

## 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 Resources 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 a combined qualitative and quantitative assessment of PURE Asset Management and the PURE Resources Fund, and considers the Fund to be a suitable investment within a diversified portfolio for wholesale investors who are seeking exposure to the resources sector via a hybrid strategy investing in corporate loans paying half yearly distributions. The hybrid strategy provides the potential for capital upside via attaching equity exposure in the form of warrants, options or conversion to equity.

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

- Poor:** The Manager and/or Fund have significant or structural issues.
- Below Average:** The Manager and/or Fund have various issues which need to be resolved prior to achieving Approved.
- Approved:** The Manager and Fund meet relevant or appropriate standards.
- Commended:** The Manager and Fund meet or generally exceed relevant or appropriate standards.
- Highly Commended:** 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 PURE Resources Fund is a specialist hybrid equity fund with an absolute return focus, investing in Australian emerging resource companies. Each investment is initially implemented through a credit facility, but always with an attaching equity allocation in the form of warrants or options. The Fund targets a return of 15% per annum through the investment cycle from a mixture of capital growth via the equity, and income of 7-9% from the loan. While most investments involve ASX listed companies, the Manager has some flexibility to 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 unique 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.

Alongside the founders, Daniel Porter serves as a Portfolio Manager. With 19 years of experience, he has worked with KPMG in Brisbane, and has been an Equity Analyst with tier one investment banks in Sydney and London, including as a Director with UBS. Jean-Luc Corelli, an Analyst with 8 years of experience, was previously involved in fund administration and client engagement at K2 Asset Management.

FundMonitors recognises that PURE possesses 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 Resources Fund adopts a high-conviction strategy focused on emerging ASX-listed companies in the Metals and Mining, Energy, Mining Technology, and Mining Services sectors. The fund targets companies with a market capitalisation between A\$10 million and A\$500 million. Unique to its approach, the fund initiates investments via debt, allowing it higher capital structure ranking and superior risk-adjusted returns. As a credit provider, the Manager gains extensive insights through due diligence that aren't available to equity investors. Additionally, the loan package includes an equity upside at no extra cost via options or warrants. The Manager aims to deliver a 15% p.a. net return to unitholders over a 3-5 year investment cycle, combining regular income distributions of 7.5% from the senior secured loan with 7.5% capital growth from equity. There is a soft limit of 20% and hard limit of 30% on investment in unlisted companies.

The fund's strategy offers higher capital preservation and lower drawdowns compared to traditional small-cap equities, while providing a semi-annual income stream. The Manager employs stringent due diligence, ensuring understanding of both the company and the sector. If an investment doesn't meet the risk-return criteria, it isn't initiated. Upon identification of a suitable opportunity, a systematic process ensues, involving preliminary meetings, extensive research, term sheet preparation, and legal documentation, sometimes outsourcing to experts like Measured Group for technical review.

FundMonitors.com notes that the PURE Resources Fund's hybrid strategy targets semi-annual distributions of 7-8% from debt interest, with additional potential equity upside. The fund's debt-first approach provides the Manager with deeper operational insights, serving as an early warning system and enabling proactive steps through loan covenants, if necessary.

### Risk Management

The PURE Resources Fund primarily manages credit loss risks, focusing on lending to companies where it's the senior secured creditor. Their meticulous due diligence ensures companies can operate within specific covenant structures, with an emphasis on regular interest payments and maintaining cash balances. The initial credit assessment is pivotal for risk determination. After lending, risks are continuously monitored via stringent reporting processes stipulated in loan covenants. These covenants aim to detect and remedy company underperformance before loan impairment.

FundMonitors notes that comprehensive credit-level insights during due diligence substantially lessen loan default risks. The investment team delves deeper into financial metrics than most equity analysts. The expertise of Daniel Porter, combined with the external specialists for due diligence, provides an enriched oversight. 'Covenant waterfall' provisions in the loan agreement enhance the Manager's oversight, facilitating timely interventions. Nonetheless, while converting warrant or option positions to equity holds substantial potential, it can also negatively influence the Fund's NAV in market downturns. The fund's vulnerability also stems from the cyclical performance of small resource equity markets, with a protective cap set at 35% of NAV for equity warrants or options.

### Operational Procedures

The PURE Resources Fund has allocated its compliance responsibilities to three individuals: Tim Callan (Compliance Officer), Jean-Luc Corelli (Analyst), and Marcus O'Connor (External Legal Counsel). These professionals convene several times a year, without a fixed schedule. O'Connor, with a background in legal counsel at ASIC and now a specialist in compliance matters, possesses a deep understanding of compliance requirements in the financial services sector. The Securities Dealing Policy entrusted to Callan emphasises the importance of compliance in securities dealing and trading restrictions, such as insider trading, short-term trading, and hedging. Monthly valuations, aligned with PURE's Valuation Framework, are reviewed and endorsed by PURE's Directors. Additionally, PURE receives daily statements that detail the fund's financial status, corroborated against the prior day's transactions. While some standard investment tools aren't suited for PURE's operations, its outsourced administrative tasks, including performance verification, are managed by Mainstream Fund Services.

FundMonitors believes that the portfolio's low turnover and limited securities trading reduce operational overheads, with a higher emphasis on loan covenant scrutiny. Established external entities like Automic play a pivotal role in custody and monthly pricing. Loans are meticulously documented by the Arnold Bloch Leibler law firm, with related expenses borne by the borrower, whereas establishment costs are funnelled to the Fund.

