our ability to capture the upside profit in the same way as we currently do should the underlying share price perform, but it does mean the unit price will not be subjected to downward pressure if the shares underperform in the initial period of ownership. With hindsight, we should have implemented this policy from the outset.

This won't entirely remove volatility as we still need to mark-to-market our warrant value if it trades above the value initially discounted, but we expect it to assist somewhat in creating consistency.

Cash Management

One of our challenges over the last four years has been managing cash. We have both unpredictable inflows and unpredictable deployments. Over the life of the Fund, we have averaged over 20% cash, which has undermined our returns.

We have looked at many different approaches to managing this better, some of which have been marginally successful. However, we have now implemented two policies that should largely mitigate the drag effect. Firstly, on capital deployments, we are being more definitive on charging prospective borrowers holding costs if they do not draw loans on the agreed dates; and, secondly we are deploying any excess cash into a portfolio of investment grade floating rate notes, managed by an expert bond manager. We would expect these two initiatives to add 1.0-1.5% to performance, in the year ahead.

Website Update

During the month we also finalised several enhancements to our website, which will be helpful to investors and advisors:

- Added a new Investor Login page with registry contact details and 'Frequently Asked Questions': https://puream.com.au/registry
- Added a new Fund Updates page which all our historical fund reports: https://puream.com.au/fund-updates
- Greater fund level detail, including fact sheets for the PURE Income & Growth Fund: https://puream.com.au/growth-fund and PURE Resources Fund: https://puream.com.au/resources-fund
- A new PURE Insights page where we aim to provide insightful articles. Stay tuned for further articles: https://puream.com.au/news-insights

We have one further initiative we are working on which we think will be additive to the strategy and the Fund performance. We will update investors in due course if we find a way to execute this enhancement.

Thank you

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

Monthly Returns – After Fees

The Income and Growth Fund – Foundation Class													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY19						2.4%	-1.8%	1.2%	0.3%	-1.0%	2.5%	1.7%	5.4%
FY20	2.6%	-1.4%	2.1%	1.4%	-0.8%	3.8%	2.8%	-2.2%	-3.8%	3.8%	5.7%	0.7%	15.0%
FY21	15.9%	8.8%	-1.0%	12.2%	0.7%	2.6%	-1.0%	-1.0%	-3.5%	2.1%	0.0%	0.8%	40.9%
FY22	3.4%	-3.2%	2.3%	1.2%	-2.2%	1.0%	-0.1%	-2.3%	1.6%	0.5%	-0.5%	-1.0%	0.5%
FY23	1.3%	-1.7%	-1.6%	0.9%	-5.7%	0.1%	0.2%						-6.5%

The Income and Growth Fund – Platform Class (APIR: PUA7226AU)													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY21	16.0%	8.9%	-0.9%	12.4%	0.7%	2.7%	-0.9%	-1.0%	-3.5%	2.1%	0.0%	0.8%	41.8%
FY22	3.4%	-3.2%	2.3%	1.2%	-2.2%	1.0%	-0.1%	-2.3%	1.6%	0.5%	-0.5%	-1.0%	0.5%
FY23	1.3%	-1.7%	-1.6%	0.9%	-5.7%	0.1%	0.3%						-6.5%

Unit Price Data Download

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

The Income and Growth Fund – unit price data to 31 January 2023