

## FACTORS Operational Due Diligence Process

Australian Fund Monitors ("AFM") has conducted operational due diligence (AFM FACTORS) on PURE Asset Management ("the Manager") and the PURE Income & Growth Fund. The following areas were reviewed and our findings on each section are included in this report:

1. Management Company and Key Staff.
2. Investment Strategy and Process.
3. Risk Management
4. Operational Procedures.
5. Fees, Terms and Conditions.

AFM's due diligence on the Manager included extensive interviews with senior staff, directors and significant shareholders, document collection and verification where appropriate. The full results of AFM's findings are contained in the following AFM Factors Due Diligence Report. AFM FACTORS provides information and opinions without taking into consideration the financial position or objectives of individual investors and should be read after taking into account the disclaimer and terms and conditions on the [www.fundmonitors.com](http://www.fundmonitors.com) website.

## FACTORS Operational Due Diligence Score



Commended

FundMonitors.com has conducted qualitative and quantitative assessments of PURE Asset Management and the PURE Income & Growth Fund, and considers it to be a suitable investment for wholesale investors within a diversified portfolio seeking equity exposure to small and medium listed industrial companies. The Fund invests via a hybrid equity/credit strategy, combining a credit (loan) facility providing quarterly income, and an attaching equity component in the form of warrants and options, designed to provide upside in rising equity markets, and downside protection in falling markets.

Fund performance varies over time. This report should be read in conjunction with the analysis on pages 9-13, and is subject to the individual circumstances and objectives of the investor.

	Weighting	Poor	Below Average	Approved	Commended	Highly Commended
Management Company and Key Staff	25%				✓	
Investment Strategy and Process	25%				✓	
Risk Management	20%				✓	
Operational Procedures	20%				✓	
Fees, Terms and Conditions	10%			✓		
<b>Overall Ranking</b>					✓	

A ranking of Approved or above in each category indicates the minimum score required.

### Ranking Description

<b>Poor:</b>	The Manager and/or Fund have significant or structural issues.
<b>Below Average:</b>	The Manager and/or Fund have various issues which need to be resolved prior to achieving Approved.
<b>Approved:</b>	The Manager and Fund meet relevant or appropriate standards.
<b>Commended:</b>	The Manager and Fund meet or generally exceed relevant or appropriate standards.
<b>Highly Commended:</b>	The Manager and Fund consistently exceed relevant or appropriate standards.

### Executive Summary

PURE Asset Management was founded by Mike Henshaw, Nick Berry, and Tim Callan in 2018, and now has an overall team of six investment professionals with over 100 years' combined financial markets and funds management experience. PURE manage two funds, the PURE Income & Growth Fund and the PURE Resources Fund. Both share the same investment strategy across their respective sectors.

The Fund is a specialist hybrid equity fund with an absolute return focus, investing in Australian emerging industrial companies. Investments comprise a credit facility with an attaching equity allocation in the form of warrants or options. It targets a return of 15% p.a. from a mixture of capital growth via the equity and income of 7-9% from the loan. While most investments involve ASX listed companies, PURE can invest in pre-IPO opportunities.

### Management Company and Key Staff

Founded in 2018 by Mike Henshaw, Tim Callan, and Nick Berry, PURE Asset Management Pty Ltd targets pricing anomalies in Australia's emerging companies. The firm's strategy combines an interest-bearing debt facility with an equity component, aimed at providing smaller listed companies an alternative to traditional capital raising. Mike Henshaw, with 31 years in the financial industry, was previously Head of Industrial Research at Petra Capital and focuses on portfolio management. Tim Callan, another founder with 16 years of experience, previously held roles at Goldman Sachs and K2 Asset Management. Nick Berry, with 18 years in the sector, has significant experience from his time at ABN AMRO/RBS and Petra Capital.

Besides the founders, Jonathan Kriska serves as a Portfolio Manager. With 28 years of experience, he has worked in equities analysis, capital raising, and corporate advisory roles at firms such as Patersons Securities and Bell Potter. Jean-Luc Corelli, an Analyst with 8 years of experience, was previously involved in fund administration and client engagement at K2 Asset Management.

FundMonitors considers that PURE has a compact, yet proficient executive and investment team with considerable stakes in the Fund. The company's solid capitalisation and the extensive experience of the founders, who own a significant part of the company's equity, coupled with the expertise of the entire investment team, mitigates the risk associated with reliance on key individuals.

### Investment Strategy and Process

The PURE Income & Growth Fund offers convertible debt capital mainly to small cap ASX-listed entities, targeting a 15% annual after-fee return. This combines income from coupon payments and appreciation from warrants or option positions converting to equity. New investments are structured as senior secured loans yielding 8-13% annually, complemented by an equity-driven warrant or option, designed to add returns upon conversion. This is designed to provide consistent income, plus the opportunity of equity appreciation, maintaining capital, and having less downside compared to typical small-cap equity funds.

The investment process is extensive, beginning with in-depth due diligence, which includes desktop analysis, a company-specific questionnaire, and subsequent queries. Deal structures typically merge secured debt with convertible equity. Performance covenants, set in a tiered system, monitor and tackle underperformance swiftly. Legal documentation, crafted with Arnold Block Leibler, encompasses varied agreements. Investment actions are team decisions, demanding unanimous or majority consensus.

FundMonitors highlights the fund's hybrid equity strategy, targeting a 7-8% p.a. quarterly distribution with added upside in favourable markets from equity conversions. In downturns, this strategy safeguards the portfolio whilst delivering income. This hybrid model, although challenging from an asset allocation perspective, offers in-depth insights during company evaluations. The manager, as a credit provider, accesses deeper operational information, allowing enhanced transparency, and early interventions when needed. The fund's placement for benchmarking is between Fixed Income - Hybrid Credit and Equity Alternatives, balancing performance aspirations with active risk management.

### Risk Management

The PURE Income & Growth Fund restricts investments in sectors like mining, resources, and property. Each investment's limit is 10% of the Fund's NAV at inception. A primary concern is the potential for credit loss. During due diligence, factors such as cash flow, intellectual property value, and market capitalisation relative to loan size are rigorously assessed. Forward-planned loan covenants necessitate monthly or quarterly adherence by the borrower to set benchmarks. This provides an early warning mechanism against operational issues. Despite the risk of credit loss, the fund's design ensures NAV growth. Portfolio balance and the inclusion of derivative and equity positions further refine the risk management strategy, with specific caps on their NAV contribution. There is also a soft limit of 20% and hard limit of 30% on investment in unlisted companies.

FundMonitors recognises the advantage of the Fund's deep access to credit information, leading to a comprehensive understanding of financial metrics. The covenant provisions in the loan agreements facilitate ongoing oversight. While the Fund's deliberate avoidance of cyclical and unfamiliar sectors is strategic, the equity positions, though offering high upside, can impact NAV negatively during equity market downturns, especially in the small-cap sector.

### Operational Procedures

The PURE Income & Growth Fund operates with rigorous operational protocols. Monthly portfolio valuations are approved by PURE's Directors and managed by the Fund's external and independent Administrator, Apex. While risk decisions are overseen by the Investment Committee, a compliance committee with varied expertise, including a former ASIC in-house legal counsel, ensures regulations are met. The Compliance Manager supervises a detailed security dealing policy, encompassing insider trading and margin loan restrictions. PURE employs a range of IT tools, entrusting cybersecurity externally to Tesseract. The Fund is an Australian domiciled Unit Trust, open to Wholesale investors. Arnold Bloch Leibler handles loan documentation, and PURE is audited by HLB Mann Judd, PURE Asset Management holds AFSL 520396.