### Fees, Terms and Conditions

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 6 monthly and may be re-invested or distributed at the investor's discretion. Investments can be made monthly with an initial lock-up for Platform investors of three years and quarterly redemptions thereafter. There is a minimum initial investment amount of AU\$250,000 and no minimum additional investment amount. There is no minimum withdrawal amount.

The fund is available to wholesale investors only, and as such, distribution and marketing efforts to date have been concentrated largely on HNW individuals and family offices. The fund is available on several investment platforms.

Fundmonitors acknowledge that the Manager's fees are relatively high for the sector, reflecting the unique investment strategy and active loan covenant management. The three-year lock-up period may not suit investors seeking monthly liquidity initially but aligns with the typical term of the underlying loans, deterring short-term investments and safeguarding long-term investors. Robust investor communication includes regular video updates and webinars, ensuring transparency and engagement.

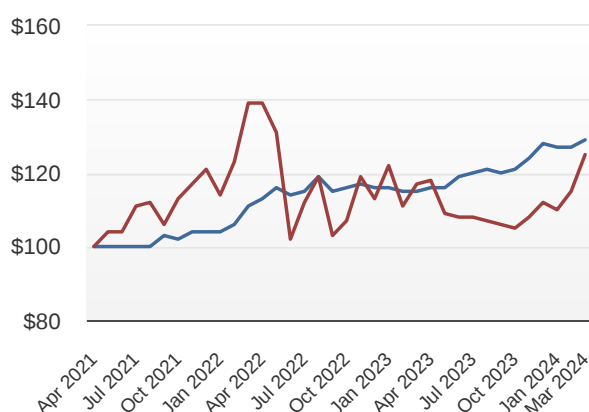
Period	Returns		Volatility	
	Fund	Index*	Fund	Index*
Mar 2024:	1.60%	8.48%	N/A	N/A
3 Months:	0.83%	11.26%	N/A	N/A
6 Months:	7.65%	17.69%	N/A	N/A
1 Year:	12.22%	6.66%	4.42%	13.12%
3 Years <sup>2</sup> :	N/A	N/A	N/A	N/A
5 Years <sup>2</sup> :	N/A	N/A	N/A	N/A
7 Years <sup>2</sup> :	N/A	N/A	N/A	N/A
Since Inception <sup>1,2</sup> :	9.19%	7.83%	5.90%	24.56%

\*S&P/ASX Small Resources TR Index, <sup>1</sup>Since Apr 2021, <sup>2</sup>Annualised

Key Terms			
APIR:	PUA1097AU	Status:	Open
Peer Group:	Equity Alternative - Australia	Inception Date:	Apr 2021
Strategy:	Equity Income	Style:	Growth
Geography:	Australia	Domicile:	Australia
Investors:	Wholesale	Min. Investment:	AU\$ 250,000
Distributions:	6 Monthly	Applications:	Monthly
Fund Size:	AU\$ 77.2m	Management Fee:	1.60%
Manager FUM:	AU\$ 230.3m	Performance Fee:	20.00%

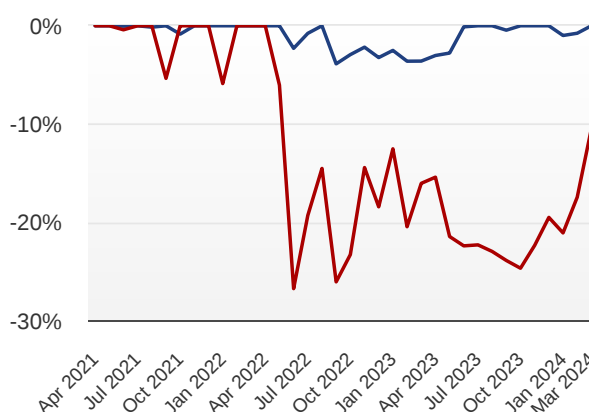
### Cumulative Returns

— Fund — Index



### Drawdowns

— Fund — Index



## 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.

#### Daniel Porter

Age: 42, Years in industry: 19, Years at Firm: 3  
*Portfolio Manager*


Daniel Porter commenced his career with KPMG in Brisbane, and has been an Equity Analyst with tier one investment banks in Sydney and London, including as a Director with UBS. Recently he was the Head of Resources research with Wilsons Advisory in Sydney, analysing companies from exploration through to production, and larger cap miners. He also covered the Engineering and Mining Services Sector for over ten years, including contract mining businesses, drillers and EPCM businesses. At PURE his focus is on the Resources Fund.


#### 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 profitable.

 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.

 While PURE's investment strategy is similar across both their Income and Growth Fund and the Resources Fund, having a specialist Portfolio Manager in Daniel Porter provides the experience and expertise required for investments in the resources sector.



## Investment Strategy & Process

### Investment Strategy:

The PURE Resources Fund is a high conviction fund which invests in emerging ASX listed companies with a market capitalisation of A\$10-500 million in the Metals and Mining, Energy, Mining Technology, and Mining Services sectors via a combination of debt and equity. There is a soft limit of 20% and hard limit of 30% on investment in unlisted companies.

The Fund enters each investment via debt, on the basis that ranking higher in the capital structure offers superior risk-adjusted returns. As a provider of credit, the Manager is able to obtain more insight and visibility via due diligence than equity investors are provided. In addition, as part of the loan package PURE always retain equity upside at no cost via options and/or warrants issued by the company. The Manager's objective is to deliver unitholders a return of 15% p.a. net over a 3-5 year investment cycle, derived from a combination of regular income distributions of 7.5% from the senior secured loan, and capital growth of 7.5% from the equity component in due course as and when it is deemed appropriate to convert.

