

PURE Income and Growth Fund

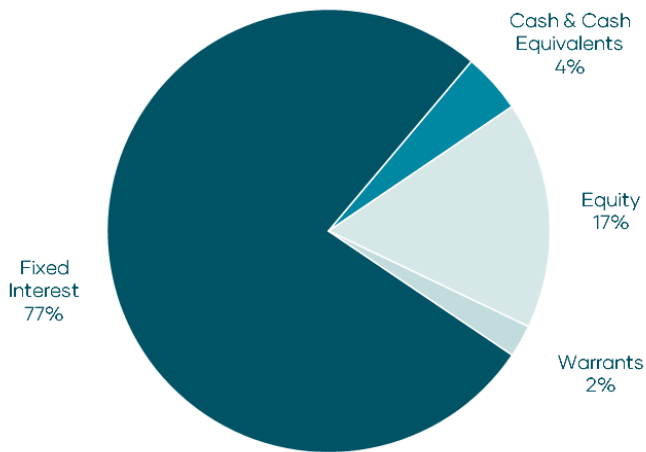


Foundation Class Portfolio Returns (After Fees)

| | 1 month % | 3 Months % | 6 Months % | 1 Year % | 3 Years % p.a. | Since inception* % p.a. |
|-----------------------------------|-----------|------------|------------|----------|----------------|-------------------------|
| PURE Income and Growth Fund | +2.8% | +3.6% | +5.4% | +7.9% | +0.9% | +10.8% |
| Standard Deviation (Annualised %) | | | | 2.5% | 5.6% | 11.1% |
| Sortino Ratio | | | | | | 1.3 |
| Sharpe Ratio | | | | | | 0.6 |

* Fund inception 21 December 2018

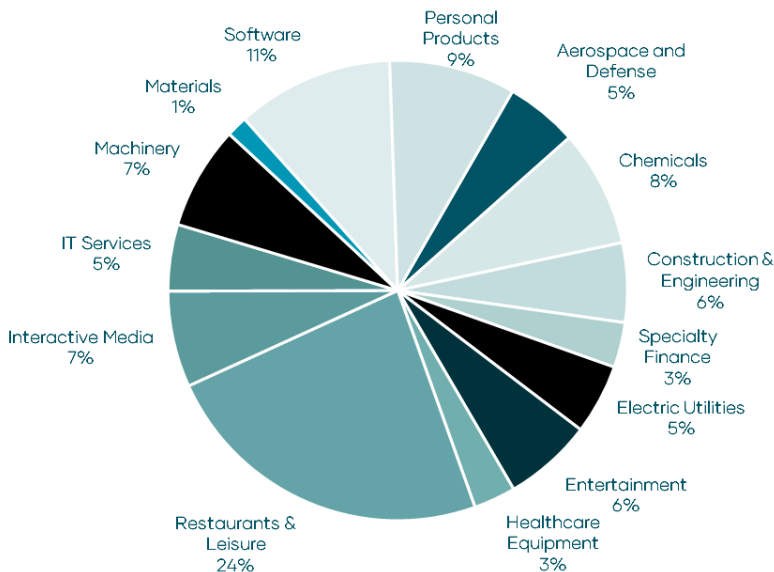
Portfolio Asset Allocation



Fund Overview

| | |
|------------------------------------|----------|
| Fund Size | \$112.2m |
| Foundation Class Unit Price | \$1.1798 |
| Number of Investments | 18 |
| Average Loan Size | \$5.3m |
| Weighted Average Interest Rate | 10.4% |
| Arrangement Fees Paid to Investors | \$4.0m |
| Trailing Fund Yield (12m) | 5.7% |

Fixed Interest Sector Allocation



PURE online application form



Monthly Commentary

April was an extremely difficult month for investment markets as inflation stormed back into focus. CPI readings both domestically and abroad came in higher than expected, with fears of 'stagflation' presenting a challenging narrative. The Australian 10y bond yield added over 50bps trough-to-peak, eclipsing 4.50% for the first time this year.

In response, equity markets were pummelled. The S&P500 Index fell 5%, with Australia doing marginally better as the All Ords Accumulation Index closed 2.7% lower.

Domestic small caps struggled again, with the S&P/ASX Small Industrials falling 5.0% for the month.

Pleasingly, the PURE Income and Growth Fund returned +2.8%, providing shelter in the face of a challenging backdrop. Credit positions performed as expected, while Macmahon's takeover of Decmil provided solid capital performance.

Small Caps – exposing the real story.

We have spent some time over the last year lamenting the turmoil of what we have called “real” smaller companies, or micro-caps. The ASX version of “small-caps” range from \$1bn – \$2bn in market capitalisation.

