

PURE Income and Growth Fund

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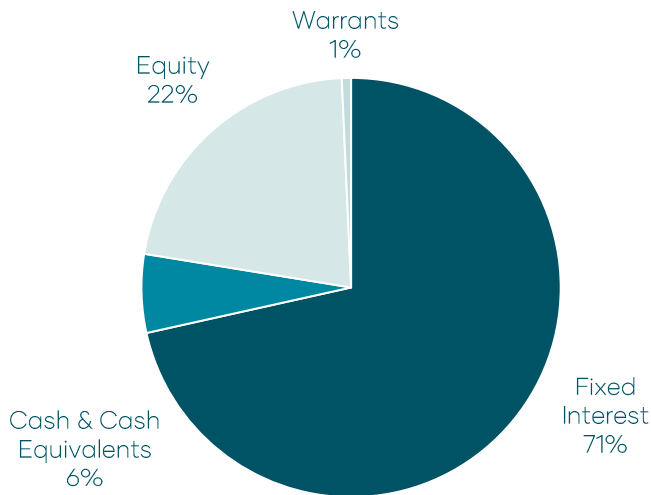


Foundation Class Portfolio Returns (After Fees)

	1 month %	3 Months %	6 Months %	1 Year %	3 Years % p.a.	Since inception* % p.a.
PURE Income and Growth Fund	-0.2%	+0.4%	+1.2%	+6.9%	+0.9%	+10.1%
Standard Deviation (Annualised %)				2.7%	4.6%	10.6%
Sortino Ratio						1.2
Sharpe Ratio						0.5

* Fund inception 21 December 2018

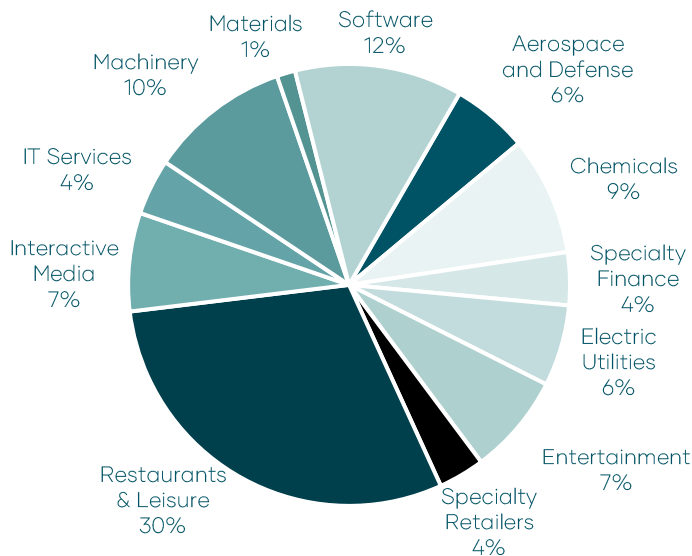
Portfolio Asset Allocation



Fund Overview

Fund Size	\$108.0m
Foundation Class Unit Price	\$1.1733
Number of Investments	13
Average Loan Size	\$5.7m
Weighted Average Interest Rate	10.9%
Arrangement Fees Paid to Investors	\$4.4m
Trailing Fund Yield (12m) Est.	5.4%

Fixed Interest Sector Allocation



Monthly Commentary

Australia equity markets generally moved higher lifted by rampant US indices as investors viewed the Republican clean sweep as 'pro-growth'. The corresponding surge in bond yields warrants pause for thought, however, with yields posing a headwind to lofty valuations. Despite improving performance during 2024, microcaps were again left behind, with the MSCI Microcap index down 1.8%.

Frustratingly, several of PURE's small caps softened in November, creating a headwind and offsetting the fixed-income returns. Operationally however, good progress is being made in many companies. This is all we can ask of our management teams. DXN was the key detractor, following an equity raise, but nevertheless is still up +200% for the year. As promised, this month we provide a detailed insight into Better Beer.

As we approach the festive season, we would like to thank all investors for their support in 2024. The year has been filled with challenges and learnings, and we exit the year as better managers for the experience. We wish you all a fantastic holiday break and a prosperous 2025.