This structure is designed to produce a half yearly income stream but with a higher level of capital preservation and lower drawdowns compared to a traditional small cap equity investment.

The Manager primarily invests in listed micro and small cap resource stocks in the \$10m-\$500m market cap range with a focus on ASX listed companies, and with assets in Tier 1 mining locations, including, but not limited to Australia, New Zealand, Canada, Asia, the US and Europe. Investments are made across sub-sectors such as metals and mining, energy, mining technology and mining services. No exploration or pre-revenue R&D companies are considered, and the Fund does not invest in agriculture or other soft commodities, such as cannabis.

The Fund can also invest in attractive unlisted/pre-IPO resource companies subject to the above parameters, however these are not preferred.

### Investment Process:

The Manager will only invest following extensive due diligence and research to ensure they fully understand both the company and the sector in which they operate. All positions are originated internally, with the benefit that the Manager is not compelled to enter an investment subject to any other third party's requirements. If the deal metrics do not satisfy the expected returns relative to the risks involved, the position will not be initiated. Once an opportunity is identified or presented, the process is fundamental and consistently applied to each investment, with additional external resources and mining industry expertise sought as required.

**Step 1 - Initial Discussions:** This involves meeting with the company to confirm that the investment team's initial observations are correct, and to determine if the company wishes to access growth capital via debt convertible to equity at a future date and at a premium to the current share price, as opposed to undertaking a dilutive capital raising at the current time, possibly at a discount. At this stage preliminary due diligence is conducted to ascertain the viability of the company, and of the potential investment.

**Step 2 - Desktop Review:** PURE review the initial due diligence on the company, and also engage their preferred mining consultancy to conduct a desktop review to determine if the investment is worth pursuing.

**Step 3 - Indicative Term Sheet:** A high-level two-page term sheet is prepared with scenarios around the cost of debt, warrant conversion premium range, and the likely covenants to be applied to the investment. If all parties are aligned, PURE will commence in-depth due diligence.

**Steps 4 & 5 - Due Diligence & Independent Expert Analysis:** PURE completes detailed due diligence. At the same time PURE outsources a technical, mining and geological review to Measured Group, its preferred mining consultancy. If the company passes this due diligence stage, a longer form term sheet is created, negotiated, and agreed to by both parties.

**Step 6 - Binding Term Sheet:** A final term sheet is produced including the specific terms covering the debt, warrant conversion terms and premium, and the covenants to be applied for the investment. If all parties are in agreement with the term sheet, final legal documentation is drafted.

**Step 7 - Legal Documentation:** In conjunction with external legal advisers Arnold Bloch Leibler, PURE finalise all legal documentation around the offer.

**Step 8 - Loan Approval:** The loan is approved, and the company can begin to execute on their growth strategy.

### FundMonitors.com Comment

As a hybrid strategy where each position involves both a debt and an equity component, the fund targets half yearly distributions of 7-8% p.a. paid from interest payments on the debt, plus potential upside from the conversion of the options or warrants attached to the equity in due course.

While there is no guarantee of the equity upside, there is normally a time "buffer" of up to four years before the warrants or options are exercised.

There is a significant benefit when investing in a company via a debt facility as opposed to a straight equity position: As a provider of credit the manager gains access to significantly more detailed operational and financial information on the target company, both prior to and after investing, rather than having to rely on publicly available information as an equity investor.

This added information gives the benefit of greater transparency into information that would otherwise be termed "inside" information prior to investing, while the covenants included in the loan documentation provide ongoing transparency and information during the period of the loan facility. This not only provides a potential early warning system, but combined with the covenants potentially allows the Manager to take appropriate action early, if required.

## Risk Management

The primary risk managed at a portfolio level is that of a credit loss. PURE rarely lends to a company where it is not the senior secured creditor. They will assess whether the company is capable of operating in a covenant structure required to secure its capital, which includes maintaining minimum cash balances, and continuously testing whether the company is meeting interest payments on the loan in a timely fashion. PURE highlight that the initial credit assessment process is the key risk determinant for the fund. Once the loan has been made, ongoing risk is monitored via the close and detailed reporting processes set out in the terms of the covenants as part of the loan agreement.

The covenant structures are designed to identify and rectify underperformance prior to the loan becoming impaired. A covenant 'waterfall' governs how PURE will respond to deteriorating performance or emerging problems. If a defined covenant event occurs, penalties are applied to the company based on the degree of underperformance.

**Level 1 - Reporting Event:** If performance deviates from the relevant covenant metric by a set amount, the company must notify PURE. Rectification measures may be discussed, but no penalties are applied. Level 1 is designed to encourage early dialogue between the company and PURE.

**Level 2 - Review Event:** If performance deviates further from the relevant covenant metric, a review event is triggered. This requires the company to remedy the problem, along with the onset of penalty interest, typically a 50% increase in the base interest rate.

**Level 3 - Default Event:** A default event is triggered if the company's performance deviates from the model by an amount considered to be a material departure from that previously agreed to. A default event renders the credit facility immediately due and payable at PURE's discretion.

