

Annapurna MicroCap Fund

31 December 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)	0.00%	1.55%	8.44%	17.77%	21.01%

Inception Date: 1-Oct-20

Growth of \$10,000



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Figure 1: Annapurna - We are looking forward to increased company field trips and company visits post the reporting season. We are ready to go.

Month End Exposures	Current	Monthly Move
Communication Services	11.2%	+0.4%
Consumer	10.1%	+0.7%
Energy	1.9%	-0.1%
Financials	11.2%	-4.1%
Health Care	6.6%	-2.6%
Industrials/Real Estate	12.1%	-1.3%
Information Technology	14.7%	-6.0%
Materials	16.7%	+1.1%
Number of Positions	35	-3
Gross Equity Exposure	84.4%	-11.9%
Cash Weighting	13.7%	+12.3%
Net Equity Exposure	84.4%	-11.9%

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Commentary

The Annapurna Microcap Fund was flat for the month of December and has returned +21.0% p.a. since inception (net, after all fees). Before mentioning some portfolio holdings, we thought it was pertinent to provide an outlook. 2022 begins with some similarities to 2021 and that is with COVID remaining as the dominant theme. This time there is enough evidence to say that Omicron will not be as anywhere near as deadly as the Delta variant.

We do think the biggest risk to equity markets will be further closures, both business and state borders and this will continue to cause supply issues, the outcome being more persistent inflation than normal. We expect returns for the Australian market of around the 10% range in 2022 and with more interest rate rises on the horizon, some healthy rotation will occur. This was evident towards the latter part of 2021 ie, (growth stocks underperforming value stocks).

That said, growth businesses will always be sought after, and smalls and microcaps will provide strong outperformance as a sector as well as strong diversification benefits from a portfolio basis. The strong performers include:

Playside Studios (PLY): The online games and metaverse space globally remain an attractive sector and the recent announcement signing with Shibu Inu to develop a multiplayer collectable card game opens a significant opportunity for both companies.

Firefinch (FFX): Strong performance over last 6 months sees it rise to our largest position in the portfolio. The recent \$100m capital raise now provides enough funds for the development of both their lithium and gold mine in Mali.

CTI Logistics (CLX): Benefitting from the increased economic activity as more goods and logistics are transported around the country, Stock offers good exposure to a cyclical recovery.

Argosy Minerals (AGY): The lithium stocks have remained strong. What we are impressed about this company is the measured way they are brining on their brine's operation in Argentina.

Fund Characteristics	
FUM	AUD \$2.2m
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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