


GLOBAL VALUE

MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/12/2017

latest unit price \$1.2404	return since inception 24.04%	return 1 year 12.23%	 monthly currency impact HEADWIND MODERATE (1-3%)
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FUND OUTLINE

Fund Manager:

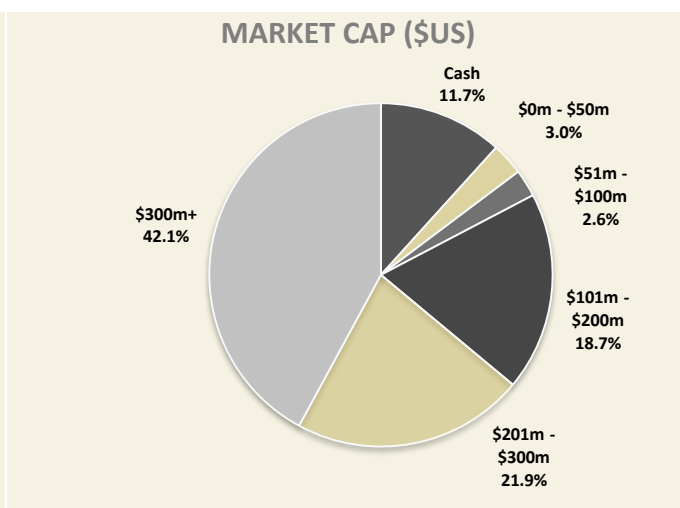
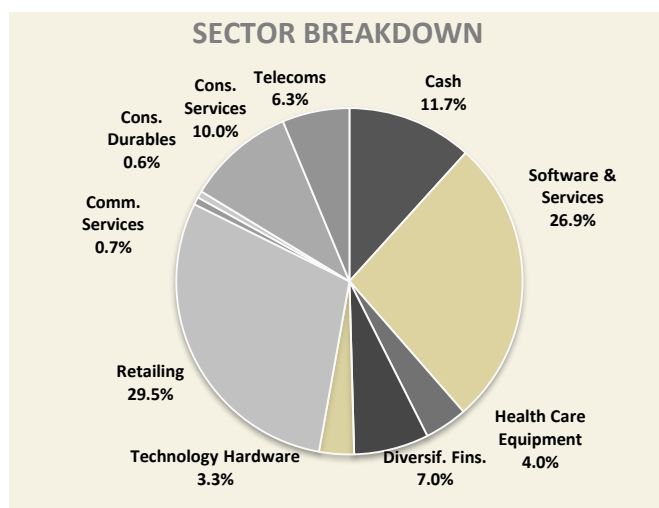
Carlos Gil (CIO)

The Global Value Microcap Fund is a wholesale fund investing in a selection of undervalued, profitable and growing companies listed in predominantly advanced economies around the world.

COUNTRY BREAK UP

		% of Equity Portfolio	% of NAV
	United Kingdom	39.5%	34.9%
	United States	24.7%	21.9%
	Cont. Europe	19.6%	17.3%
	Australia	8.2%	7.2%
	New Zealand	5.0%	4.4%
	Canada	3.0%	2.6%
	Total	100%	88.3%

	1 Month	6 Month	1 Year	2 Year	Compound p.a. since inception	Total since inception
GVMF	-0.35%	10.75%	12.23%	10.73%	10.89%	24.04%
MSCI World Microcap (AUD)	-0.35%	10.52%	17.68%	14.45%	13.11%	29.25%
Outperformance	0.00%	0.23%	-5.45%	-3.72%	-2.22%	-5.21%



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MARKET UPDATE AND COMMENTARY

In 2018 the world economy is set to grow at the fastest pace since the GFC. A strong US economy, a strengthening recovery in Europe and continued +6% growth in China will underpin momentum in the world economy. Japan is in the midst of the best economic run in decades with its economy posting seven consecutive quarters of economic growth and unemployment falling to a 24 year low. But Japan's economic run is emblematic of many Western economies post the GFC: its economic growth has been fuelled on expansionary monetary policy and quantitative easing via aggressive bond purchasing that has seen credit and capital flows injected into the economy, inflating asset prices upwards. Credit is flowing in abundance and risk appetite has increased measurably. Yet inflation and wage growth remains subdued across Japan and most Western economies. To create longer, more sustained and balanced economic growth, real wages must go up and that remains the big question mark for 2018. Will the ever tightening labour markets finally pave the way for substantive real wage growth?

Microequities Global Value Microcap Fund returned -0.35% versus the MSCI World Microcap Index (AUD) -0.35% in December; this brings the total return net of fees to 24.04% for the Fund since inception in December 2015 compared to 29.25% for the MSCI World Microcap Index (AUD).

The Australian Dollar, which had been recently falling against the major currencies, reversed the trend this month and strongly bounced back. The strength of the AUD was on the back of strong domestic employment figures and dovish statements out of the US Federal Reserve despite the rate rise.

The Global Fund divested out of **Fortress Investment Group** after the business was successfully acquired by Japan's Softbank. This divestment marks the third M&A event for the Fund since inception. Whilst we exited this business, we entered into a new business partnership in the US. The business is an online travel agency (OTA), our fourth investment within this vertical and presents our investors with a world leading business that is still in its early phase of growth. Our investment into the business follows a 20% share price decline due to temporary factors that will suppress earnings growth over the short term. The business, like our other OTAs, generates excellent cash flows.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+18.5%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+16.1%

Number of companies	39
Top 5 Holdings % of NAV	26.1%
Top 10 Holdings % of NAV	42.9%
Top 20 Holdings % of NAV	69.3%
Cash Position % of NAV	11.7%

Important information: This information is not intended to be financial advice. Past performance is not indicative of future performance. Microequities Asset Management Pty Ltd is a corporate authorised representative, number 462438, as appointed by Microequities Ltd holder of AFSL number 287526. Application for units in the Fund is limited to investors that are wholesale or sophisticated investors within the meaning of Section 761G(7) and 761GA(7) of the Corporations Act 2001.