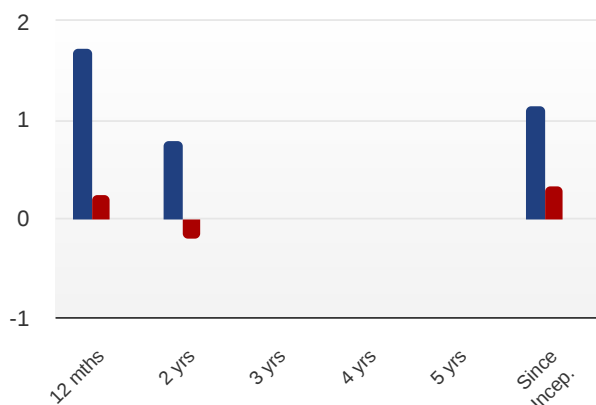
Additional triggers that would cause a security to be sold or trimmed for risk management purposes include:

- 3 members of the investment team deciding to exit a position;
- Equity/Warrant exposure moving through PURE's soft 20% of NAV cap;
- Equity/Warrant exposure moving to PURE's hard 35% of NAV cap;
- Investee company covenant breach;
- Investee company electing to re-pay the facility to maturity.

No individual investment can be more than 10% of NAV on inception.

### Sharpe Ratio

— Fund — Index



There is a hard cap of 35% of NAV being equity, warrants and/or options. This may be varied in unique circumstances in which PURE consider an amendment to be in the best interests of investors.

There is a soft limit of 20% and hard limit of 30% on investment in unlisted companies.

The PURE Resources Fund has a single focus on the resources sector, including metals and mining, energy, mining technology, and mining services. The fund can go to 100% cash if deemed prudent.

### FundMonitors.com Comment

The credit level access to information during due diligence helps to reduce the risk of loan default as the investment team gain greater insight into financials such as cash flow & balance sheet data than equity analysts typically have access to.

Whilst the Manager has an experienced Portfolio Manager in Daniel Porter dedicated to the Resources Fund, outsourcing due diligence to specialist mining and resource consultants provides additional backup and external expertise.

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

Whilst the track record is limited and past performance is never a guarantee, the Fund's low volatility and limited drawdowns to date vs. the underlying market indicates that the investment strategy and risk processes combine effectively as intended.

While there is significant potential upside on conversion of the warrant or option positions to equity, these may also act as a drag on the Fund's NAV in times of market weakness, and add to volatility, particularly in the small cap resources sector.

Aside from loss from a credit default, the risk to the strategy lies in the performance of the underlying equity markets, which in the case of small resources can be cyclical. This is limited by a hard cap of 35% of NAV comprising equity warrants or options.

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

	Fund	Index*
Sharpe:	1.15	0.35
Sortino:	2.11	0.30
Best Month:	4.91%	12.74%
Worst Month:	-3.88%	-22.08%
Average Monthly Return:	0.77%	0.89%
Up-Capture Ratio:	15%	N/A
Down-Capture Ratio:	1%	N/A
Maximum Drawdown:	-3.88%	-26.79%

\*S&P/ASX Small Resources TR Index, <sup>1</sup>Since Apr 2021

## Operational Procedures

The individuals allocated responsibility for compliance are Tim Callan (Compliance Officer), Jean-Luc Corelli (Analyst) and Marcus O'Connor (External Legal Counsel). There is no formal schedule but the compliance team normally meet 2-4 times per year.

Marcus O'Connor (Compliance Officer) is a highly skilled 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, O'Connor has a market leading understanding of the compliance requirements within both Funds Management and the broader financial services sector.

PURE's Securities Dealing Policy states that Tim Callan as the Compliance Officer is responsible for ensuring the Securities Dealing Policy is adhered to. All trades must be notified to the Compliance Manager. The Compliance Manager will maintain records of Employee and Director trading.

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

As monthly priced investment vehicles, valuations are formally approved by PURE's Directors on a monthly basis. This is conducted inline with PURE's Valuation Framework. The formal valuation and fund accounting functions are conducted by Mainstream Fund Services, PURE's outsourced fund administration provider.

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

Investment and operational systems utilised by PURE include Xero, Microsoft Sharepoint/Office 365, NordVPN, SentinelOne, S&P Capital IQ, MailChimp, Eversign, Invoicely, Calendly and Hubspot.

Many standard investment systems utilised by fund managers are not relevant to PURE's investment process and deal origination. Performance attribution and verification are handled by PURE's outsourced administration provider, Mainstream.

Service Providers	
<b>Trustee/RE:</b>	PURE Asset Management
<b>Custodian:</b>	Mainstream Fund Services (now APEX)
<b>Administrator:</b>	Mainstream Fund Services (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 Automic acting as custodian, as well as being responsible for monthly pricing and unit registry.

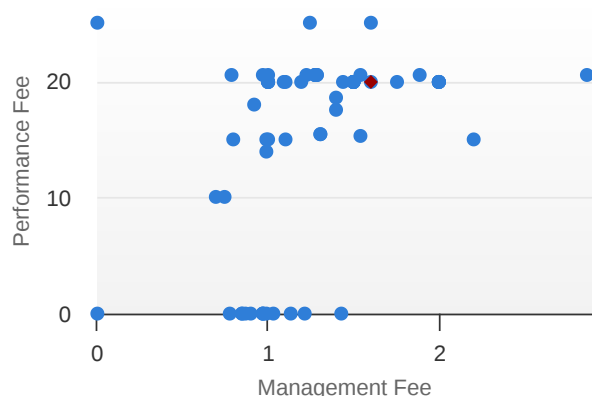
🚩 Loan documentation is prepared by a well established external legal firm, Arnold Bloch Leibler, the costs of which are paid by the borrower. Establishment and other fees are paid to the Fund.

