


# GLOBAL VALUE

## MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/01/2018

latest unit price <b>\$1.2543</b>	return since inception <b>25.43%</b>	return 1 year <b>17.89%</b>	 monthly currency impact <b>HEADWIND LOW (0-1%)</b>
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#### FUND OUTLINE

Fund Manager:

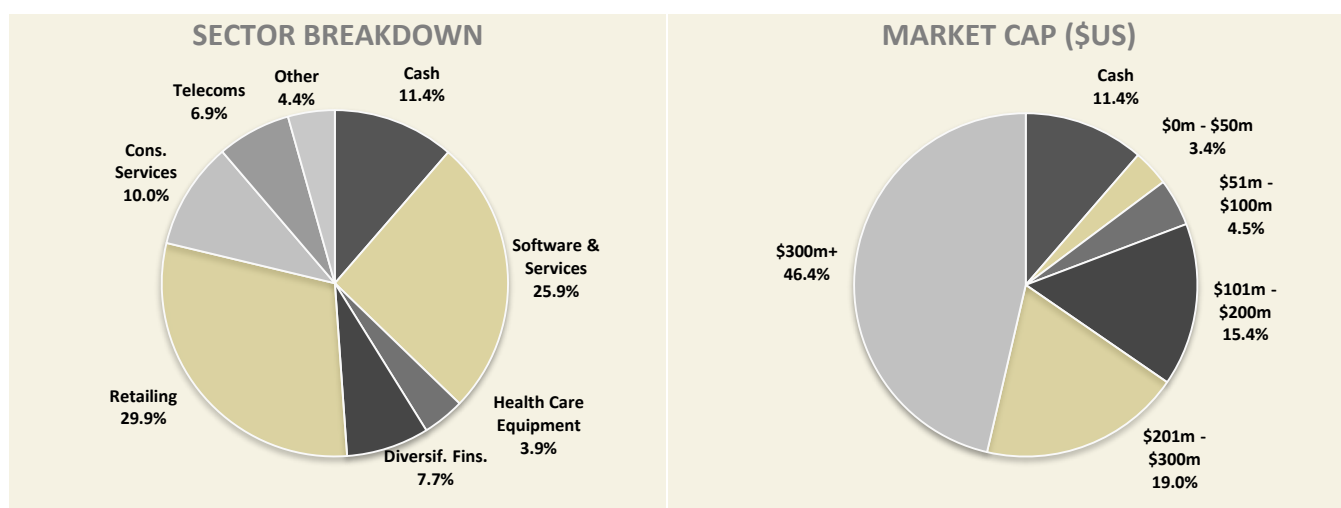
Carlos Gil (CIO)

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	39.1%	34.7%
	United States	24.6%	21.7%
	Cont. Europe	19.7%	17.5%
	Australia	9.8%	8.6%
	New Zealand	4.0%	3.6%
	Canada	2.8%	2.5%
	<b>Total</b>	<b>100%</b>	<b>88.6%</b>

	1 Month	6 Month	1 Year	2 Year	Compound p.a. since inception	Total since inception
<b>GVMF</b>	1.12%	13.11%	17.89%	13.20%	11.02%	25.43%
<b>MSCI World Microcap (AUD)</b>	1.53%	12.90%	19.68%	18.72%	13.36%	31.23%
<b>Outperformance</b>	<b>-0.41%</b>	<b>0.21%</b>	<b>-1.79%</b>	<b>-5.52%</b>	<b>-2.34%</b>	<b>-5.80%</b>



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### MARKET UPDATE AND COMMENTARY

Unsurprisingly, US treasury notes fell significantly last month sending 10-year treasury yields above 2.7% for the first time since 2015. The overdue upward movement also coincided with the German 5-year Bund moving above a zero yield as the ECB is signalling the end of quantitative easing. Bond prices have remained stubbornly high despite clear evidence that world economic growth is accelerating in a near synchronised manner. Inflation is likely to have bottomed across many economies last year and 2018 should see the beginning of an inflationary cycle triggered by rising wages as labour markets continue to tighten. Domestically, the headline CPI number of 1.8% that was released yesterday might have been below market expectations, but it is well above the low of 1% in 2016. Inflationary pressures are already building in the Australian economy, the non-tradable component of the CPI which comprises many services not subject to foreign competition is up 3.1% year on year. There are also upward movements in wages which will filter through the economy over the course of the year. We maintain our view that the RBA will raise rates towards the end 2018.

**Microequities Global Value Microcap Fund returned 1.12% versus the MSCI World Microcap Index (AUD) 1.53% in January; this brings the total return net of fees to 25.43% for the Fund since inception in December 2015 compared to 31.23% for the MSCI World Microcap Index (AUD).**

A number of our UK business partnerships provided positive earnings updates during the month. These earnings updates are consistent with our investment thesis. Our UK furniture retail business is showing strong resilience despite a more challenging discretionary spending environment for the British consumer. We did have one negative earnings update from our car dealership business partnership in the UK, though the announcement was not a surprise to us. We have invested in the business with a view to owning the business throughout the business cycle. This business has a strong balance sheet, capable management team and remains highly undervalued.

The investment management team continues to evaluate several new opportunities which are being considered for potential investment.

<b>Projected EPS Growth</b> 1 Year Forward (on a weighted basis)	<b>+20.9%</b>
<b>Projected EPS Growth</b> 2 Years Forward (on a weighted basis)	<b>+17.7%</b>

<b>Number of companies</b>	<b>39</b>
<b>Top 5 Holdings</b> % of NAV	<b>27.3%</b>
<b>Top 10 Holdings</b> % of NAV	<b>44.3%</b>
<b>Top 20 Holdings</b> % of NAV	<b>70.0%</b>
<b>Cash Position</b> % of NAV	<b>11.4%</b>

**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.