

Microcap Fund Launch

Annapurna

Stephen Scott and Bill Laister

Portfolio Managers – Annapurna Microcap Fund

Executive Summary



Our Belief

We can deliver superior risk-adjusted returns in microcaps through the investment cycle while protecting clients' invested capital

Summary

- ▶ **The Annapurna Microcap Fund** is a high conviction Nanocap, Microcap and Smallcap fund managed by leading microcap professionals with a long track record managing global Emerging Companies
- ▶ The Annapurna Microcap Fund will be managed by Stephen Scott and Bill Laister who previously managed the largest and longest running listed microcap fund in Australia
- ▶ The Annapurna Microcap portfolio managers will seed the fund
- ▶ The new Annapurna Microcap Fund is targeting \$50m. It will invest in both Australia and global microcaps
- ▶ Management fee of 1.0% (notably below peers) with a performance fee (PF)
- ▶ The Annapurna Microcap investment team are supported by a large and well resourced fund manager - K2 Asset Management (K2) which has a 21 year track record
- ▶ K2 will also oversee administration, legal and compliance

Our Aim

To achieve 10% p.a. net of fees over a 3 – 5 year investment cycle

Fund Summary

Annapurna Microcap Fund Structure



Source: K2 Asset Management, Annapurna Microcap Fund PDS

Track record investing in emerging companies

Annapurna Microcap Fund offers a diversified exposure to the ASX Small Cap Index and Emerging Companies Indexes across Nanocap / Microcap and Smallcap segments. The fund will also focus on global microcap opportunities

Actively managed emerging companies portfolio:

- ▶ Absolute return target
- ▶ Exposure to the emerging sectors and companies
- ▶ Concentrated NanoCap / MicroCap portfolio of 20 – 50 stocks
- ▶ Able to use cash, shorting and gearing up to 130%
- ▶ Pre-IPO exposure will be no more than 10%
- ▶ Includes global emerging opportunities

“Nanocap and microcap sectors are a different specialist segment and complement exposure to the broader equity market”

Fund Benefits



The benefits from investing in the Annapurna Microcap Fund

Annapurna Microcap Fund offers diversified exposure to emerging companies with one of the most experienced microcap investment teams in Australia

Actively managed emerging companies portfolio:

- ▶ Sector diversification
- ▶ Economic **cycle diversification** through Nanocap / Microcap stocks
- ▶ Global microcap exposure with pre-IPO capability (up to 10%)
- ▶ **Senior experienced professional managers** with long and distinguished track record in global and Australian emerging companies
- ▶ **Portfolio Managers are seed capital aligned investors**
- ▶ The investment team are supported by leading fund manager K2 who have 21 years track record investing in global, Asian, New Zealand and Australian markets
- ▶ K2 are the Responsible Entity (RE) and responsible for administration, legal & compliance, back office and provide risk, performance and attribution support. Custody is provided by State Street

“Fund seeded by Portfolio Managers – alignment and conviction”

Investment process



Nanocap and microcap segment more resource intensive

Experienced team with long track record investing in emerging companies

Investment Process

- ▶ Meet with companies management and consider experience, skill levels and depth
- ▶ Review macro conditions and government policy that may impact growth/conditions
- ▶ Understand market opportunity - total size of the market, where they fit, tailwind of earnings
- ▶ Analyse their business model - new technology / consolidation / or roll out strategy
- ▶ Ask whether the company has a competitive advantage & what is it
- ▶ Analyse Revenue growth and margins
- ▶ Prospect for operational leverage within the company and sector
- ▶ How will they fund growth i.e. debt or equity
- ▶ Analyse cashflow profitability
- ▶ Verify stock positions of insiders and escrow terms
- ▶ Financial models on holdings