## 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 6 monthly and may be re-invested or distributed at the investor's discretion.



Investments can be made monthly while redemptions are processed quarterly, 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 three-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 fund is available to wholesale investors only, and as such, distribution and marketing efforts to date have been concentrated largely on HNW individuals and family offices. Over the last 12-24 months, PURE have established multiple new relationships, and extended existing relationships with platform providers (e.g. Macquarie Wrap, Netwealth, HUB24 etc.) to increase the accessibility and availability of the fund to Private Wealth Managers and their underlying wholesale clients.

#### Available on Investment Platforms

OLIVIA123, HUB24, Macquarie Wrap, OneVue, Netwealth, Mason Stevens

#### FundMonitors.com Comment

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.

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

The initial three year lock up acts as a deterrent to short term investment, and protects longer term investors by aligning their investment term with the usual three year term of the underlying loans.

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



### Performance Summary as at Mar 2024

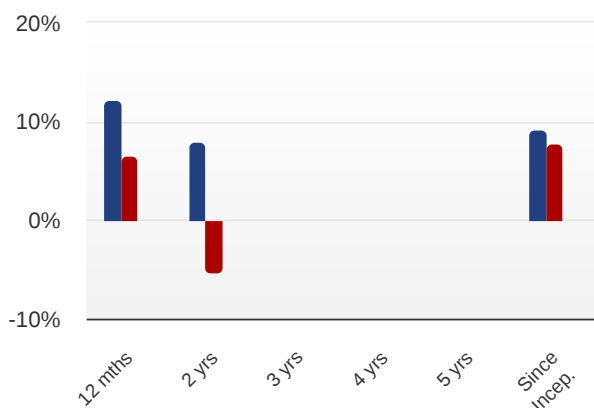
The PURE Resources Fund has a track record of 2 years and 11 months and therefore comparison over all market conditions and against its peers is limited. However, the fund has outperformed the S&P/ASX Small Resources TR benchmark since inception in May 2021, providing investors with an annualised return of 9.19% compared with the benchmark's return of 7.83% over the same period.

On a calendar year basis, the fund hasn't experienced any negative annual returns in the 2 years and 11 months since its inception. Over the past 12 months, the fund's largest drawdown was -0.99% vs the index's -10.97%, and since inception in May 2021 the fund's largest drawdown was -3.88% vs the index's maximum drawdown over the same period of -26.79%. The fund's maximum drawdown began in September 2022 and lasted 10 months, reaching its lowest point during September 2022. The fund had completely recovered its losses by July 2023. During this period, the index's maximum drawdown was -26.1%.

The Manager has delivered these returns with 18.66% less volatility than the benchmark, contributing to a Sharpe ratio for performance over the past 12 months of 1.73 and for performance since inception of 1.15. The fund has provided positive monthly returns 90% of the time in rising markets and 50% of the time during periods of market decline, contributing to an up-capture ratio since inception of 15% and a down-capture ratio of 1%.

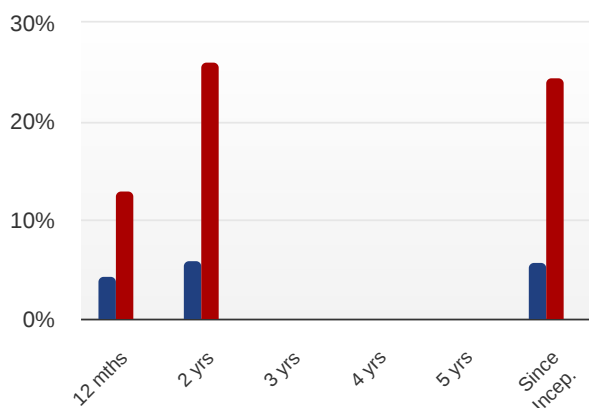
#### Annual Returns

— Fund — Index



#### Standard Deviation

— Fund — Index



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

The performance of the PURE Resources Fund ranked it in the first quintile for all KPIs except Total Return over 1 year.

Over the past 12 months, the fund has risen by +12.22% compared with the peer group which has returned an average of +10.28%, for a difference of +1.94%.

The fund's returns over the past 12 months have been achieved with a volatility of 4.42% vs the peer group's average volatility of 7.04%. The annualised volatility of the fund's returns since inception in May 2021 is 5.9% vs the peer group's 8.99%. Over the past 24 months, the fund's returns have been less volatile than the peer group.



■ PURE Resources Fund

● ASX200 Total Return

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.

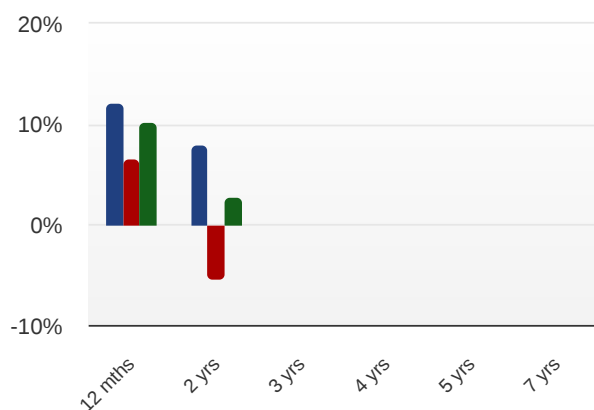
## Performance Review (Peer Group: Equity Alternative - Australia)

The PURE Resources Fund rose by +1.6% in March, a difference of -6.88% compared with the S&P/ASX Small Resources TR benchmark which rose by +8.48%. Over the past 12 months, the fund's best monthly return was +3.66% compared with the benchmark's best return of +8.48%, and its worst monthly return was -0.99% vs the benchmark's worst return over the same period of -7.14%.

