

# GLOBAL VALUE

## MICROCAP FUND

**MICROEQUITIES**  
ASSET MANAGEMENT

### MONTHLY PERFORMANCE AS AT 31/07/2016

latest unit price <b>\$0.9891</b>	return 1 month <b>+2.73%</b>	return 6 months <b>+1.04%</b>	return since inception (December 2015) <b>-1.09%</b>
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#### FUND OUTLINE

Fund Manager:

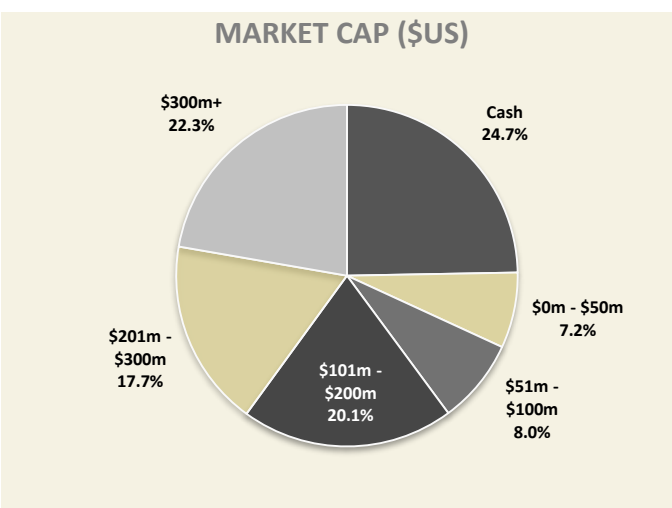
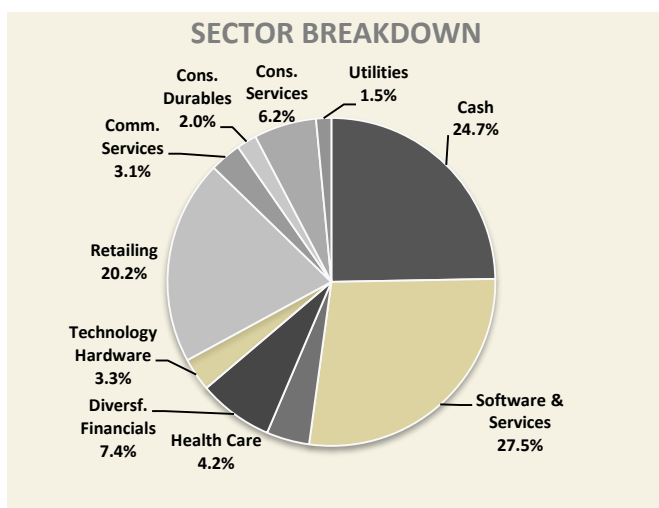
Carlos Gil (CIO)

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 States	45.5%	34.3%
	United Kingdom	19.2%	14.4%
	Cont. Europe	17.0%	12.8%
	Australia	8.0%	6.0%
	New Zealand	5.3%	4.0%
	Canada	3.1%	2.3%
	Israel	1.8%	1.4%
	<b>Total</b>	<b>100%</b>	<b>75.3%</b>

	1 Month	2 Month	3 Month	6 Month	Total since inception
<b>GVMF</b>	2.73%	0.08%	0.70%	1.04%	-1.09%
<b>MSCI World Microcap (AUD)</b>	2.76%	-1.79%	1.63%	6.68%	-0.66%
<b>Outperformance</b>	<b>-0.03%</b>	<b>1.87%</b>	<b>-0.92%</b>	<b>-5.64%</b>	<b>-0.43%</b>



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### MARKET UPDATE AND COMMENTARY

The US 2<sup>nd</sup> quarter GDP number provides a misleading picture of the underlying strength of the US economy. The headline GDP growth rate of 1.2% was significantly below the 2.6% consensus forecast but the principal driver of the lower than expected number was due to inventory drawdown. Businesses did not replenish their stocks, causing overall production levels to decline. This is consistent with the fall in US industrial production numbers which was down by 1% during the second quarter. The key takeaway is that the lower level of GDP growth was supply driven not demand driven. More importantly, the employment cost index rose by 2.4% for the year to June 2016, up from 1.9% the previous year. The strength of the labour market and increases in wages bode well for the continuing strength of the US consumer, the bedrock of the US economy.

**Microequities Global Value Microcap Fund returned 2.73% versus the MSCI World Microcap Index (AUD) 2.76% in July; this brings the total return net of fees to -1.09% for the Fund since inception in December 2015 compared to -0.66% for the MSCI World Microcap Index (AUD).**

The Global Value Fund is now just over 75% fully invested. The core constituents of the Fund have been selected and whilst we will be selectively increasing our investments in some of them, there will be little change to the overall number of companies.

**Update on Skullcandy Inc. (SKUL.US):** As mentioned last month, Skullcandy which currently makes up 3.3% of the total Fund's assets was subject to a takeover proposal at US\$5.75 from an industrial buyer (Incipio LLC). Last Friday the board of Skullcandy decided to recommend a higher competing bid from a private equity firm (Mill Road Capital) at US\$6.05 which was not subject to due diligence. We believe there is a distinct possibility that Incipio LLC will return with a higher counter bid.

We continue to see outstanding value within our Global Value Fund and believe the Fund is well poised to grow its intrinsic valuation over the medium to long term.

<b>Projected EPS Growth</b> FY16 (on a weighted basis)	<b>+14.2%</b>
<b>Projected EPS Growth</b> FY17 (on a weighted basis)	<b>+23.3%</b>

<b>Number of companies</b>	<b>39</b>
<b>Top 5 Holdings</b> % of NAV	<b>20.9%</b>
<b>Top 10 Holdings</b> % of NAV	<b>35.8%</b>
<b>Top 20 Holdings</b> % of NAV	<b>56.8%</b>
<b>Cash Position</b> % of NAV	<b>24.7%</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.