PURE online application form

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As discussed previously, the Fund, by design, is both credit and equity investor. Our private equity investments do not mark to market with changes in the index, but rather have a flat carrying value until there is third-party validation requiring us to adjust it. In the meantime, they have no impact on the monthly Fund performance.

Given large positions in Ordermentum and Better Beer (collectively 25% of the Fund), we thought it beneficial to provide an insight into these investments, in the hope that you will appreciate why we have confidence in these companies, and therefore the Fund's future performance. Having written up Ordermentum last month, this month we have provided details of Better Beer.

Better Beer

Following the success of our Deed of Company Arrangement, which saw PURE take control of Mighty Craft (MCL.ASX), we immediately moved to remove costs, reducing costs at head office by reducing employees from 26 to 4. This had very little impact on the underlying businesses, which are largely self-managed. Mighty Craft has been breakeven since we took control of the Company.

Last week, the Court approved PURE's ownership of the shares of Mighty Craft and the Fund (and co-investors) are now the owner of the following:

- 100% stake in Mighty Craft Pty Ltd (75% Fund, 25% co-investors)
- 65% stake in Seven Seasons (75% Fund, 25% co-investors)
- 100% stake in Kangaroo Island Distillery (100% Fund)
- 33% stake in Better Beer (75% Fund, 25% co-investors)

Mighty Craft

We have retained the Might Craft shell company with a view to merging with Better Beer's other shareholders in the New Year. At this point, Mighty Craft is continuing to maintain some of its historical operations on behalf of Better Beer and the consolidation into this vehicle will simplify the structure and, subject to ATO interpretation, will allow us to preserve the tax losses. This will mean that no tax will be payable on operating profits for the foreseeable future, and should the business be acquired, a proportion of the capital gain will be tax free. The tax losses are estimated at \$90m.

Seven Season

We have sold 45% of the shares in Seven Seasons to the founder, for \$573,000 which will be shared between co-investors and the Fund. We will retain a 20% stake as the business' potential is promising, and improved with independence, which we hope will allow the Company to capture the benefits of its indigenous brand.

Kangaroo Island Spirits

We have set up new IT systems which will allow Kangaroo Island Spirits to operate independently and shortly it will be extracted from Mighty Craft to become wholly independent and owned by the PURE Income & Growth Fund. The business is profitable, has an excellent management team, a strong established brand and great infrastructure.

We provided information on this business in June 2024 – [Link here](#)

Better Beer Merger

In January we expect to execute the agreed merger between Better Beer and Mighty Craft, completing the transaction that has been envisaged for over a year.

The revised ownership structure will be as follows:

PURE Asset Management	Income & Growth Fund	24.75%
PURE Associates	Co-investors	8.25%
Matt Ford	Inspired Unemployed	23.00%
Jack Steele	Inspired Unemployed	23.00%
Nick Cogger	Co-founder, CEO	18.30%
Others	Existing BB shareholders	2.70%
Total		100.00%

Background to Better Beer

Better Beer was launched in November 2021 and was the brainchild two tradies-turned-comedians, The Inspired Unemployed, and the founder of Torquay Beverages' Nick Cogger, who is Better Beer's CEO.