FundMonitors notes that the portfolio's operational overheads are reduced due to its low turnover and limited securities trading. The Administrator Apex, plays a significant role, and Arnold Bloch Leibler's involvement ensures robust loan documentation with costs managed efficiently. Establishment and other loan fees are paid to the Fund for the benefit of investors, not the Manager.

### Fees, Terms and Conditions

The PURE charges a 1.6% management fee on Net Asset Value (NAV), payable monthly, and a 20% performance fee is paid quarterly, subject to a hurdle (8% after fees) and a High Water Mark. A 0.35% buy/sell spread applies at entry and exit, with quarterly income distributions.

Investments and redemptions can be made monthly, with a minimum initial investment amount of AU\$250,000 and no minimum additional investment amount. There is no minimum withdrawal amount. Platform class investors are subject to an initial two-year lockup, with monthly redemptions thereafter.

FundMonitors notes that the Manager's higher fees reflect the underlying investment strategy and close management of loan covenants. The two-year lockup, while potentially off-putting for some, aligns with the liquidity of the underlying loans, favouring long-term investors. Over 300 HNW and wholesale investors underline a stable investor base, and robust investor communications are bolstered by regular video updates and webinars.

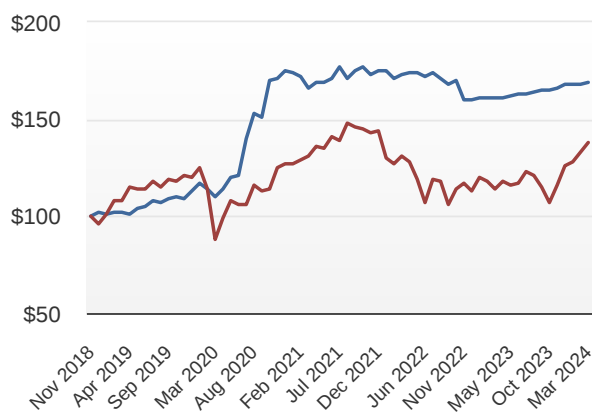
Period	Returns		Volatility	
	Fund	Index*	Fund	Index*
Mar 2024:	0.63%	3.50%	N/A	N/A
3 Months:	0.73%	9.58%	N/A	N/A
6 Months:	2.51%	20.02%	N/A	N/A
1 Year:	5.07%	20.45%	1.14%	16.13%
3 Years <sup>2</sup> :	0.70%	1.66%	5.55%	18.33%
5 Years <sup>2</sup> :	10.64%	4.90%	11.49%	20.86%
7 Years <sup>2</sup> :	N/A	N/A	N/A	N/A
Since Inception <sup>1,2</sup> :	10.39%	6.17%	11.21%	20.56%

\*S&P/ASX Small Industrials TR Index, <sup>1</sup>Since Dec 2018, <sup>2</sup>Annualised

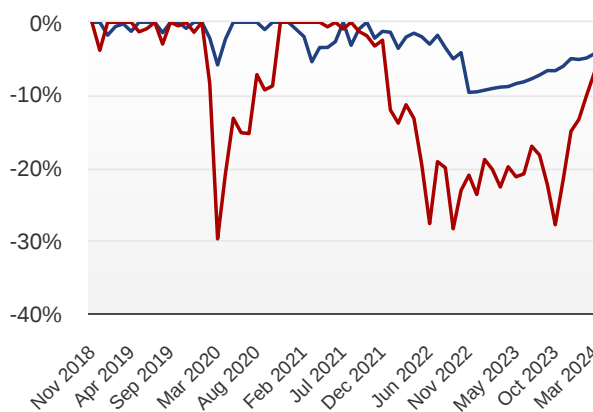
Key Terms			
APIR:	PUA7226AU	Status:	Open
Peer Group:	Equity Alternative - Australia	Inception Date:	Dec 2018
Strategy:	Equity Income	Style:	N/A
Geography:	Australia/NZ	Domicile:	Australia
Investors:	Wholesale	Min. Investment:	AU\$ 250,000
Distributions:	Quarterly	Applications:	Monthly
Fund Size:	AU\$ 113.2m	Management Fee:	1.60%
Manager FUM:	AU\$ 230.3m	Performance Fee:	20.00%

### Cumulative Returns

— Fund — Index



### Drawdowns



### Management Company & Key Staff

PURE Asset Management Pty Ltd ("PURE") was founded by Mike Henshaw, Tim Callan and Nick Berry, and commenced full operations in 2018. Collectively the founders own over 80% of the company, with the balance held between an early individual investor, or reserved for staff equity.

Outside the three founders there are three other members of the investment team, all with relevant financial industry and market experience. All members of the investment team are involved in every transaction originated by PURE. The directors envisage they will hire additional staff in support roles to compliment the investment team in the coming 6-12 months.

The core of PURE's approach stems from pricing anomalies within Australia's emerging company universe, and a widespread challenge for micro- and small-cap boards and executive teams who view their share price as undervalued by the market. As such, when a company is seeking to raise additional equity capital it can be both expensive and highly dilutive to existing shareholders (including directors), as it is normally at a discount to the prevailing share price, and depending on market conditions, can have an uncertain outcome.

PURE's solution is to offer smaller, mainly listed companies in the \$20 to \$200 million market cap range an alternative that is less dilutive than a traditional capital raising, and which consists of two parts: An interest bearing debt (loan) facility, combined with an attached out of the money warrant or option based equity component which provides additional capital to the company on being exercised to either repay the loan, or fund further growth, and which provides potential upside to the Fund's investors over the period of the loan.

This approach is designed to provide the fund two sources of return, namely income from the debt, and capital gain from the equity component, while at the same time reducing the potential for capital loss from traditional equity positions in small cap companies.

#### Key Staff

##### Mike Henshaw

Age: 52, Years in industry: 31, Years at Firm: 6  
*Founder, Director & Portfolio Manager*

Mike Henshaw started his career in London, and has extensive experience in financial markets across a range of buy and sell side roles. Since arriving in Australia, he spent three years as Head of Research at LINWAR (BNP Paribas), before becoming an Investment Manager at Thorney Investments. Prior to co-founding PURE Henshaw was Head of Industrial Research at Petra Capital, a boutique broker focussed on emerging growth companies. While there, Petra raised over A\$2b for emerging ASX companies including TPG Telecom, Dicker Data, Ingenia Communities, and G8 Education.

##### Tim Callan

Age: 40, Years in industry: 17, Years at Firm: 6  
*Founder, Director & Portfolio Manager*

Tim Callan previously worked at Goldman Sachs, before joining K2 Asset Management in a distribution role. In 2011 he became K2's primary equities dealer, including responsibilities for global trading, portfolio rebalancing, and Australian company research. In 2012, Callan moved to become one of five Portfolio Managers within the \$500m K2 Australian Absolute Return Fund, including contributing to K2's Global High Alpha Fund, and later becoming a key member of their Australian Small Cap Fund. In March 2018 he resigned to establish PURE Asset Management, and is a Portfolio Manager across both the Income & Growth and PURE Resources Fund.