Our target range for initial investment is companies with a market cap of \$20-200m, which reflects both the fact that the kind of return we are trying to achieve (+20% IRR per investment) is not really feasible for larger companies, which have the support of both the ASX and cheaper debt providers, but to our mind, also reflects genuine smaller company investing.

We have, however, covered this topic a lot in previous newsletters, so if you have heard enough about it, please jump to the Company Update section below.

There is no index for our target market, so like most fund managers in our area, we compare our returns to the S&P/ASX Small Cap indices as a surrogate. Building on the work we undertook last month we have now built two proxy indices (Industrial and Resources) for companies in our target zone. It is very revealing.

Small Cap Index versus PURE Index <\$200m Market Cap

What our analysis shows is that since the start of the downturn in smaller companies in October 2021, our index has lost 51% in value, compared to a 12% fall in the S&P/ASX Small Ords Industrials (accumulation) and an 18% rise in the ASX 200 (accumulation).

It’s not perfect data but based on our analysis of the share prices of 342 companies, the chart below shows the weighted aggregate performance since we launched the Fund.

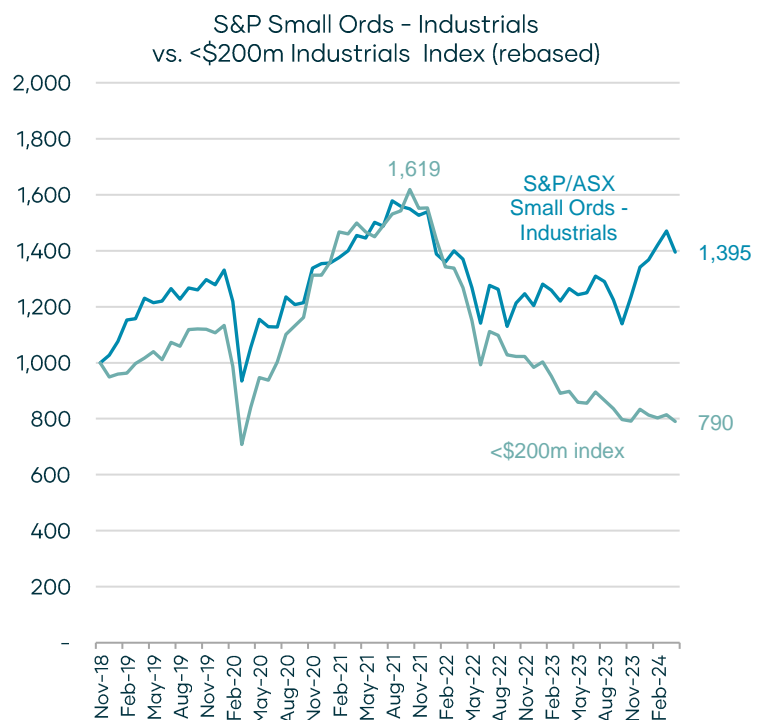
What does this tell us?

Until early 2022 the S&P/ASX Small Cap index and its smaller brethren were in lock-step. But since then, the Index has rallied but the smaller-end has remained under pressure.

We put this down to:

- More volatile earnings from these companies as they are at an earlier stage of development.
- The incredibly low liquidity in this part of the market in recent years.
- The changes in superannuation rules that saw industry superfunds benchmarked against just the top 300 companies on the ASX.
- The widespread revaluation of liquidity.
- Small-cap funds suffering redemptions making them forced sellers.

Some of these issues are structural, but in our view, most are cyclical.



We argued in our newsletters last year that there was growing evidence that we were witnessing the early signs of the cycle turning for small-caps.

We are now seeing it, with the S&P/ASX Small Industrials, having outperformed the large industrials by about 10%pts in the last six months (+22.5% vs +12.9%).

We see the same green shoots in our part of the market - the smaller end of Small Caps. While not yet in positive territory, they are correlated, and showing the same recovery trend.

What the chart also shows is the prodigious performance that is available at this end of the market when things do turn, with a 106% aggregate rise in the 12 months following the outbreak of Covid.

The Fund has negotiated some significant leverage through warrants over recent years, so we are well positioned if this broad-based rally does eventuate.