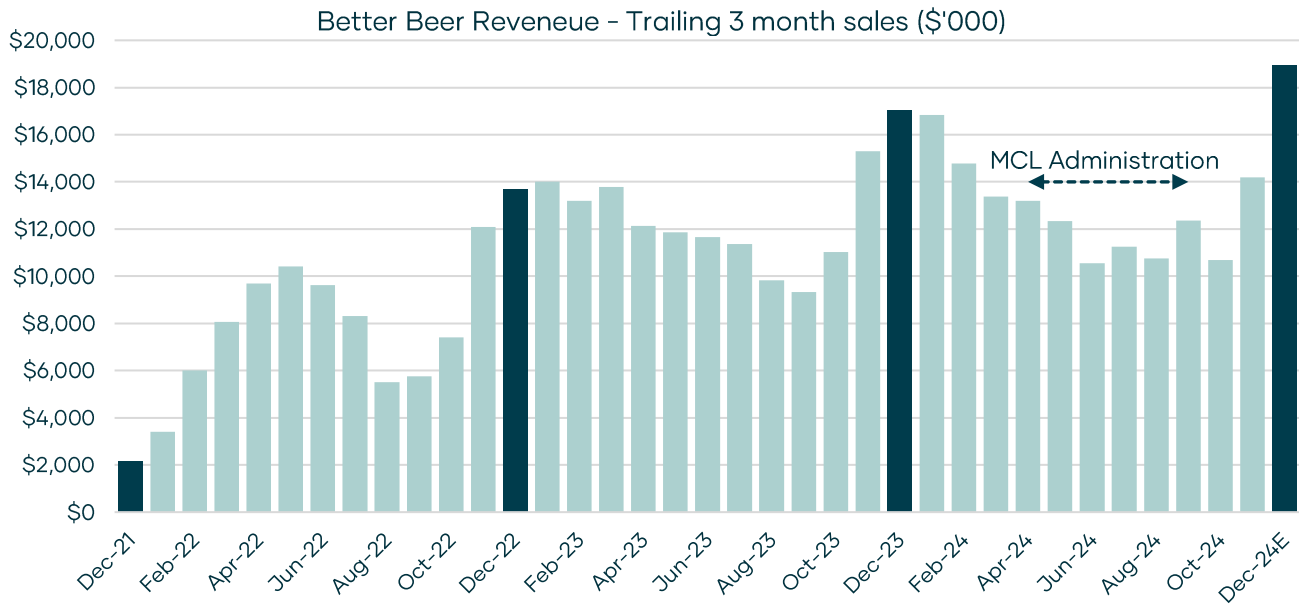
The Better Beer founders teamed up with Mighty Craft to support the launch and provide capital, which was largely funded by PURE. The idea was to create a low-carb / low calorie beer (see below) targeting the younger, more health-conscious generations



The concept of both the product and the brand was a success from the start, with Endeavour Group (Australia's largest liquor retailer with ~45% market share across Dan Murphy's and BWS) agreeing to stock the product nationwide.

The brand (which targeted mainstream beer rather than a craft beer) has continued its growth trajectory and now has six products, albeit the original low-carb beer is still accounts for the majority of sales. Unusually for an emerging business, Better Beer managed to achieve this growth without incurring any meaningful losses.

The lack of capital and diversions of an aborted merger with Mighty Craft and subsequently the Administration of Mighty Craft, has impacted the growth rate over the last 12 months, but with the Better Beer now profitable and largely free of distractions, there is evidence in recent months that the growth trajectory has been reestablished.

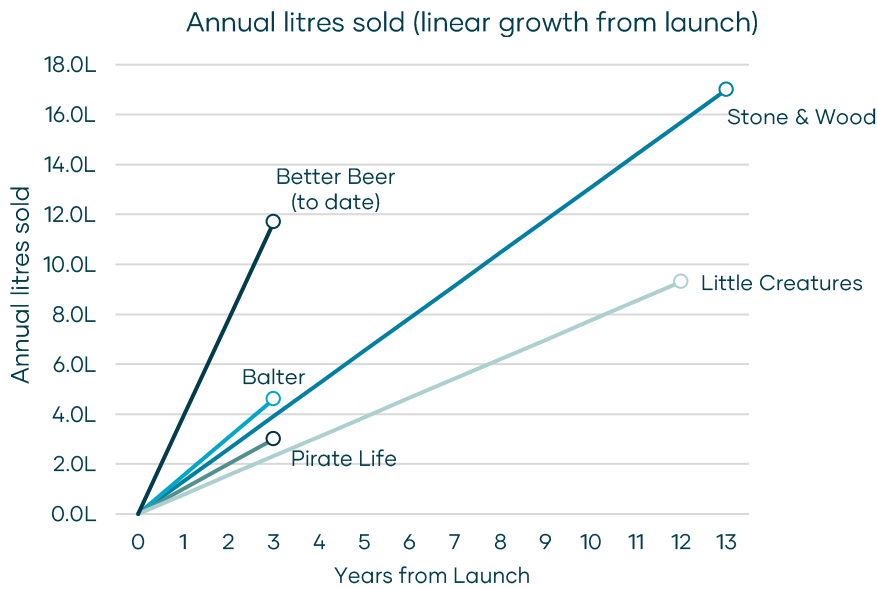


Better Beer has been the fastest-growing scaled beer brand since Great Northern (Australia’s number one selling beer) was launched by Carlton & United Breweries (CUB) in 2010.