##### Nick Berry

Age: 40, Years in industry: 18, Years at Firm: 6  
*Founder, Director & Portfolio Manager*

Nick Berry has significant financial markets experience across a range of industries and market sectors. After 5 years as an analyst at ABN AMRO/RBS, he was an early appointee to Nomura's re-entry into the Australian equity markets where he was an Executive Director. In 2014 he moved to Petra Capital, where he developed his interest investing in small cap companies. While at Petra he was exposed to their active ECM involvement, broadening his experience from that of an equities analyst to deal origination, structuring and capital raising.

##### Jonathan Kriska

Age: 51, Years in industry: 29, Years at Firm: 1  
*Portfolio Manager*

Jonathan Kriska's experience in financial markets covers both stockbroking and funds management, including equities analysis, portfolio management, capital raising, and corporate advisory. From 2006 to 2018 he worked as an Equities Analyst for stockbrokers Patersons Securities, Bell Potter, and Petra Capital. Prior to PURE, Kriska also spent four years at Charter Hall as a Portfolio Manager.

##### Jean-Luc Corelli

Age: 30, Years in industry: 8, Years at Firm: 3  
*Analyst*

Jean-Luc Corelli started his career with K2 Asset Management, focusing on client engagement and reporting. Following this, he moved into Fund Administration with K2, with a focus on portfolio valuation, trade execution and settlements, prior to an administrative role as an Adviser Assistant with Ord Minnett.

#### FundMonitors.com Comment

PURE has a small but well balanced and experienced executive and investment team who are also significant investors in the Fund. The Management company is well capitalised, and at current levels of FUM (>\$200m) comfortably pro table.

The three founders have significant experience, and hold over 80% of the equity in the management company. Their equity involvement, plus the experience of the remainder of the investment team, limits key man risk.

## Investment Strategy & Process

### Investment Strategy:

The PURE Income & Growth Fund provides convertible debt capital to ASX-listed microcaps, smallcaps and pre-IPO industrial companies, excluding those in the mining, resources and property sectors. The Fund targets an after-fee return of 15% per annum through the investment cycle, split between quarterly income from coupon payments on the debt, and capital appreciation from warrant and/or option positions when converted to equity over time. The portfolio has a soft limit of 20% and hard limit of 30% on investment in unlisted companies.

The Fund is designed to deliver equity like returns, as well as quarterly income distributions. Each new investment is initially structured as a senior secured loan yielding 8-13% per annum, added to which is an "out of the money" warrant or option component designed to provide additional equity driven returns as and when it is converted or exercised.

The structure is designed to produce a quarterly income stream from the loan, with the potential for equity upside from the warrant or option component, but with a higher level of capital preservation, and lower drawdowns compared to a traditional small cap equity fund.

### Investment Process:

The Investment Team only invest in industries and companies they understand, and a fundamental and consistent research and investment process is applied to each position as follows:

#### 1. Initial In-Depth Due Diligence

Step 1: Desktop analysis of publicly available information.

Step 2: A generic 60-point question and data/document questionnaire (DDQ) is provided to the company, designed to verify and expand on the findings within Step 1. The DDQ includes forecast models, board papers, key supplier and sales agreements, plus other key communications and documents.

Step 3: Additional follow-up questions arising out of Steps 1 and 2. This varies for each company based on their industry sector and individual circumstances.

#### 2. Deal Structuring

Every transaction differs and is adjusted to suit the circumstances, but normally consists of a hybrid structure, partly secured debt, and partly a convertible equity component in the form of out of the money warrants or options over equity, and exercisable at a premium to the value of the loan. In due course, and assuming the equity component has appreciated, the exercise value is used by the company to repay the loan, and the Fund benefits from the capital appreciation.

#### 3. Performance Covenants

PURE operates a waterfall covenant structure linked to the company's monthly forecasts, specifically to catch under-performance before it becomes an issue. The covenant "waterfall" has three "event" levels - Reporting, Review and Default - each of which governs the process used to monitor each company's performance. Solutions may be discussed at any point throughout this process, and may include covenant waivers and forbearance agreements in return for improved investment return metrics for the Fund.

#### 4. Legal Documentation

Developed in conjunction with the Fund's lawyers, Arnold Block Leibler, PURE's legal documentation includes the following components:

- Facility Agreement
- Warrant Deed
- General Security Deed
- Convertible Note Deed
- Security Trust Deed (syndicated transactions)
- Investment Decisions and Trading

Once the investment process is complete, investment actions are kept simple. For an investment to be initiated or increased it must receive unanimous approval by the three-member Investment Team. For an investment to be decreased, or removed from the portfolio, it must receive support from at least two members of the investment team.

#### FundMonitors.com Comment

As a hybrid equity strategy where each position involves both a debt and an equity component, the fund targets a quarterly distribution of 7-8% p.a., paid from interest payments on the debt, with potential upside, particularly in rising markets, from the conversion of the options or warrants attached to the equity.

In negative markets the strategy provides downside protection compared to a pure equity portfolio, but with quarterly income distributions.

The hybrid equity/credit strategy can create difficulties from a traditional asset allocation perspective; while the equity component (implemented via convertible out of the money warrants and options) generally sits at only 20% - 30% of the Fund's NAV, it is responsible for much of the performance, particularly in rising markets. Meanwhile, the credit component of ~70 - 80% provides the quarterly income stream, with downside protection, in addition to being pivotal to the investment process and risk management.

The Fund does not fit neatly into a recognised FundMonitors Peer Group, sitting somewhere between Fixed Income - Hybrid Credit, and Equity Alternatives. Given the Fund's performance history, this FACTORS Report has included it in the Equity Alternatives group and uses the S&P/ASX Small Industrials Total Return Index as the benchmark. The final position will depend on the preferences and circumstances of the individual investor.

There is a significant benefit when completing company research and due diligence and investing via debt as opposed to straight equity; as a provider of credit, the manager gains access to significantly more detailed operational and financial information, both prior to and after investing, rather than having to rely on publicly available information as an equity investor.

During the term of the loan the covenants in the loan documentation provide ongoing transparency and information to the Manager. This not only provides potential early warning of any issues, but combined with the covenants allows the Manager to take appropriate action early, if required.

## Risk Management

There are no limits on sector exposures, except the exclusion of mining, resources and property. No investment can exceed 10% of NAV on inception, and the fund is unlikely to hold more than one exposure to any given sector. The fund has a flexible allocation to cash (up to 100%) if deemed prudent, but this acts as a drag on performance.

The primary risk at position and portfolio level is that of a *credit loss* as distinct to a *credit default* event, which can occur with no credit loss (e.g. if capital is recovered via a process of administration, receivership or curing of the default). Initially an investment will not be considered where the potential for credit loss is considered a possibility. Each investment is approached with this mindset, with a focus during due diligence on existing cash, net tangible assets, IP value, founder/major shareholder support, and market capitalisation relative to loan size among the main considerations.

For each investment the covenant structures are based on forward-looking monthly models agreed to prior to provision of the loan. The company must meet monthly or quarterly testing criteria against this model, confirmed in writing. The covenant structure provides a waterfall of escalations from notification through to default, which serves as an 'early warning system', giving insight into operational underperformance before the broader market is informed. In a worst case scenario it enables the Manager to force an equity capital raise to recover the debt. If and when a default occurs, a negotiation is entered into with the company to agree a restructure proposal that the Manager can support. In practice this includes the business cutting operating expenditure, and/or raising additional equity capital.

