

The Income and Growth Fund

Dear Investor,

We enclose the October 2022 update for the PURE Income and Growth Fund.

The PURE Income and Growth Fund is open for investment.

Foundation Class Portfolio Returns (After Fees)

The PURE Income and Growth Fund returned +0.9% in October 2022.

	1 Month	3 Month	6 Month	1 Year	3 Years	Since inception
Returns (%) p.a.	+0.9%	-2.4%	-2.7%	-4.2%	+15.5%	+14.4%
St Dev (Annualised %)				4.7%	14.0%	12.5%
Sortino Ratio						3.1
Sharpe Ratio						0.9

**After fees and assuming reinvestment of all income distributions. Fund inception 21 December 2018.*

Fund overview as at 31 October 2022

Funds Under Management	\$151.9m
Since Inception Annualised Return After Fees (Foundation Class, Dist. Re-Invest)	+14.4%
Foundation Class Current Unit Price	\$1.2641
Total Distributions Paid After All Fees	38.1cpu
Number of Investments	29
Average Loan Size	\$5.1m
Weighted Average Portfolio Interest Rate	9.7%
Total Establishment and Arrangement Fees Paid to Investors (Gross)	\$3.6m

Current Portfolio Exposure

Fixed Income	66.8%
Equity/Warrants	13.9%
Cash	19.3%
Total	100.0%

PURE online application form

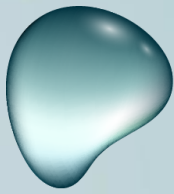
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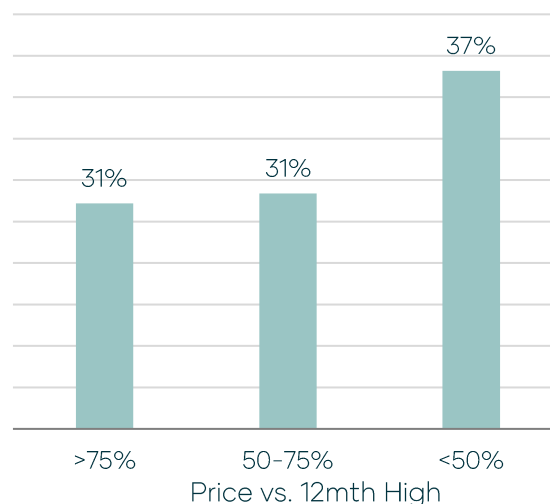


Portfolio Summary

Equities regained upward momentum in October, despite Central Banks continuing the aggressive removal of financial liquidity. The ASX Small Industrials Accumulation Index reclaimed 7.4% for the month, with astute investors finding value in a range of emerging 'wounded athlete' opportunities.

The selling of small caps has been largely indiscriminate in 2022. At the end of October 90% of small caps had suffered a share price decline. Of these, 31% have fallen over 50% from their highs, and a further 31% falling over 75%. To quote the illustrious Maverick from Top Gun, "This is what I call a target-rich environment."

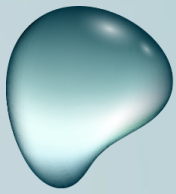
Small caps share price declines from 12-month highs



In many cases, these falls are dislocated from the underlying operating performance of the businesses themselves. Within the portfolio, for example, Swift (SW1), Xref (XF1), Mighty Craft (MCL) and Carbonxt (CG1), have all reported record operating performance, and expectations that this will continue, but their share prices have been savaged.

Australian leading growth indicators continue to weaken, but do not reflect calamitous levels. The Australian Markit Composite PMI shrank to 49.8 in October, signalling that the private sector shrank for the first time since the January 2022 lockdowns, albeit modestly. With the RBA raising interest rates by 275 basis points year to date, and c.\$2 trillion of domestic mortgage debt, it's remarkable that we have not witnessed a more profound slowdown.

While interest rates keep rising, contrary to popular opinion, the consumer is yet to capitulate. Retail sales posted 18.6% growth on the Sept 21 quarter, albeit a period heavily impacted by the pandemic. Adding to the intrigue, discretionary spending was the category exhibiting the most growth, with households continuing to spend their pent-up pandemic savings. This resilience continues to defy the doomsday predictions of market pundits. The upcoming Black Friday, Cyber Monday, and Christmas Sales will be pivotal in determining Australia's 2022 exit velocity.



The Fund, posted +0.9% return for the month. The key positive contributors were two companies we believe have a bright future, Hydralyte (HPC) and Mighty Craft (MCL). The fund has increased its exposure to both positions during 2022, and it was pleasing to see ASX investors' thinking align with our own.

We discuss some of the investments in the portfolio below.

Ordermentum (Private)



It was pleasing to see some positive media exposure for Ordermentum, a much-loved private investment with the Income and Growth Fund. Adam Theobald, Founder and CEO of Ordermentum, was interviewed by the AFR recently on the topic of consumer spending. The platform continues to perform exceptionally well, with gross merchandise value now exceeding \$1b on an annualised basis.