It is now an established consumer brand with ~75m annual retail sales value per annum. This achievement should not be under-estimated, as is illustrated by the following:

- Based on data we have, Better Beer’s zero carb beer is a top 20 selling beer brand in the stores in which it is stocked.
- Coopers Brewery has two products in the top 20, and outside of that, all other top selling beers are owned by just two dominant companies (Lion Nathan and CUB).
- In three years, Better Beer has grown from start-up to an expected ~15 million litres in FY25, in that time Coopers Brewery, the largest independent, which sells 79 million litres, has not reported any growth.

To put Better Beer’s achievement into further perspective we have compared its growth against four beer companies that, over the last decade, have all been acquired by either CUB (now Ashai Breweries owned), or Lion Nathan (now Kirin Holding owned). Annual data is limited, so we have simply looked at the volume of sales when acquired, versus time from launch to acquisition, and plotted it in a linear fashion.



Acquisition valuations

The valuation of these business when acquired is detailed below.



\$500m



\$200m



\$80m



\$380m

Other acquisitions (for which the data is limited) in the last decade include:

Mountain Goat Beer; Two Birds Brewing; Australian Beer Co.; Little Bang Brewing Company; Vale Brewing; Waterloo Brewing; Green Beacon Brewing Co; Feral Brewing; 4 Pines Brewing; and Matso's.

Growth path and the plan from here...

PURE and Better Beer have agreed to merge Better Beer into the Mighty Craft early in the New Year. This will simplify the business further, and PURE's involvement will move back to being an investor with Board representation.

PURE has appointed Grant Peck as its director. Grant's previous industry experience was CFO of Lion Nathan, and other senior roles at CUB and Beringer Blass Wines.

Management's aim is to restore the growth rate through new marketing initiatives, while keeping the business lean, profitable, and dividend paying, with the first dividend expected to be paid in January 2025.

Post the Administration Better Beer has moved to simplify its business model, in essence largely disengaging Mighty Craft's role of sales & distribution. Better Beer currently outsources the brewing to Casella Family Brands, who will now also offer retailer in-store support and distribution.

[Casella Family Brands announces the distribution of the Better Beer company's portfolio in Australia - Casella](#)

The merged Mighty Craft/Better Beer entity, will continue its role managing invoices and payments, forecasting production requirements and, crucially, marketing (see Brand Growth below).

The risk to the business is naturally higher by outsourcing many of the key functions of being a beer company, but the relationship with Casella is strong, and the simplicity of the model means there are very low overheads, and therefore a high proportion of the gross margin will drop through to the bottom line.

Despite a 30% reduction in Marketing expenditure in 2024, the quarter to December will be a record with revenues of ~\$19m (+11% on pcp).

This is a slowdown on 24% growth for the same period last year, but as well as the lower marketing investment, this is because of the distractions of the past year, the soft beer market generally and the transition of sales support from Mighty Craft to Casella Family Brands.