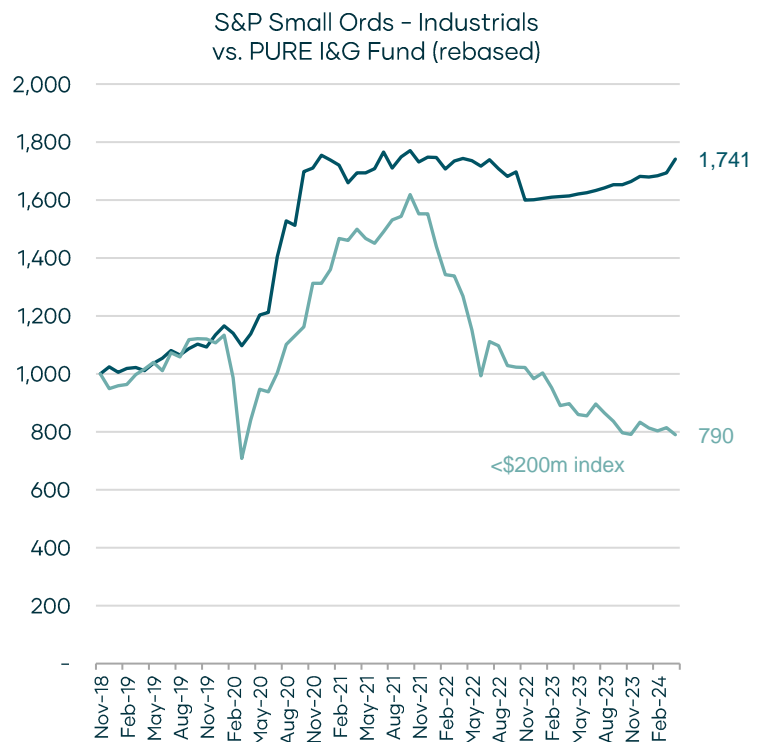
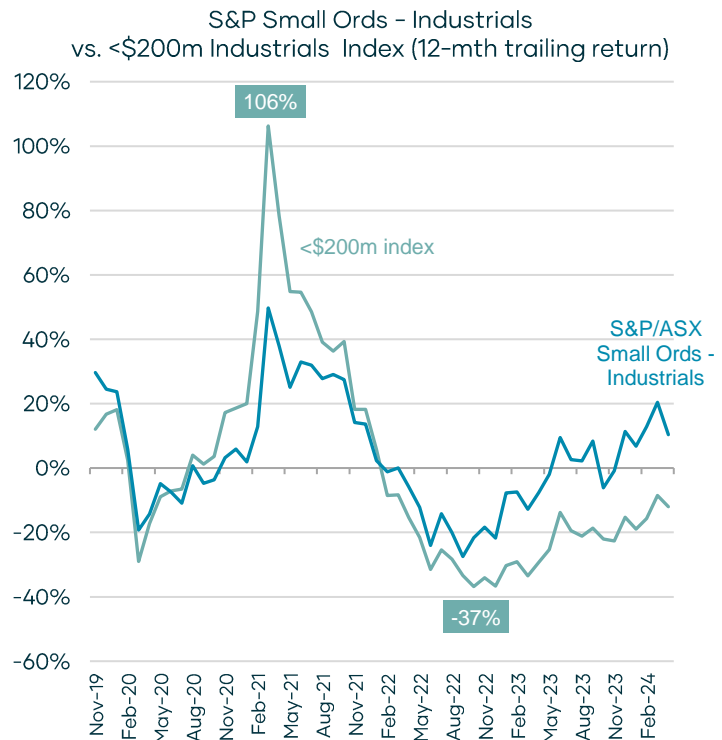
In our view, however, we don't require a broad-based rally to deliver double digit performance, but we do need a market where there isn't a broad-based sell-off - where good news from companies is received by buying, rather than selling, as we have witnessed over recent years.

PURE invests in growth; our companies have not been standing still, and so operational performance can lead to significant share price performance as long as the market is open for business.

We appreciate that, compared to our Funds aspirations, in recent years, our investors have suffered from poor performance.

Hopefully the fact that we have only had two down months (-0.01% and -0.12%) since November 2022, combined with a decent month in April (which lifts our annual returns to 7.9%) means you will continue to afford us forbearance.

Now we have the data to present you can see that things in our part of the world have been far more challenging than the headline indices would suggest.



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% | 0.3% | 0.2% | 0.1% | 0.4% | 0.3% | -5.3% |
| FY24 | 0.5% | 0.5% | 0.7% | 0.0% | 0.7% | 1.1% | -0.1% | 0.2% | 0.6% | 2.8% | | | 7.1% |

| 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% | 0.3% | 0.2% | 0.1% | 0.5% | 0.3% | -5.3% |
| FY24 | 0.5% | 0.5% | 0.7% | 0.0% | 0.7% | 1.1% | -0.1% | 0.2% | 0.6% | 2.8% | | | 7.1% |

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 30 April 2024](#)

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