Year	Jan %	Feb %	Mar %	Apr %	May %	Jun %	Jul %	Aug %	Sep %	Oct %	Nov %	Dec %	YTD %
2024	-0.99	0.24	1.60	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.83
2023	0.76	-1.14	0.02	0.58	0.26	2.75	0.96	0.10	-0.45	1.04	1.94	3.66	10.89
2022	0.15	1.11	4.91	2.33	2.61	-2.30	1.56	3.47	-3.88	0.98	0.78	-1.09	10.82
2021	NA	NA	NA	NA	0.00	-0.04	0.22	-0.14	2.76	-0.85	2.20	0.12	4.29

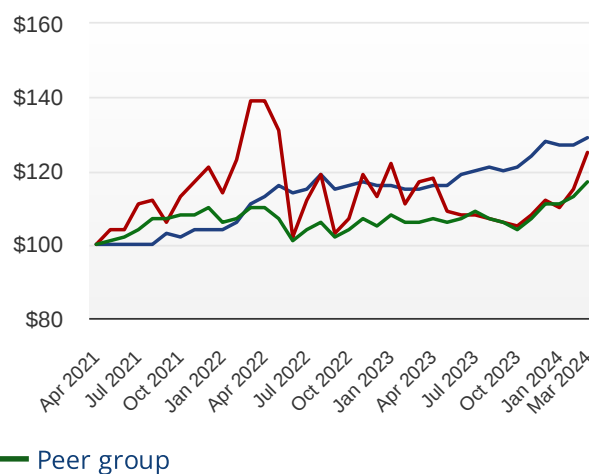
### Annual Returns

Over the past 12 months, the fund has risen by +12.22% compared with the benchmark which has returned +6.66%, for a difference of +5.56%. Since inception in May 2021, the fund has returned +9.19% per annum, a difference of +1.36% relative to the benchmark which has returned +7.83% on an annualised basis over the same period.



### Cumulative Returns

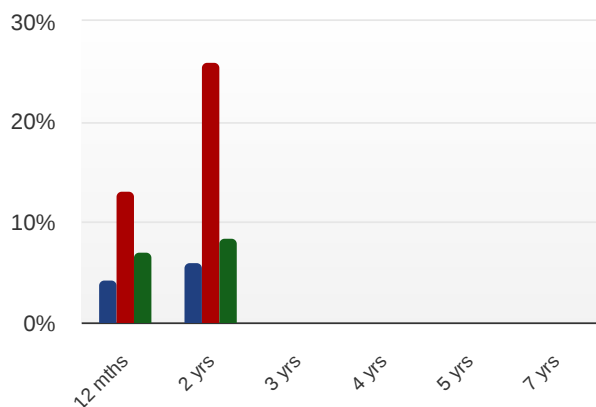
On a cumulative basis (assuming reinvestment of distributions), \$100 invested since inception would have become \$129. The same amount invested in the benchmark over the same period would have become \$124.



## Volatility and Risk

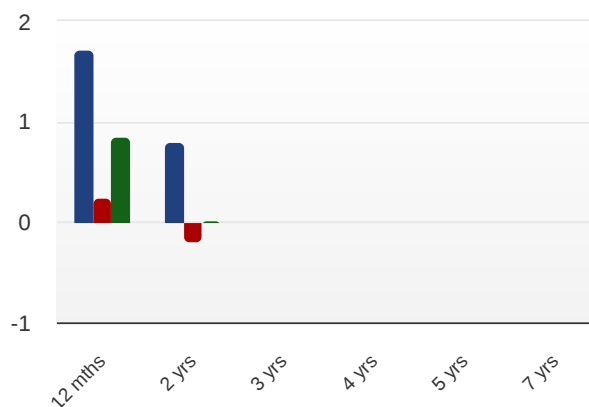
### Annual Standard Deviation

The fund's returns over the past 12 months have been achieved with a volatility of 4.42% vs the index's 13.12%. The annualised volatility of the fund's returns since inception in May 2021 is 5.9% vs the index's 24.56%. Over the past 24 months, the fund's returns have been less volatile than the benchmark.



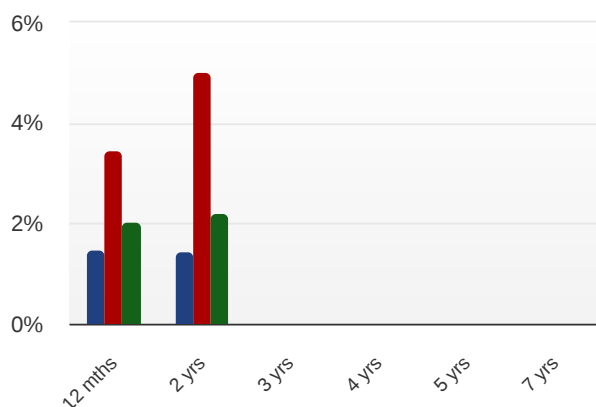
### Sharpe Ratio

The fund's Sharpe ratio is 1.73 for performance over the past 12 months, and over the past 24 months is 0.8. Since inception, the fund's Sharpe ratio is 1.15 vs the S&P/ASX Small Resources TR Index's Sharpe of 0.35.