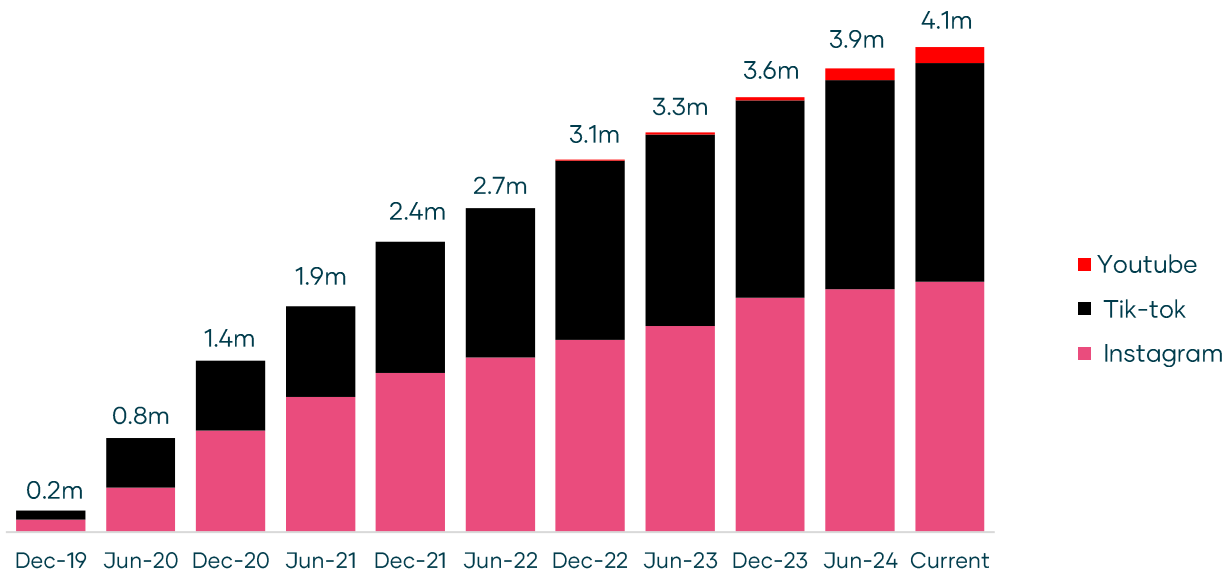
With Company now profitable (1H25 Net Profit: +\$2.5m) and the team now refocused on growth, we believe there is room for optimism that year-on-year growth will reaccelerate, with several new initiatives slated for launch in 2025.

Brand Growth

Better Beer has largely developed its brand through innovative promotional initiatives from the entrepreneurial CEO, Nick Cogger, and the social media success of The Inspired Unemployed, whose star continues to rise.

The Inspired Unemployed are one of the most followed social media stars in Australia. In addition to the +4m social media followers, the duo has also had a successful TV show, with another scheduled for release in 2025.

Inspired Unemployed Social Media followers



Distribution Growth

Until October 2024 the brand was stocked exclusively by Endeavour Group (Dan Murphy and BWS) in about 2,000 stores (45% market share of retail sales).

Since exclusivity came to an end in October 2024, the product has been picked up by:

- IGA (Cellarbrations, Thirsty Camel, Bottlemart, The Bottle-O, Liquor Legends).
- Coles Queensland (Liquorland and First Choice Liquor).
- Multiple smaller independents chains.

It is now stocked in +4,000 stores (adding about ~20% market share of retail sales).

We would hope that Coles will stock the brand nationwide in 2025, lifting the products exposure to about ~80% of the retail market.

Beer Market

Although beer has been in decline over a long period due change in consumer tastes to wine, spirits and ready to drink brands (premixed drinks), it is nevertheless still an enormous opportunity with consumer sales of c\$14 billion annually. Approximately 75% of the market volume is retailers (off-premise), with the 25% sold in pubs and bars (on-premise).

Better Beer is largely an off-premise product currently, but with a new distribution partner (which will improve fulfilment and sales support) the Company will have improved capability to more effectively target the on-premise opportunity.

What could Better Beer be worth?

Ultimately, we expect the brand will be acquired.

Typically, the valuation yardstick for beer company acquisitions has been a “multiple of litres sold”. This is because large acquirers have their own infrastructure (sales support, distribution, brewing and access to taps in pubs and bars), and therefore, what they are interested in is consumer demand, not the target’s profitability.

Once the volume is moved in-house, the profit margins are enhanced due to these economies of scale. Selling beer in Australia is very profitable for the majors, which enjoy gross margins of +40%.

We estimate, in the hands of a major, Better Beer would generate \$20–30m gross profit on FY25 revenue.

Our research has shown that the lowest price paid for a scaled beer brand has been \$10 per litre of sales (highest price has been \$43 per litre).

Better Beer is expecting to sell +15 million litres in FY25.

Below we have looked at different growth scenarios and takeover valuations.

		Valuation of Better Beer based on Price Per Litre>>>				
		\$5.00	\$7.50	\$10.00	\$12.50	\$15.00
Annual Litres Sold						
Current	12.0 litres	\$60m	\$90m	\$120m	\$150m	\$180m
FY25	15.0 litres	\$75m	\$113m	\$150m	\$188m	\$225m
Growth scenarios	17.5 litres	\$88m	\$131m	\$175m	\$219m	\$263m
Growth scenarios	20.0 litres	\$100m	\$150m	\$200m	\$250m	\$300m
Growth scenarios	22.5 litres	\$113m	\$169m	\$225m	\$281m	\$338m

The impact on the Fund from an acquisition based on this volume/price analysis is detailed below.