Portfolio weighting is the second key risk considered. Although the risk of a full credit loss diminishes over time, the portfolio is structured such that the fund's NAV will grow despite a full credit loss from a loan. For example: A loan portfolio with 20 roughly equal weight positions suffering a single full credit loss is a 5% impact to the portfolio's NAV. However, as the average portfolio interest rate is maintained at 10%, investors should still enjoy a positive return for the year from the interest income. This would exclude any arrangement fees paid into the fund from deal origination, and also excludes any performance from the free carries into equity the Manager negotiates for each position. At 40 roughly equal weight loans in the portfolio, a single full credit loss would be a 2.5% drawdown on the unit price, before remaining portfolio interest income, origination fees and warrant performance.

The third primary area of risk is the contribution from derivative and equity positions, and the scope this has to both contribute and detract from the performance of the mainly credit-based NAV. There is a soft/hard cap of 20%/30% for equity and warrants as a proportion of total NAV, limiting the extent to which the equity component of the portfolio can detract from the fund's performance.

Once loans are repaid and/or warrants are converted, the Fund avoids holding individual equity positions. The Manager either arranges back-to-back conversion and sale with institutional investors wanting to establish a position in the company, or they are exercised and sold on market.

The fund does not engage in shorting or hedging. The equity/derivatives (warrants/vanilla long options only) component of the portfolio is not greater than 30% of overall NAV. There is a soft limit of 20% and hard limit of 30% on investment in unlisted companies.

### FundMonitors.com Comment

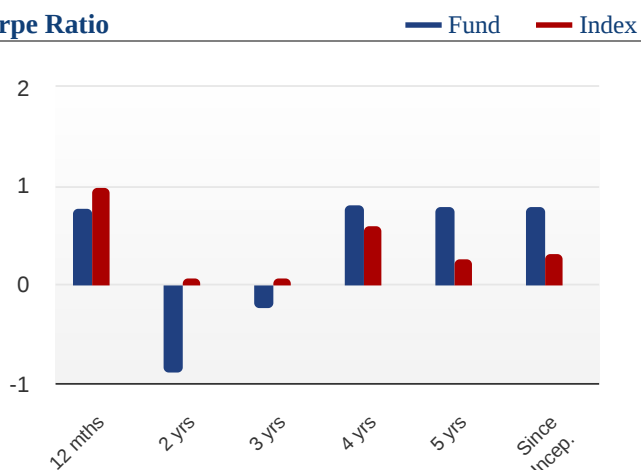
🚩 The credit level access to information during due diligence helps to reduce risks as the investment team gain greater insight into financials such as cash flow & balance sheet data than that which equity investors typically have access to.

🚩 The covenant waterfall provisions written into the loan agreement add to the Manager's ongoing visibility, enabling corrective action to be taken if required.

🚩 The Fund does not invest in cyclical areas such as resources or property, or into sectors where PURE has limited knowledge such as bio-techs in trial stage, or pilot plants in developing companies.

🚩 Compared to a typical credit fund there is significant potential upside from the equity positions, however these may act as a drag on the Fund's NAV in times of equity market weakness, particularly in the small cap sector.

### Sharpe Ratio



### Key Statistics<sup>1</sup>

	Fund	Index*
Sharpe:	0.80	0.33
Sortino:	1.88	0.31
Best Month:	15.89%	12.78%
Worst Month:	-5.71%	-23.32%
Average Monthly Return:	0.88%	0.68%
Up-Capture Ratio:	11%	N/A
Down-Capture Ratio:	-26%	N/A
Maximum Drawdown:	-9.65%	-29.79%

\*S&P/ASX Small Industrials TR Index, <sup>1</sup>Since Dec 2018



## Operational Procedures

### Portfolio Valuations:

Valuations are formally approved by PURE's Directors on a monthly basis. This is conducted inline with the Manager's Valuation Framework. The formal valuation and fund accounting functions are conducted by Mainstream Fund Services (now Apex), the Fund's outsourced fund administration provider.

In addition to monthly valuations, the Manager is provided with daily fund statements of the Fund's investments and cash position. This is cross-checked daily against trades or transactions made the previous day.

### Risk Committee:

There is no specific risk committee, with all portfolio risk decisions made by the Investment Committee which formally meets weekly, and ad hoc as required.

Portfolio investments need to meet the broader portfolio concentration risk metrics, namely at inception being no more than 10% of the portfolio's NAV, with further consideration given to the capital recovery of each investment from a credit perspective. As such the investment team must be satisfied that multiple capital recovery options exist in the instance of underperformance.

### Compliance Committee:

The compliance committee consists of Tim Callan (Compliance Officer), Jean-Luc Corelli (Analyst) and Marcus O'Connor (External Legal Counsel) of Little Cove Consulting. The committee meet 2-4 times per year or on an ad hoc basis as required.

Marcus O'Connor is an experienced financial services consultant specialising in legal, structuring, and compliance matters. Prior to establishing Little Cove Consulting, O'Connor was an in-house legal counsel at ASIC. As such, he has a detailed understanding of the compliance requirements within both Funds Management and the broader financial services sector.

### Security Dealing Policy:

Tim Callan, as the Compliance Manager, is responsible for ensuring the Manager's Securities Dealing Policy is adhered to, under which he is notified of all employee and director trades, which are recorded accordingly.

The Securities Dealing Policy details restrictions on the following:

- Insider trading;
- Trading in securities in a company or trust with which the fund is transacting, or in which PURE otherwise has an interest;
- Short-term trading of securities (i.e. acquiring securities and disposing of them within four weeks or less from the date of acquisition);
- Margin loans;
- Hedging of securities.

### IT and Systems:

Investment and operational systems utilised by PURE include Xero, MS Office, Nord VPN, SentinelOne and S&P Capital IQ.

Given the nature of the investment strategy, which is less reliant on day-to-day market movements and trading, many standard investment systems utilised by fund managers are not relevant to PURE's investment process and deal origination. Performance attribution and trading compliance are handled by the Manager's outsourced administration provider, Mainstream (now APEX).

IT systems and security are outsourced to listed cyber security provider Tesseract. All devices linked to the Manager's SharePoint and email servers (which include all laptops, iPads and phones) are monitored by Tesseract for suspicious activity. All devices are also subject to internal security policies which are also monitored by Tesseract.

Ongoing internal systems maintenance and administration are overseen by Nick Berry and Jean-Luc Corelli.

### AFSL Licence:


PURE is the holder of AFSL 520396 issued on 6th July, 2020 under which they are licensed to provide general financial advice to wholesale investors. Tim Callan and Nick Berry are nominated on the licence as key persons.


### Loan and Deal Documentation:


PURE utilise Arnold Bloch Leibler for all loan documentation, the cost of which is paid for by the borrower. In addition, all establishment fees paid by the borrower (1-3%) are paid to the fund for the benefit of investors.

Service Providers	
<b>Trustee/RE:</b>	PURE Asset Management
<b>Custodian:</b>	Mainstream Group (now Apex)
<b>Administrator:</b>	Mainstream Group (now Apex)
<b>Auditor:</b>	HLB Mann Judd
<b>Legal Services Provider:</b>	King Irving and Arnold Bloch Leibler
<b>Prime Broker:</b>	N/A

### FundMonitors.com Comment

 The portfolio has a low turnover, both in new positions and the number of loans being added, and limited trading of securities, thereby reducing the operational overheads of the strategy. Position monitoring is more focussed on the covenants covering each loan.