Management is keeping a watching brief on the state of the consumer, which to date has remained somewhat 'habitual' when it comes to coffee intake. It's likely that tougher times are coming for most businesses exposed to consumer spending, yet Ordermentum's dominant market position, along with an ability to pass-on inflation, suggests the Company is well positioned to continue its rapid growth.

Please [click here](#) to access the full article.

DXN Ltd (DXN.AX)



In a frustrating turn of events, the Foreign Investment Review Board (FIRB) has not approved the previously disclosed transaction involving Flow2Edge Pty Ltd ("Flow") and DXN. Under this agreement, Flow was to acquire DXN's EDGE module manufacturing subsidiary for \$20m.

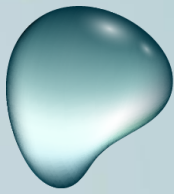
With DXN isolating the sale to just its manufacturing subsidiary (rather than including its datacentres under the previous proposal), all parties believed that the transaction would be approved. Although disappointing there is reasonable scope for optimism.

The Company has announced the following path forward for to its two business units:

i) EDGE Module Manufacturing Business

The Board intends to consider alternative strategic options for its EDGE manufacturing business, potentially including an alternative opportunity to partner with Flow. This opportunity may take the form of a license and distribution agreement.

ii) Data Centre Businesses



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DXN previously stated that it would consider strategic options for its datacentre businesses. The Company has received non-binding indications of interest to acquire these assets and negotiations are being progressed with the interested parties.

While disappointing to see the transaction fall over, ironically we were originally disappointed when the proposed transaction was announced. The EDGE Module Manufacturing Business had been performing well and we were enthusiastic about its potential. Although the one-off benefit of a takeover premium was attractive, if the Company can execute the sale of its datacentres at a reasonable price and reach a commercial agreement with Flow, we would expect the shares to perform.

In the event of the sale of the datacentres, DXN would be well capitalised and consequently there's a high likelihood that our facility would be repaid prior to maturity. This would leave the PURE Income and Growth Fund with very little capital at risk, but with shares and warrants equating to 16% of the company.

Mighty Craft (MCL.AX)



Mighty Craft was significantly impacted by the COVID pandemic, so it's pleasing to see the thesis is still firmly intact.

The Company released a pleasing September quarter report, showing cash receipts of \$20.7m (+81% on pcp). The current quarter has also started exceptionally well, with October alone reporting sales of \$9m. This compares to \$9.2m in **annual** sales in FY20, immediately prior to our first investment in August 2020.

The strong start in October provides an excellent platform ahead of the bumper November / December period. Based on current momentum, this should translate to a top-line result well in excess of \$30m for the quarter, we estimate, which would be a record.

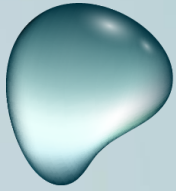
We also understand Better Beer has enjoyed a strong launch in NZ, and the team is now assessing commercial opportunities in the UK market. Coupled with a (hopefully) uninterrupted summer in Australia, we're optimistic that the Better Beer story can go from strength-to-strength.



While the Mighty Craft thesis has taken longer and cost more – two common traits of emerging companies – the Company appears to have some clear air ahead. We look forward to reporting the results of the current quarter.

www.puream.com.au  contact@puream.com.au

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Orbx (Private)

orbx

Specialising in the design and development of flight simulation content, Orbx hasn't lived up to our growth expectations since investing \$2m in December 2020. The Company raised \$10m at this time to embark on an organic and acquisitive growth journey. These funds remain largely undeployed today, and while the business has grown, we expected more progress. As such, we have elected to have the investment repaid at face value plus accrued interest. It's our belief this capital can be redeployed elsewhere to achieve a better outcome for unit holders.

Fundraising

Market conditions have become extremely favourable to PURE's hybrid investment strategy.

When valuations have declined markedly but you're not sure if there's still more to come, exposure to convertibles can be a great way to:

- 1) not miss the upside should markets or an individual equity exposure begin to perform, whilst,
- 2) minimising your exposure to further drawdowns, and
- 3) getting paid to wait for the equity thesis to perform, through the coupon of the debt

Or put another way – why try and catch the proverbial falling knife when you can get paid to wait for it to hit the floor and bounce?

We believe equity-like returns can be earned via credit instruments possessing upside optionality. As such, both PURE Funds are actively raising capital over the coming weeks to facilitate an expanding pipeline of opportunities.

We are determined to capitalise in these conditions. As such, the PURE Income and Growth Fund is actively embarking on a fundraising campaign. If you would like to invest with the PURE team, please access the online application form via the Olivia123 link below:

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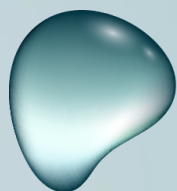
The greatest compliment our investors can give is the referral of friends, family and associates. If you know of other investors who are seeking additional investment opportunities, please feel free to contact us at any time.

We thank you for your support.

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

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Monthly Returns – After Fees

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

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

Unit Price Data Download

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

[The Income and Growth Fund – unit price data to 31 October 2022](#)

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