

Annapurna MicroCap Fund

31 May 2021

**Annapurna
Microcap
Fund**

The Annapurna Microcap fund is a high conviction Nanocap, Microcap and Smallcap fund managed by leading Microcap professionals. The fund aims to deliver superior risk-adjusted returns through the investment cycle while protecting client's invested capital.

	1 Month	3 Months	6 Months	Inception (%pa)
Performance (Net of Fees)	-1.12%	-0.04%	7.10%	13.67%

Growth of \$10,000



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Source: XRF Scientific - depicted is some of XRF's products in use in Mineral testing. We believe the outlook for this company continues to be extremely strong.

Month End Exposures	Current	Monthly Move
Communication Services	5.5%	+0.5%
Consumer	10.7%	+1.8%
Energy	0.4%	+0.4%
Financials	18.9%	+2.1%
Health Care	17.9%	+3.3%
Industrials/Real Estate	7.6%	+1.0%
Information Technology	16.6%	-0.9%
Materials	12.1%	-5.2%
Number of Positions	30	-6
Gross Equity Exposure	89.7%	+3.0%
Cash Weighting	6.9%	+5.6%
Net Equity Exposure	89.7%	+3.0%

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Commentary

The Annapurna Microcap fund declined by -1.12% in a volatile market.

Concerns about rising inflation (including within Commodities) impacted the market and demand for high growth stocks in the first few weeks of May. Annapurna has solid positions in industrial base metals and is set to benefit from inflation in these sorts of commodities (Nickel/Copper).

Contributors included The Market Herald (TMH). THM has in the past reported strong financial results and continues to benefit from increasing real time consumption of financial information. Alcidion (ALC) contributed strongly after being selected as the preferred tender for a defence based health software contract. We have since taken a few profits. Other contributors included bioplastic play Secos (SES) that recovered after cost pressures within the 3rd quarter. XRF Scientific continues to benefit from strong demand for its high tech mineral testing equipment while SDI (SDI) upgraded profit guidance due to strong post pandemic demand for dental services and aesthetic dental products. Detractors include Raiz (RZI) and Paygroup (PYG) both of which raised capital in the preceding month or two for growth initiatives and created new share supply that reduced on market demand for their shares. Pentanet (5GG) gave back some past strong performance as a new competitor emerged into their main WA Market. We still see the smaller players as able to take share from the dinosaurs within the broadband industry.

In other portfolio news, right on month end, Dragontail Systems (DTS) received a takeover bid from the much larger YUM brands. We believe that Dragontail have developed some very strong technology and we watch the outcome with great interest.

The fund has actively invested in de-carbonising industrial metals. We note the Tesla and mining industry experts are increasingly talking about this ongoing change. Our in-house resources expertise enables us to actively invest in this thematic with confidence, differentiating us from many microcap funds.

Fund Characteristics

FUM	AUD \$2.3m
Portfolio Managers	Bill Laister and Stephen Scott
Strategy	Nanocap/microcap and Small cap stocks. The fund is focused on Australian opportunities but can invest in international microcap and small cap stocks
Objectives	The fund aims to deliver superior risk adjusted returns through the investment cycle while protecting client's invested capital. The fund will aim to limit capacity to \$50m or below.
Return Target	To return 10% p.a net of fees over a 3-5 year investment cycle
Number of Stocks	Concentrated NanoCap/Microcap portfolio of 20- 50 stocks
Cash	Able to use cash/shorting/gearing up-to 130% as opportunities arise
Distributions	Annually
Management Fee	1.025%
Buy/Sell	Daily Application, Monthly Redemption (Minimum of 90 days' notice prior to a Redemption Day)
Performance Fee	20.5% pa of the amount by which the NAV per unit exceeds the High Water Mark once the fund achieves its 6% hurdle



Stephen Scott
Annapurna Microcap Fund - Portfolio Manager

- ▶ Responsible for the management of the microcap fund
- ▶ Long track record in the nanocap and microcap investing
- ▶ Over 25 years funds management experience domestically and globally

Over 25 years experience and a leading emerging companies / microcap portfolio manager. His roles have included Head of Research, Senior Portfolio Manager, Microcap Industrial Analyst and Senior Analyst. Stephen has been involved in portfolio management and construction, economic analysis and securities research throughout his career and was part of the largest microcap investment team and mandate in Australia.

Stephen has both domestic and global experience having worked in London, New York and Sydney in Senior funds management, investment research and management roles. Stephen has worked for Westpac, Deutsche Asset Management, Ord Minnett, Contango Asset Management, MAP Capital and Taylor Collison.



Bill Laister
Annapurna Microcap Fund - Portfolio Manager

- ▶ Responsible for the management of the microcap fund
- ▶ Long track record in the nanocap and microcap investing
- ▶ Over 30 years funds management experience

Over 30 years experience in the financial services industry as Senior Portfolio Manager, Head of Australian Equities, Head of Trading and Resources Analyst. He has worked at several organisations as Senior Portfolio Manager at Contango Asset Management (initial shareholder, 1999), Head of Australasian Equities HSBC AM, Director Contango MicroCap Ltd (ASX listed) and various roles at Wilsons & Co and Morgans Stockbroking in the 1980s.

Bill has been involved in resources analysis, portfolio construction and management through out his career. He launched the first Australian MicroCap mandate in 2004 and grew FUM to be the largest in the local market. He travels regularly reviewing greenfield sites, mining operations and growth opportunities for companies.

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