 External third parties are well established with Mainstream (recently acquired by Apex) acting as custodian, as well as being responsible for monthly pricing and unit registry.

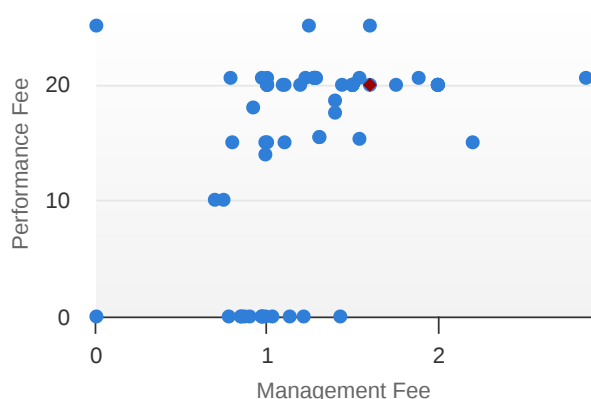
 Loan documentation is prepared by a well established external legal firm, Arnold Bloch Leibler, the costs of which are paid by the borrower. Establishment and other fees are paid to the Fund.

## Fees, Terms & Conditions

### Terms & Fees

Management fees are 1.6% of Net Asset Value (NAV), payable monthly. There is a performance fee of 20% subject to a hurdle (8% after fees) and a High Water Mark, payable quarterly.

There is a buy/sell spread of 0.35% on entry and exit to cover transaction costs. Realised income is distributed quarterly.



Investments and redemptions can be made monthly, with a minimum initial investment amount of AU\$250,000 and no minimum additional investment amount. There is no minimum withdrawal amount.

Platform class investors are subject to an initial two-year lockup, with monthly redemptions thereafter. Foundation class units are not subject to a lock-up.

### Investor Relations

The fund issues a monthly performance report to investors which includes the following key information:

- Recent performance
- Long-term performance
- Net returns
- Performance statistics (e.g. Sharpe Ratio, Standard Deviation, etc.)
- Strategy changes
- Market outlook

### Structure & Compliance

The fund is a Unit Trust domiciled in Australia and is open to Wholesale investors. PURE Asset Management holds AFSL 520396.

### Distribution & Marketing

The Manager has achieved a reasonably wide spread of over 300 investors in less than 4 years since inception. The fund is available to wholesale investors only, and as such the Manager focussed their initial distribution and marketing efforts on HNW individuals and family offices. More recently (over the last 12-24 months) they have established multiple new relationships, including with platform providers such as Macquarie Wrap, Netwealth, & HUB24 to increase availability of the fund to Private Wealth Managers and their underlying wholesale clients.

To further support distribution and communication to existing and potential clients, the Manager has also established a monthly video update for the Fund which provides a breakdown of the ongoing investment thesis, and provides a more in depth explanation of various characteristics of the investment strategy.

#### Available on Investment Platforms

OLIVIA123, HUB24, Macquarie Wrap, Netwealth, Mason Stevens

#### FundMonitors.com Comment

All costs associated with the loan/transaction are paid by the investee company (such as establishment and legal fees) and are paid into the Fund, thereby adding to performance and investors' returns.

The Manager's fees are at the upper end of the scale for funds in their sector, but reflect the nature of the investment strategy, and active management of the loan covenants. Offsetting this is that the performance fee is only paid on performance above 5% and is subject to a hurdle of a return of 8% pa return to investors, with a high-water mark.

Platform class investors are subject to an initial two year lock up period, and as such this may not suit those investors requiring monthly liquidity during the initial period of their investment.

However, the initial two year lock up acts as a deterrent to short term investment, thereby protecting longer term investors by aligning their investment with the likely liquidity and term of the underlying loans.

The reasonably wide spread of over 300 HNW and wholesale investors provides a stable client base.

Investor communications are well developed and include regular video updates and webinars.



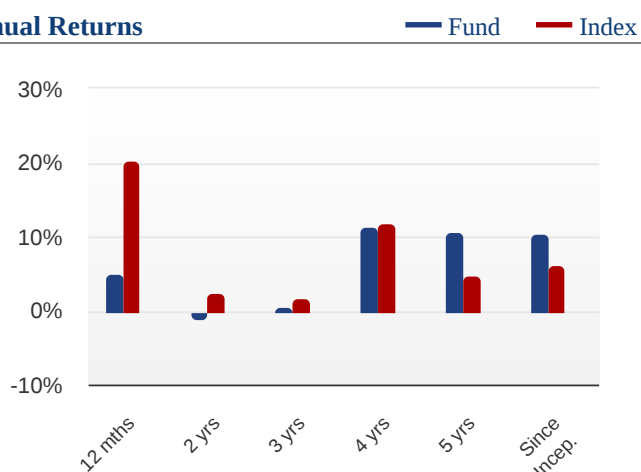
### Performance Summary as at Mar 2024

The PURE Income & Growth Fund has a track record of 5 years and 4 months and has outperformed the S&P/ASX Small Industrials TR benchmark since inception in December 2018, providing investors with an annualised return of 10.39% compared with the benchmark's return of 6.17% over the same period.

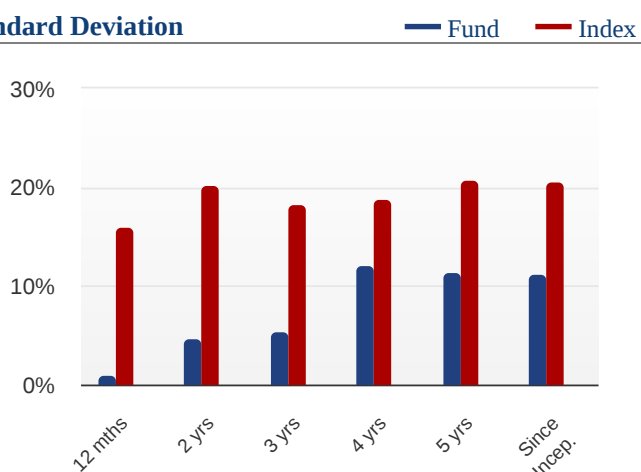
On a calendar year basis, the fund has experienced a negative annual return on 2 occasions in the 5 years and 4 months since its inception. Over the past 12 months, the fund's largest drawdown was -0.12% vs the index's -13.02%, and since inception in December 2018 the fund's largest drawdown was -9.65% vs the index's maximum drawdown over the same period of -29.79%. The fund's maximum drawdown began in November 2021 and lasted 2 years and 4 months, reaching its lowest point during November 2022. The fund had completely recovered its losses by March 2024. During this period, the index's maximum drawdown was -28.4%.

The Manager has delivered these returns with 9.35% less volatility than the benchmark, contributing to a Sharpe ratio which has fallen below 1 five times over the past five years and which currently sits at 0.8 since inception. The fund has provided positive monthly returns 74% of the time in rising markets and 59% of the time during periods of market decline, contributing to an up-capture ratio since inception of 11% and a down-capture ratio of -26%.