Our Aim

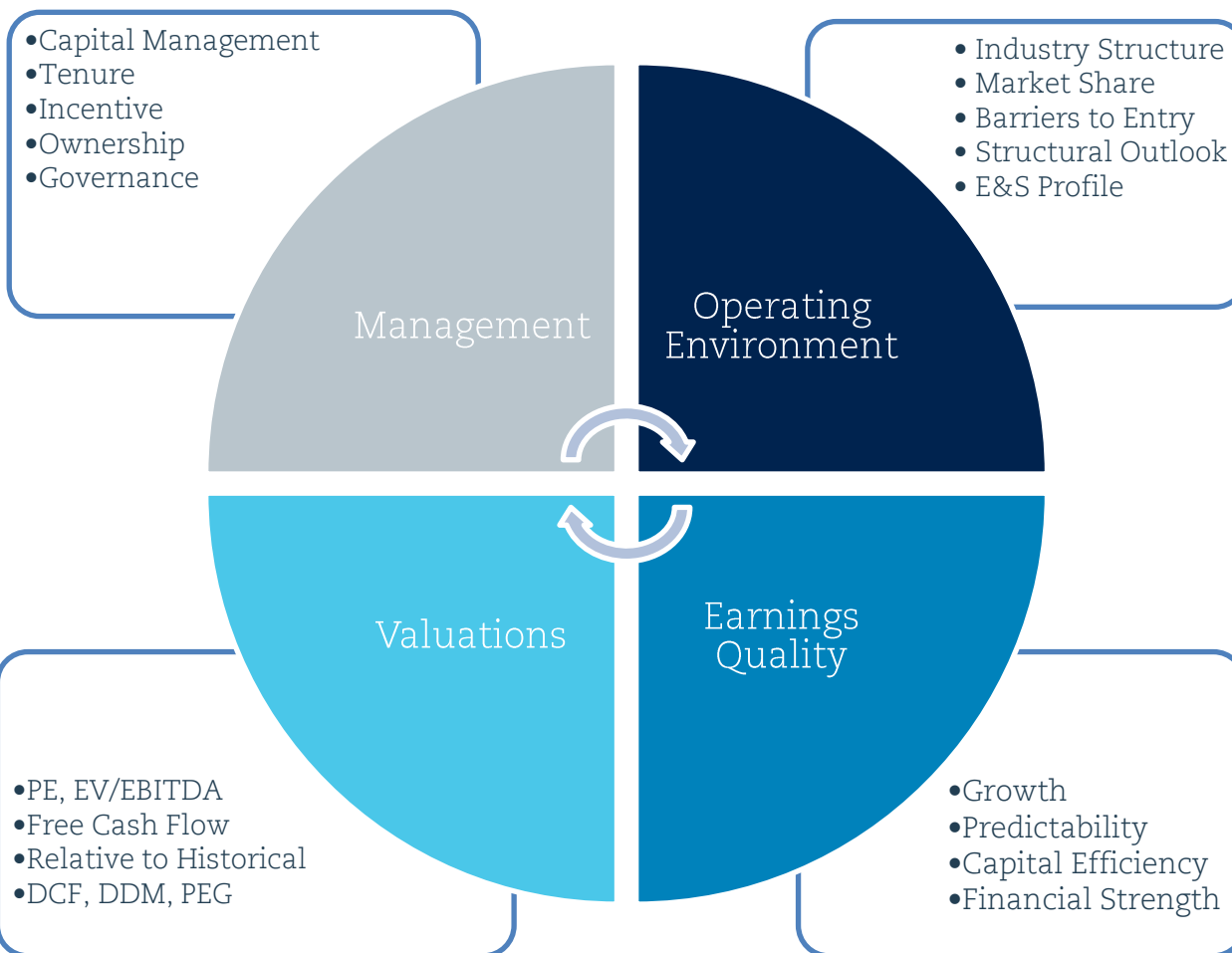
Invest in the sectors and emerging companies with sustainable growth prospects for the future

Stock Selection



Stock Selection

Consistent research / stock selection process (M.O.V.E)

