

# Annapurna MicroCap Fund

## 31 October 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 (%pa)
Performance (Net of Fees)	2.28%	4.47%	11.19%	21.55%	25.43%

Inception Date: 1-Oct-20

### Growth of \$10,000



## Annapurna Microcap Fund

Source: Argosy - Rincon Lithium Project - 2,000tpa Operation Site Works in Progress.

Month End Exposures	Current	Monthly Move
Communication Services	9.4%	+0.2%
Consumer	7.5%	-0.8%
Energy	2.9%	+0.4%
Financials	15.7%	+0.1%
Health Care	12.7%	-3.6%
Industrials/Real Estate	8.6%	+0.0%
Information Technology	19.1%	-0.2%
Materials	16.8%	+1.7%
Number of Positions	37	+1
Gross Equity Exposure	92.7%	-3.4%
Cash Weighting	5.1%	+1.2%
Net Equity Exposure	92.7%	-3.4%

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### Commentary

The Annapurna fund increased by +2.28% in October. The fund's investments generally reported solid 4C quarterly cashflow.

Strong performers included Playside Studios (PLY), the business reported a solid quarterly cash flow result. Interest the computer and mobile gaming industry remains high. Playside's new (co-developed) game Age of Darkness debuted in the game platform Steam in the top 10. This is an extremely strong outcome. Argosy Minerals (AGY) owns 77.5% of the Rincon Lithium Project in Argentina, which increases to 90% ownership upon completion of 10ktpa operation. They recently announced they are 45% complete on the first 2kt lithium carbonate processing plant and are fully funded and expecting first production mid-2022. With current lithium prices remaining buoyant, the company will potentially generate significant cashflow in excess of their current feasibility study. PayGroup (PYG) also performed well after reporting solid results to Sept 2021 and strong annual recurring revenue growth. The business is well positioned to win further outsourced payroll and associated work into the future. Beam Communications (BCC) reported a strong quarter and continues to see strong sales growth of its Zoleo remote communication device, particularly into the North American market. Re-opening within the Australian market is also likely to be helpful for sales into Summer. Fiducian (FID) also performed well and is still able to put on financial planning groups while the majors remain highly distracted post the Royal Commission.

Detractors included Atomo Diagnostics (AT1) is awaiting further news flow around further approvals for some of its testing products. Pivotal Systems' (PVS) latest quarterly report (4C) saw an increase in working capital investment. Pivotal is a beneficiary of the surging semi-conductor demand, but they also need access to parts to construct gas flow regulators. We feel that some time is needed for further product development and for the supply chain to settle down and we have sold the position.

Annapurna Microcap Fund's point of difference from some other Microcap funds in the market is that we actively invest in both microcap resources and industrials.

### 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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