		Change in PURE Fund unit price >>>				
		\$5.00	\$7.50	\$10.00	\$12.50	\$15.00
Annual Litres Sold						
Current	12.0 litres	-3%	+3%	+10%	+17%	+24%
FY25	15.0 litres	+0%	+8%	+17%	+25%	+34%
Growth scenarios	17.5 litres	+3%	+13%	+23%	+32%	+42%
Growth scenarios	20.0 litres	+6%	+17%	+28%	+39%	+51%
Growth scenarios	22.5 litres	+8%	+21%	+34%	+46%	+59%

Portfolio Liquidity

With the majority of portfolio assets not realisable in short-order, 2024 has been a challenging year for the Fund in terms of liquidity. While corporate activity has assisted, the Investment Team have worked hard to balance liquidity requests with the day-to-day management of the portfolio.

While further corporate activity and repayments reside within the portfolio, the timing of such realisations cannot be relied upon. As such, the Trustees of the Income and Growth Fund have resolved to suspend redemption requests until 30 June 2025. The Trustees believe this decision to be in the best interests of all unitholders and the underlying portfolio.

The Investment Team have conducted a several restructures in 2024, and in many cases, there may be a perception that value is lost. An example of this is the recent administration of Mighty Craft. In reality, PURE has emerged with the ownership of highly valuable assets which continue to trade well. Better Beer is on track to deliver its entire FY25 targeted profit forecast in the December half and remains highly susceptible to corporate activity. This is just one example within the portfolio.

In the instance investment realisations eventuate and liquidity can be provided earlier, unitholders will be informed at the appropriate time.

Thank you

Nick, Mike, Tim, Dan, Jonathan and Sibghat.



Monthly Returns – After Fees

The Income and Growth Fund – Foundation Class													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY19						2.4%	-1.8%	1.2%	0.3%	-1.0%	2.5%	1.7%	5.4%
FY20	2.6%	-1.4%	2.1%	1.4%	-0.8%	3.8%	2.8%	-2.2%	-3.8%	3.8%	5.7%	0.7%	15.0%
FY21	15.9%	8.8%	-1.0%	12.2%	0.7%	2.6%	-1.0%	-1.0%	-3.5%	2.1%	0.0%	0.8%	40.9%
FY22	3.4%	-3.2%	2.3%	1.2%	-2.2%	1.0%	-0.1%	-2.3%	1.6%	0.5%	-0.5%	-1.0%	0.5%
FY23	1.3%	-1.7%	-1.6%	0.9%	-5.7%	0.1%	0.2%	0.3%	0.2%	0.1%	0.4%	0.3%	-5.3%
FY24	0.5%	0.5%	0.7%	0.0%	0.7%	1.1%	-0.1%	0.2%	0.6%	2.8%	0.9%	0.6%	8.7%
FY25	0.4%	-0.2%	0.6%	0.0%	-0.2%								0.6%

The Income and Growth Fund – Platform Class (APIR: PUA7226AU)													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY21	16.0%	8.9%	-0.9%	12.4%	0.7%	2.7%	-0.9%	-1.0%	-3.5%	2.1%	0.0%	0.8%	41.8%
FY22	3.4%	-3.2%	2.3%	1.2%	-2.2%	1.0%	-0.1%	-2.3%	1.6%	0.5%	-0.5%	-1.0%	0.5%
FY23	1.3%	-1.7%	-1.6%	0.9%	-5.7%	0.1%	0.3%	0.3%	0.2%	0.1%	0.5%	0.3%	-5.3%
FY24	0.5%	0.5%	0.7%	0.0%	0.7%	1.1%	-0.1%	0.2%	0.6%	2.8%	0.9%	0.6%	8.7%
FY25	0.4%	-0.2%	0.6%	0.0%	-0.2%								0.6%

Unit Price Data Download

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

[The Income and Growth Fund – unit price data to 30 November 2024](#)

Distribution Re-Investment Plan (DRP)

If you are interested in electing to have DRP for your portfolio, please [click here](#)

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