#### Annual Returns



#### Standard Deviation

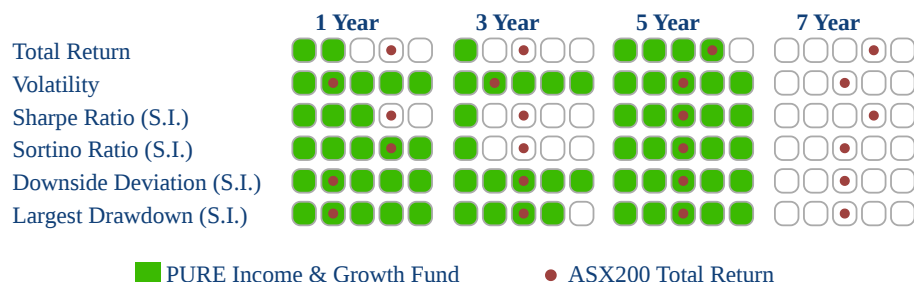


### Quintile Ranking vs. Equity Alternative - Australia as at April 2024

The performance of the PURE Income & Growth Fund ranked it in the first or second quintile for all KPIs over 5 years, while over 3 years the fund ranked in the first quintile for Volatility and Downside Deviation and second quintile for Largest Drawdown. Over 1 year, it ranked in the first quintile for all KPIs except Total Return and Sharpe.

Over the past 12 months, the fund has risen by +5.07% compared with the peer group which has returned an average of +8.37%, for a difference of -3.3%.

The fund's returns over the past 12 months have been achieved with a volatility of 1.14% vs the peer group's average volatility of 7.2%. The annualised volatility of the fund's returns since inception in December 2018 is 11.21% vs the peer group's 8.98%. Over all other periods, the fund's volatility relative to the peer group has been varied.



Quintile Rankings display Key Performance Indicators (KPI's) against the fund's Peer Group. Each green square ranks the fund in one quintile (or 20%) of its peer group - five green squares indicate the fund is in the best quintile for each KPI. The performance of the peer group's underlying index is shown by a red dot.

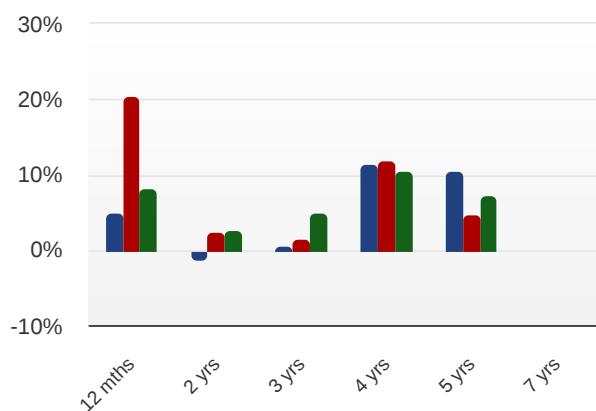
## Performance Review (Peer Group: Equity Alternative - Australia)

The PURE Income & Growth Fund rose by +0.63% in March, a difference of -2.87% compared with the S&P/ASX Small Industrials TR benchmark which rose by +3.5%. Over the past 12 months, the fund's best monthly return was +1.12% compared with the benchmark's best return of +8.55%, and its worst monthly return was -0.12% vs the benchmark's worst return over the same period of -7.04%.

Year	Jan %	Feb %	Mar %	Apr %	May %	Jun %	Jul %	Aug %	Sep %	Oct %	Nov %	Dec %	YTD %
2024	-0.12	0.22	0.63	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.73
2023	0.25	0.26	0.20	0.09	0.45	0.27	0.45	0.55	0.66	-0.01	0.65	1.12	5.05
2022	-0.12	-2.26	1.62	0.53	-0.49	-1.04	1.26	-1.73	-1.60	0.91	-5.71	0.09	-8.42
2021	-0.97	-1.02	-3.53	2.08	0.00	0.83	3.40	-3.17	2.31	1.22	-2.19	0.96	-0.36
2020	2.76	-2.18	-3.77	3.76	5.72	0.71	15.89	8.79	-1.01	12.24	0.73	2.61	54.70
2019	-1.78	1.22	0.34	-1.02	2.47	1.68	2.57	-1.44	2.08	1.38	-0.84	3.76	10.76
2018	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.40	2.40

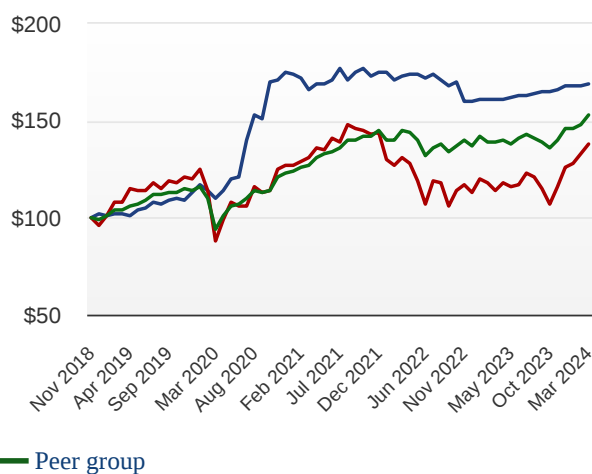
## Annual Returns

Over the past 12 months, the fund has risen by +5.07% compared with the benchmark which has returned +20.45%, for a difference of -15.38%. Since inception in December 2018, the fund has returned +10.39% per annum, a difference of +4.22% relative to the benchmark which has returned +6.17% on an annualised basis over the same period.



## Cumulative Returns

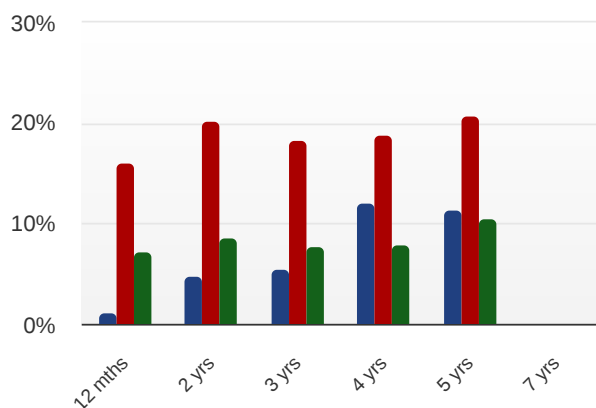
On a cumulative basis (assuming reinvestment of distributions), \$100 invested since inception would have become \$169. The same amount invested in the benchmark over the same period would have become \$137.



## Volatility and Risk

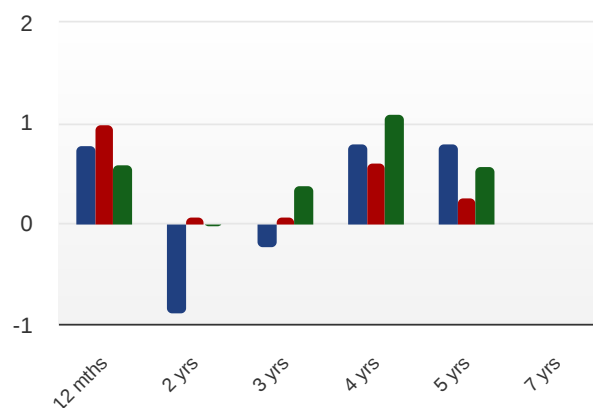
### Annual Standard Deviation

The fund's returns over the past 12 months have been achieved with a volatility of 1.14% vs the index's 16.13%. The annualised volatility of the fund's returns since inception in December 2018 is 11.21% vs the index's 20.56%. Over all other periods, the fund's returns have been consistently less volatile than the benchmark.