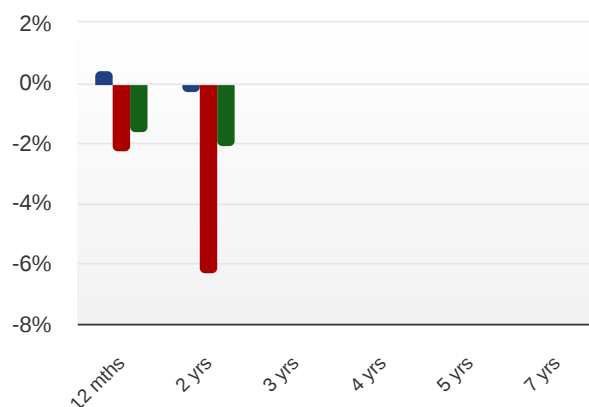
### Performance in Positive Markets

Since inception in May 2021 in the months where the market was positive, the fund has provided positive returns 90% of the time, contributing to an up-capture ratio since inception of 15.4%. For performance over the past 12 month, the fund's up-capture ratio is 41.52%, and is 23.41% over the past 24 months.



### Performance in Negative Markets

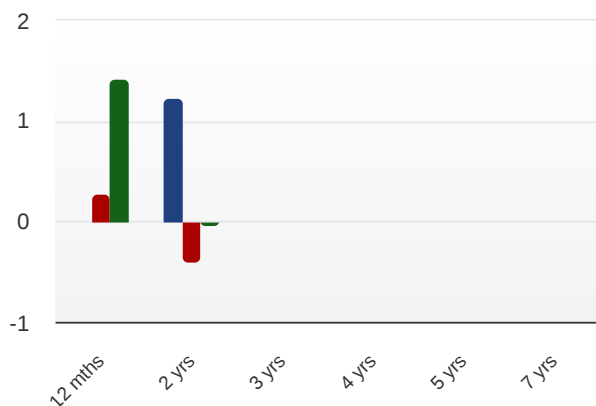
Since inception in May 2021 in the months where the market was negative, the fund has provided positive returns 50% of the time, contributing to a down-capture ratio since inception of 0.8%. For performance over the past 12 month, the fund's down-capture ratio is -20.93%, and is 6.2% over the past 24 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

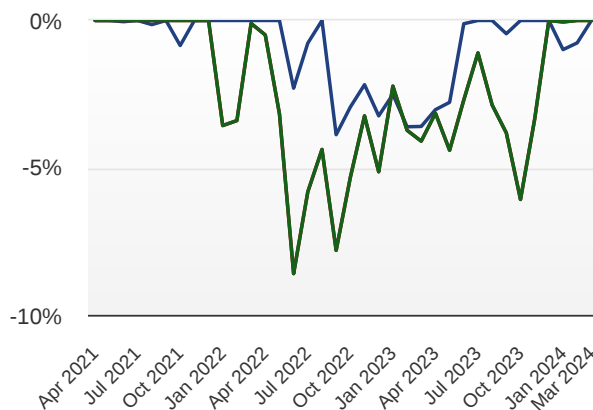
## Sortino Ratio

The fund has had too few negative returns over the past 12 months for a Sortino ratio to be calculated. Over the past 24 months, the fund's Sortino ratio is 1.23 vs the S&P/ASX Small Resources TR Index's Sortino of -0.4. Since inception the fund's Sortino ratio is 2.11 vs the S&P/ASX Small Resources TR Index's Sortino of 0.3. The Sortino ratio differs from the Sharpe ratio in that it only considers the volatility of negative returns over a particular time period.

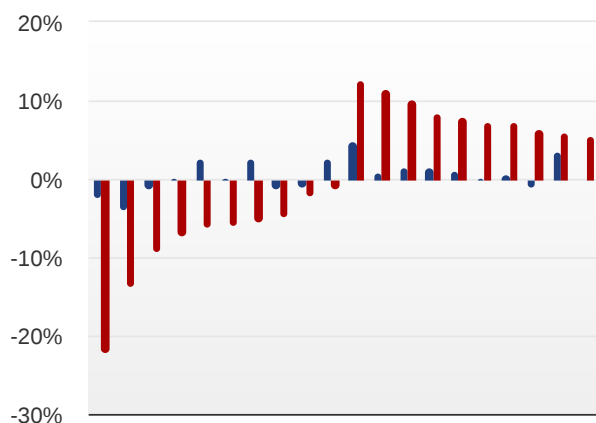


## Drawdown

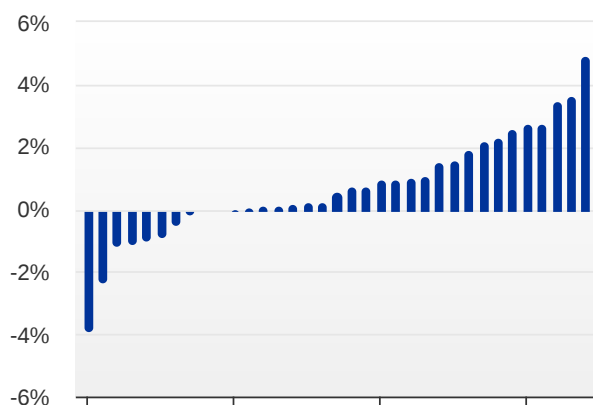
Over the past 12 months, the fund's largest drawdown was -0.99% vs the index's -10.97%, and since inception in May 2021 the fund's largest drawdown was -3.88% vs the index's maximum drawdown over the same period of -26.79%.