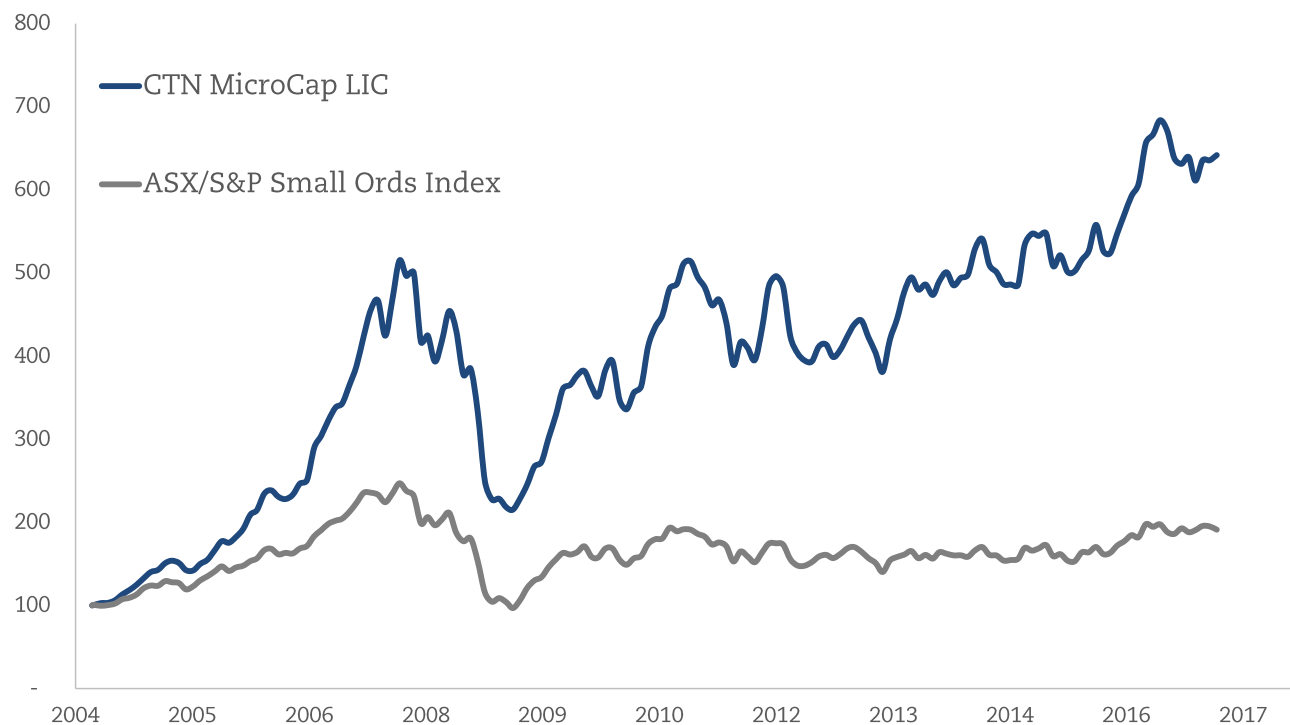


Track Record

The Annapurna Microcap Portfolio Managers have a long and successful track record

Microcap vs ASX S&P Small Ords Accum Index

Index, Monthly Data



Source: ASX, Bloomberg, Morningstar

“The Annapurna team managed the first and largest Australian listed microcap fund (2004) delivering an annualised 16.5% return, significantly ahead of the benchmark (excess return 11.4% annualised)”

Fees & Fund Infrastructure



	Annapurna Microcap Fund
Management Fee	1.0% + GST
Performance Fee	20% + GST of amount by which NAV per unit exceeds the High Water Mark after a net 6% pa hurdle
Inception date	1 October 2020
APIR code	KAM9683AU
Suggested investment timeframe	Long-term through economic cycle
Hurdle*	6% net
High- water mark*	Yes
Valuation	Daily
Buy/Sell Spread	+/- 0.25%
Application and Redemption Fees	Nil
Notice of Redemption	Monthly. Minimum of 90 days' notice prior to a Redemption Day

Responsible Entity: K2 Asset Management Ltd

Administrator & Custodian: State Street Australia Ltd

Auditors: KPMG

* Footnote: Please refer to the PDS for further detailed information on the performance fee and high water mark

Biographies



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.

Biographies



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 throughout 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.

Contact Us



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Disclaimer



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