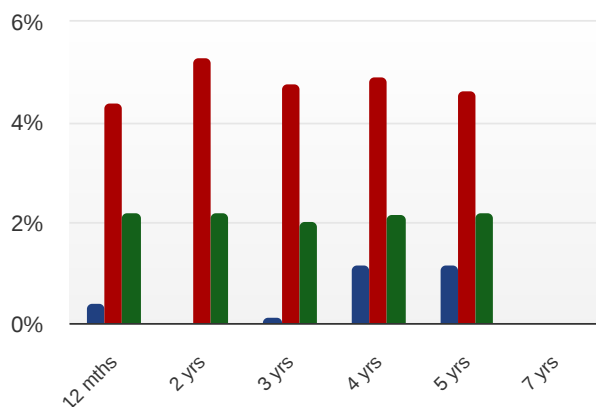
### Sharpe Ratio

The fund's Sharpe ratio has ranged from a high of 0.81 for performance over the most recent 48 months to a low of -0.88 over the latest 24 months, and is 0.8 for performance since inception. By contrast, the S&P/ASX Small Industrials TR Index's Sharpe for performance since December 2018 is 0.33.



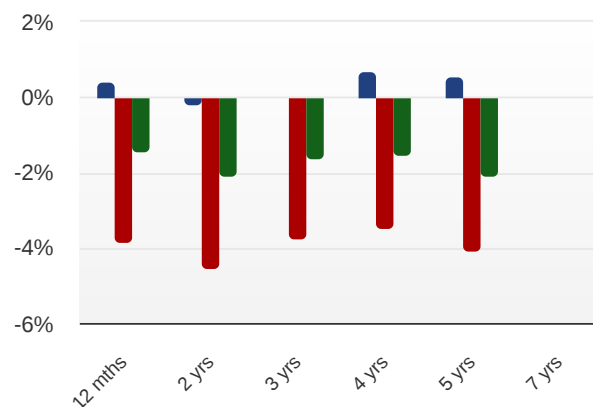
### Performance in Positive Markets

Since inception in December 2018 in the months where the market was positive, the fund has provided positive returns 74% of the time, contributing to an up-capture ratio for returns since inception of 11.47%. Over all other periods, the fund's up-capture ratio has ranged from a high of 13.73% over the most recent 48 months to a low of -0.21% over the latest 24 months.



### Performance in Negative Markets

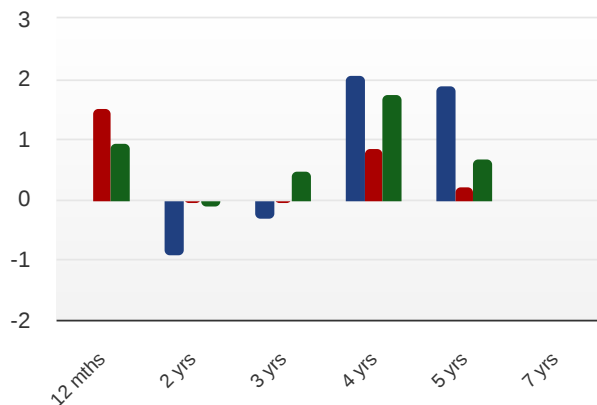
Since inception in December 2018 in the months where the market was negative, the fund has provided positive returns 59% of the time, contributing to a down-capture ratio for returns since inception of -25.81%. Over all other periods, the fund's down-capture ratio has ranged from a high of 5.01% over the most recent 24 months to a low of -28.61% over the latest 48 months. A down-capture ratio less than 100% indicates that, on average, the fund has outperformed in the market's negative months, and a negative down-capture ratio indicates that, on average, the fund delivered positive returns in the months the market fell.



— Fund — Index — Peer group

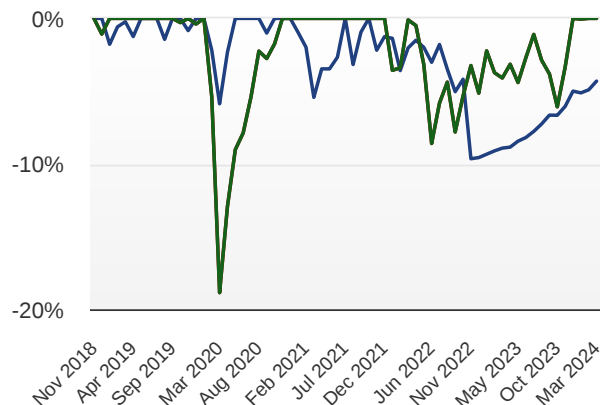
## Sortino Ratio

The fund has had too few negative returns over the past 12 months for a Sortino ratio to be calculated. Over all other periods its Sortino ratio (which excludes volatility in positive months) has ranged from a high of 0 to a low of 0. By contrast, the S&P/ASX Small Industrials TR Index's Sortino for performance since December 2018 is 0.31.

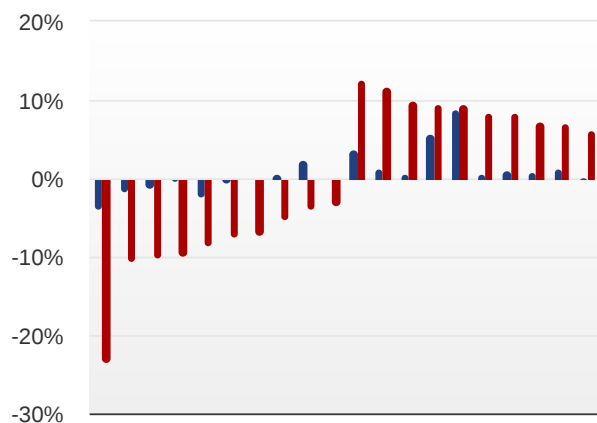


## Drawdown

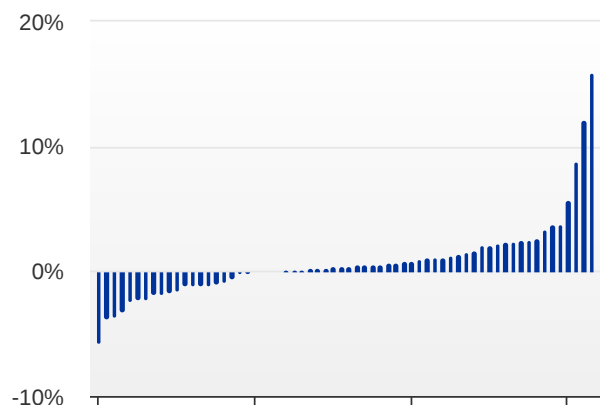
Over the past 12 months, the fund's largest drawdown was -0.12% vs the index's -13.02%, and since inception in December 2018 the fund's largest drawdown was -9.65% vs the index's maximum drawdown over the same period of -29.79%.



