

Annapurna MicroCap Fund

30 June 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
Performance (Net of Fees)	2.96%	5.91%	8.61%	17.04%

Inception Date: 1-Oct-20

Growth of \$10,000



Annapurna Microcap Fund

Source: Maxitrans. Annapurna has recently established a position in Maxitrans (MXI). Maxitrans manufactures-supplies and retails trucks parts and truck trailers. Maxitrans is set to benefit from a stronger domestic economy, recently upgraded plant and improved agricultural volumes.

Month End Exposures	Current	Monthly Move
Communication Services	5.0%	-0.2%
Consumer	7.6%	-0.4%
Financials	16.8%	+0.9%
Health Care	12.4%	-4.0%
Industrials/Real Estate	5.4%	-2.2%
Information Technology	18.4%	+1.8%
Materials	7.1%	-4.7%
Number of Positions	27	-3
Gross Equity Exposure	72.6%	-9.1%
Cash Weighting	27.4%	+21.3%
Net Equity Exposure	72.6%	-9.1%

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Commentary

The Annapurna Microcap fund performed well against tougher equity conditions returning +2.96% for the month of June to be up +17.04% since inception in October 2020.

The microcap segment is well placed to benefit from improving economic conditions, expanding aggregate earnings and excess liquidity from larger pension funds looking to diversify.

Strong positive contributors included Universal Biosensors (UBI), Raiz (RZI) and Maxitrans (MXI). UBI continues to attract interest with its wine testing technology and extend its intellectual property into other medical and related testing end uses. RZI continues to grow its user base and more importantly its funds under management with the company emerging as a significant fund platform in its own right. MXI was helped by strong rural and logistics (truck) demand in our view. Other performers include XRF (XRF) and Poseidon Nickel (POS).

The fund is generating strong performance from our industrial metals and resources holdings. We are different to most other Microcap funds in that we actively research and invest in metal and mining names.

Detractors included Pentanet (5GG), which was sold down following a capital raising, RPM Automotive (RPM) and Alcidion (ALC) both fell back after past strong performance. Panoramic (PAN) also declined despite minimal news flow.

Annapurna remains constructive on equity markets. We continue to see opportunities within Microcaps driven by their strong growth rates, nimble and committed management, ability to tap into pockets of new demand without trying to defend established market positions (and management hierarchies) and fresh thinking with respect to new markets and technology.

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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