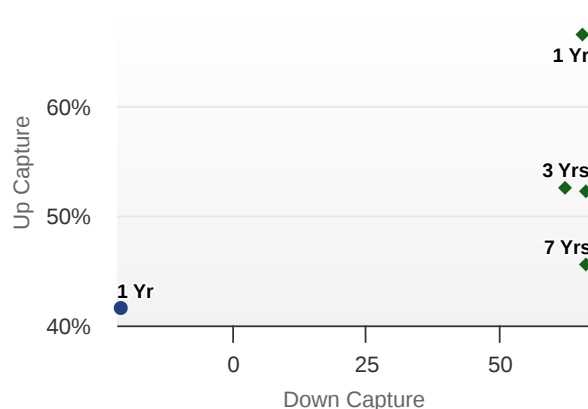
## Return in Index's 10 Best &amp; 10 Worst Months %



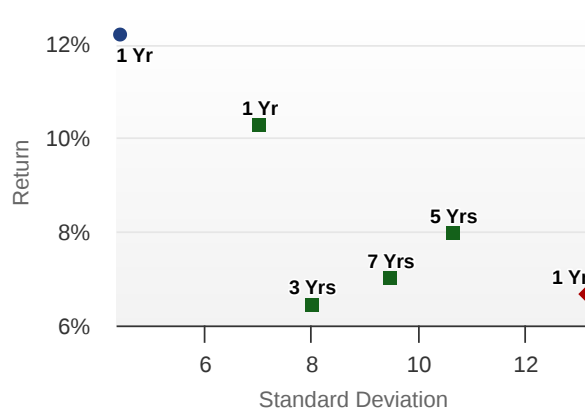
## Distribution of Returns



## 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	12.22%	8.00%	N/A	N/A	N/A	9.19%
Index Annual Return per annum	6.66%	-5.26%	N/A	N/A	N/A	7.83%
Fund Cumulative Return (on \$100)	\$112.22	\$116.63	\$N/A	\$N/A	\$N/A	\$129.23
Index Cumulative Return (on \$100)	\$106.66	\$89.76	\$N/A	\$N/A	\$N/A	\$124.59
Fund Annualised Standard Deviation	4.42	6.01	N/A	N/A	N/A	5.90
Index Annualised Standard Deviation	13.12	26.06	N/A	N/A	N/A	24.56
Fund Sharpe Ratio	1.73	0.80	N/A	N/A	N/A	1.15
Index Sharpe Ratio	0.25	-0.19	N/A	N/A	N/A	0.35
Fund Sortino Ratio	N/A	1.23	N/A	N/A	N/A	2.11
Index Sortino Ratio	0.29	-0.40	N/A	N/A	N/A	0.30
Monthly Returns and Analytics	12 months	24 months	36 months	48 months	60 months	Inception
Fund Average monthly return	0.97%	0.64%	N/A	N/A	N/A	0.77%
Index Average monthly return	0.54%	-0.45%	N/A	N/A	N/A	0.89%
Fund % of Positive Months	83%	75%	N/A	N/A	N/A	71%
Index % of Positive Months	50%	54%	N/A	N/A	N/A	60%
Fund Average +ve Return	1.31%	1.42%	N/A	N/A	N/A	1.48%
Index Average +ve Return	3.46%	5.02%	N/A	N/A	N/A	5.32%
Fund Best Month	3.66%	3.66%	N/A	N/A	N/A	4.91%
Index Best Month	8.48%	11.56%	N/A	N/A	N/A	12.74%
Fund Average -ve Return	-0.72%	-1.64%	N/A	N/A	N/A	-1.21%
Index Average -ve Return	-2.24%	-6.26%	N/A	N/A	N/A	-5.75%
Fund Worst Month	-0.99%	-3.88%	N/A	N/A	N/A	-3.88%
Index Worst Month	-7.14%	-22.08%	N/A	N/A	N/A	-22.08%
Fund Largest Drawdown	-0.99%	-3.88%	N/A	N/A	N/A	-3.88%
Index Largest Drawdown	-10.97%	-26.79%	N/A	N/A	N/A	-26.79%
Fund Downside Deviation	1.59	3.77	N/A	N/A	N/A	3.17
Index Downside Deviation	8.31	21.17	N/A	N/A	N/A	18.14
Performance in Positive Markets	12 months	24 months	36 months	48 months	60 months	Inception
Number of months market was positive	6	13	N/A	N/A	N/A	21
Fund % positive months, when market positive	100%	100%	N/A	N/A	N/A	90%
Cumulative Fund return in positive market	9.28%	20.53%	N/A	N/A	N/A	29.82%
Cumulative Index return in positive market	22.36%	87.69%	N/A	N/A	N/A	193.68%
Up Capture Ratio	41.52%	23.41%	N/A	N/A	N/A	15.40%
Performance in Negative Markets	12 months	24 months	36 months	48 months	60 months	Inception
Number of months market was negative	6	11	N/A	N/A	N/A	14
Fund % positive months, when market negative	67%	45%	N/A	N/A	N/A	50%
Cumulative Fund return in negative market	2.69%	-3.23%	N/A	N/A	N/A	-0.46%
Cumulative Index return in negative market	-12.83%	-52.18%	N/A	N/A	N/A	-57.58%
Down Capture Ratio	-20.93%	6.20%	N/A	N/A	N/A	0.80%

## 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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