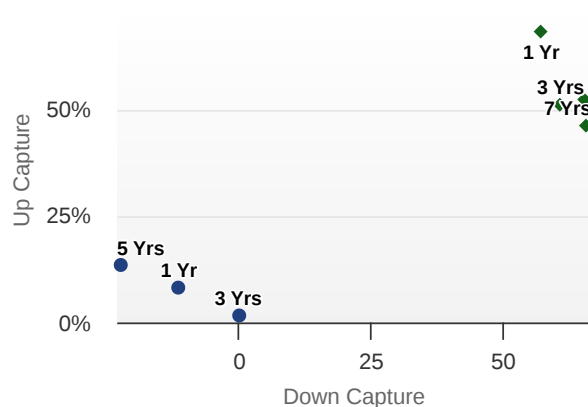
## Return in Index's 10 Best &amp; 10 Worst Months %



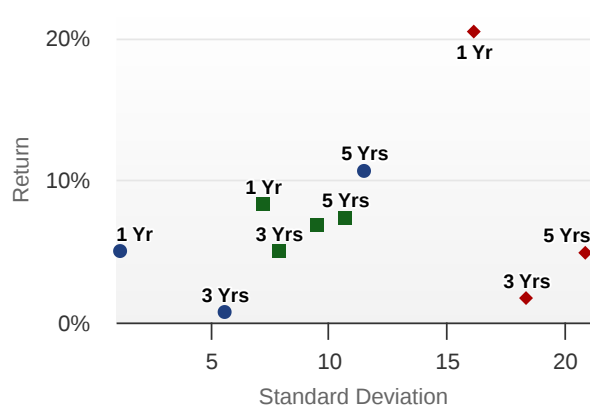
## Distribution of Returns



## Up-capture vs Down-capture



## Standard Deviation vs Return



— Fund — Index — Peer group

Annual Returns and Analytics	12 months	24 months	36 months	48 months	60 months	Inception
Fund Annual Return per annum	5.07%	-1.17%	0.70%	11.47%	10.64%	10.39%
Index Annual Return per annum	20.45%	2.50%	1.66%	11.99%	4.90%	6.17%
Fund Cumulative Return (on \$100)	\$105.07	\$97.67	\$102.10	\$154.42	\$165.83	\$169.41
Index Cumulative Return (on \$100)	\$120.45	\$105.07	\$105.06	\$157.29	\$127.01	\$137.64
Fund Annualised Standard Deviation	1.14	4.77	5.55	12.22	11.49	11.21
Index Annualised Standard Deviation	16.13	20.30	18.33	18.85	20.86	20.56
Fund Sharpe Ratio	0.79	-0.88	-0.22	0.81	0.80	0.80
Index Sharpe Ratio	0.99	0.07	0.07	0.61	0.27	0.33
Fund Sortino Ratio	N/A	-0.90	-0.30	2.08	1.91	1.88
Index Sortino Ratio	1.54	-0.04	-0.03	0.86	0.22	0.31
Monthly Returns and Analytics	12 months	24 months	36 months	48 months	60 months	Inception
Fund Average monthly return	0.41%	-0.10%	0.06%	0.91%	0.85%	0.88%
Index Average monthly return	1.56%	0.21%	0.14%	0.95%	0.40%	0.68%
Fund % of Positive Months	83%	71%	67%	67%	65%	66%
Index % of Positive Months	67%	50%	47%	54%	53%	55%
Fund Average +ve Return	0.51%	0.51%	0.88%	2.23%	2.26%	2.19%
Index Average +ve Return	4.41%	5.29%	4.78%	4.94%	4.66%	4.61%
Fund Best Month	1.12%	1.26%	3.40%	15.89%	15.89%	15.89%
Index Best Month	8.55%	11.78%	11.78%	12.78%	12.78%	12.78%
Fund Average -ve Return	-0.07%	-1.53%	-1.68%	-1.67%	-1.71%	-1.71%
Index Average -ve Return	-3.82%	-4.54%	-3.75%	-3.45%	-4.07%	-4.06%
Fund Worst Month	-0.12%	-5.71%	-5.71%	-5.71%	-5.71%	-5.71%
Index Worst Month	-7.04%	-10.49%	-10.49%	-10.49%	-23.32%	-23.32%
Fund Largest Drawdown	-0.12%	-8.27%	-9.65%	-9.65%	-9.65%	-9.65%
Index Largest Drawdown	-13.02%	-17.48%	-28.40%	-28.40%	-29.79%	-29.79%
Fund Downside Deviation	0.64	4.69	4.62	4.46	4.55	4.48
Index Downside Deviation	9.52	14.06	12.93	11.32	15.13	14.75
Performance in Positive Markets	12 months	24 months	36 months	48 months	60 months	Inception
Number of months market was positive	8	12	17	26	32	35
Fund % positive months, when market positive	88%	83%	82%	77%	75%	74%
Cumulative Fund return in positive market	3.36%	-0.17%	2.07%	33.63%	43.48%	43.14%
Cumulative Index return in positive market	40.90%	84.70%	119.66%	244.89%	322.35%	376.12%
Up Capture Ratio	8.20%	-0.21%	1.73%	13.73%	13.49%	11.47%
Performance in Negative Markets	12 months	24 months	36 months	48 months	60 months	Inception
Number of months market was negative	4	12	19	22	28	29
Fund % positive months, when market negative	75%	58%	58%	59%	57%	59%
Cumulative Fund return in negative market	1.65%	-2.16%	0.03%	15.56%	15.57%	18.35%
Cumulative Index return in negative market	-14.51%	-43.11%	-52.17%	-54.39%	-69.93%	-71.09%
Down Capture Ratio	-11.40%	5.01%	-0.06%	-28.61%	-22.27%	-25.81%

**AFM FACTORS Process and Methodology:**

The processes involved in AFM FACTORS Research include:

- Extensive interviews with the directors, key staff and service providers of the Management Company and the fund.
- Objective analysis of the responses to interviews and questionnaires regarding the Fund's Investment Strategy & Risk Processes.
- Objective analysis of the responses to interviews and questionnaires regarding the Operational Processes, Compliance and Risks of the Management Company and Fund.
- Analysis of the Fund's documentation, Fees, Terms, Conditions and Investor Relations.
- Quantitative analysis of the Fund's track record to provide key performance and risk indicators.

The quantitative approach to the FACTORS reports is adjusted following qualitative assessment by AFM's Investment Committee depending on the level of conviction attached to each score. This score is weighted and calculated as a percentage in the tables below.

**FACTORS Rating, Weightings and Scoring Methodology**

Category and Factors considered		Weighting to Total
1	<b>Management Company &amp; Key Staff:</b> Includes board composition and independence; meetings and processes; relevance, depth and experience of key staff; overall staffing levels; staff turnover; roles and separation of duties; equity in management company; co-investment in the fund.	25%
2	<b>Investment Strategy &amp; Process:</b> Edge; logical and clear; difference; research sources; consistency; liquidity; processes; derivatives; currency; concentration;	25%
3	<b>Risk Management:</b> Separation of risk management; risk limits and processes; risk committee.	20%
4	<b>Operational Procedures:</b> Back office; trade processes; compliance; counter parties; IT systems; disaster recovery; insurance; AML; service providers.	20%
5	<b>Fees, Terms &amp; Conditions:</b> Liquidity; investment and redemption terms; management fees; performance fees; HWM; hurdles; reporting; transparency.	10%
<b>Total</b>		<b>100%</b>

**Flags**

FACTORS reports use a series of Comments boxes with Flags to denote areas which are believed to be of interest or relevance to Advisors and Investors. These are provided as a guide only and do not guarantee that the points raised or opinions noted (red or yellow flag) are the sole risks involved, or that a positive comment (green flag) indicates that there is no risk involved in the investment.



Denotes an area which FACTORS Research considers to be positive, or exceeds general industry standards, taking into account the Manager's size or Fund strategy.



Denotes an area that investors should be aware of, but is not considered to be either a major issue, or is appropriate given the circumstances.



Denotes an area or factor which is considered to be a serious weakness, or might cause investors to avoid the Manager or Fund.



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