

Annapurna MicroCap Fund

30 September 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	1 Year	Inception
Performance (Net of Fees)	-1.47%	6.78%	13.09%	24.97%	24.97%

Inception Date: 1-Oct-20

Growth of \$10,000



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Source: Atomo Diagnostics (AT1) has previously developed a rapid AIDS test and has expanded into COVID antibody and antigen tests.

Month End Exposures	Current	Monthly Move
Communication Services	9.2%	+3.4%
Consumer	9.5%	0.0%
Energy	2.5%	+2.5%
Financials	15.6%	-2.9%
Health Care	16.3%	+3.2%
Industrials/Real Estate	8.6%	+0.9%
Information Technology	19.3%	-6.9%
Materials	15.1%	+2.8%
Number of Positions	36	+6
Gross Equity Exposure	96.0%	+3.0%
Cash Weighting	4.0%	-3.0%
Net Equity Exposure	96.0%	+3.0%

George Boubouras
Head of Research
research@k2am.com.au

Marcela Tirado
Client Services
invest@k2am.com.au

Stephen Scott
Portfolio Manager
scott@k2am.com.au

Commentary

The Annapurna Microcap fund fell 1.47% in September and has returned +24.97% for the past year. Looking forward, the Annapurna fund is well positioned for the upcoming 4C reporting season in October. We are focussing on growth sectors such as health, technology, decarbonising metals, financial technology, mining service technology and transport and logistics needed to power e-commerce.

Stocks that contributed to the fund included: Arafura (ARU). Arafura continues to benefit from the carbon neutral thematic as global governments and industries announce strategies to achieve neutrality by 2050. The Australian govt has shown strong support for their Nolan's rare earth project, signing non-binding letters with 2 government agencies for a total of \$300m of potential debt. Atomo Diagnostics (AT1) has previously developed a rapid AIDS test and has expanded into COVID antibody and antigen tests. We anticipate high levels of demand for rapid testing within Australia as we re-open in a cautious way and AT1 is well positioned for this. We also believe that rapid AIDS tests continue to be an important category (globally). Pureprofile (PPL) performed well. High level of demand and a solid growth outlook coupled with good relative and absolute value attracted us to this business. Pureprofile provides data and insights to ecommerce providers via the use of paid for surveys and detailed digital profiling. Upcoming changes to EU privacy regulations and ongoing demand within ecommerce are demand drivers. SRJ (SRJ) Technologies provides a range of weld free and leak containment solutions for the offshore and onshore oil and gas global industry. The recent strength in the oil and gas price has benefitted the whole sector as well as announcing their first contract with Abu National Oil Company (ADNOC) where SRJ will design manufacture and instal pipeline solutions. Three of these AT1, PPL and SRJ were contributors were newly established positions for the fund, and this was a pleasing outcome.

Detractors for the fund included Raiz (RZI) that reported a 249D notice had been received to commence a board room spill. This notice was retracted, and this led to some constructive leadership changes as well as the underlying business reporting solid metrics. Raiz remains one of our top 10 holdings.

Fund Characteristics

FUM	AUD \$2.1m
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	The Fund may hold up to 20% cash.
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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