

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	Inception (%pa)	Inception Date
Performance (Net of Fees)	5.5%	13.6%	1-Oct-2020
Average Net Exposure	94.8%	71.5%	



Figure 1: PayGroup (PYG) provide expert payroll and associated services to businesses in both Australia and increasingly Asia. Source: PayGroup

Month End Exposures	Current	Monthly Move
Communication Services	4.7%	+4.7%
Consumer	4.9%	+0.9%
Energy	1.5%	-0.2%
Financials	19.0%	+5.5%
Health Care	12.0%	-4.2%
Industrials/Real Estate	10.7%	+4.6%
Information Technology	16.9%	+4.6%
Materials	27.0%	+0.2%
Number of Positions	36	+5
Gross Equity Exposure	96.6%	+16.2%
Cash Weighting	3.4%	-4.0%
Net Equity Exposure	96.6%	+16.2%

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Portfolio Manager  
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### Commentary

The Annapurna Microcap Fund had a strong month with +5.5% return for January to be up 13.6% since inception. The microcap fund continues to search for new opportunities to gain access to the new corporate leaders of tomorrow.

Annapurna Microcap Fund offers diversified exposure to emerging companies with one of the most experienced microcap investment teams in Australia. The nanocap and microcap sectors are a different specialist segment and complement exposure to the broader equity market.

The fund benefitted from strong quarterly cash flow reports (4C) from some of its holdings and good early trading results from more established businesses. Key contributors included Pentanet (5GG), which IPO'ed well at the end of the month. Pentanet is rolling out high quality broadband services into the Perth market. Demand is set to be very robust and we believe Pentanet can take market share from others. Raiz (RZI) reported strong investor figures for December into early January, new and innovative customised portfolio products. Other strong contributors included environmental packaging manufacturer Secos (SES). Secos have developed a range of biodegradable plastic packaging products that are now in demand. Panoramic Resources (PAN) a nickel miner and explorer - also performed well during the month supported by robust nickel prices.

Detractors included Bisalloy (BIS) an advanced steel processor and Beam Communication (BCC) that gave back some gains after a strong announcement in December. We have also added PayGroup (PYG) into the fund noting a strong growth rates and leverage a rebound in employment both in Australia and Asia.

Annapurna invests in both resources and industrial shares in the microcap and nanocap sectors. The average market cap of our holdings (weighted) is \$120m - we are seeking to invest in tomorrow's leaders, today. Annapurna is also planning to limit scarce capacity within the fund at \$50m. Importantly the Portfolio Managers are material investors in the fund - right along with our investors. We continue to seek a good pipeline of well run, entrepreneurial business with sound financial structure emerge across growth sectors of the economy.

The fund has a minimum investment of \$5,000. Please reach out directly to PM Stephen Scott at [sscott@k2am.com.au](mailto:sscott@k2am.com.au) should you wish to receive further information.

\*The original version was incorrect. The average equity exposure was 72% since the fund launch.

### 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	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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