

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/12/2016

latest unit price \$1.4367	return since inception (March 2012) +94.73%	return 1 month +1.17%	FE Crown Rating* 👑👑👑👑
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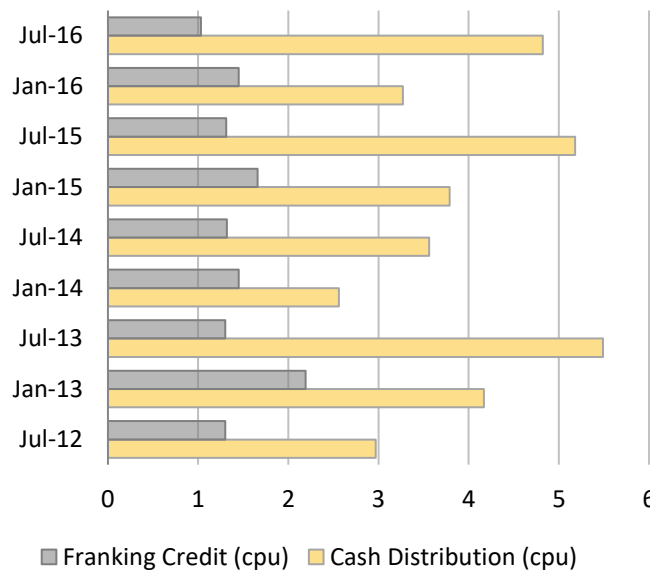
FUND OUTLINE

Fund Manager:

Carlos Gil (CIO)

The High Income Value Microcap Fund is a wholesale fund investing in high dividend paying, undervalued, ASX microcap companies.

SEMI-ANNUAL DISTRIBUTION HISTORY

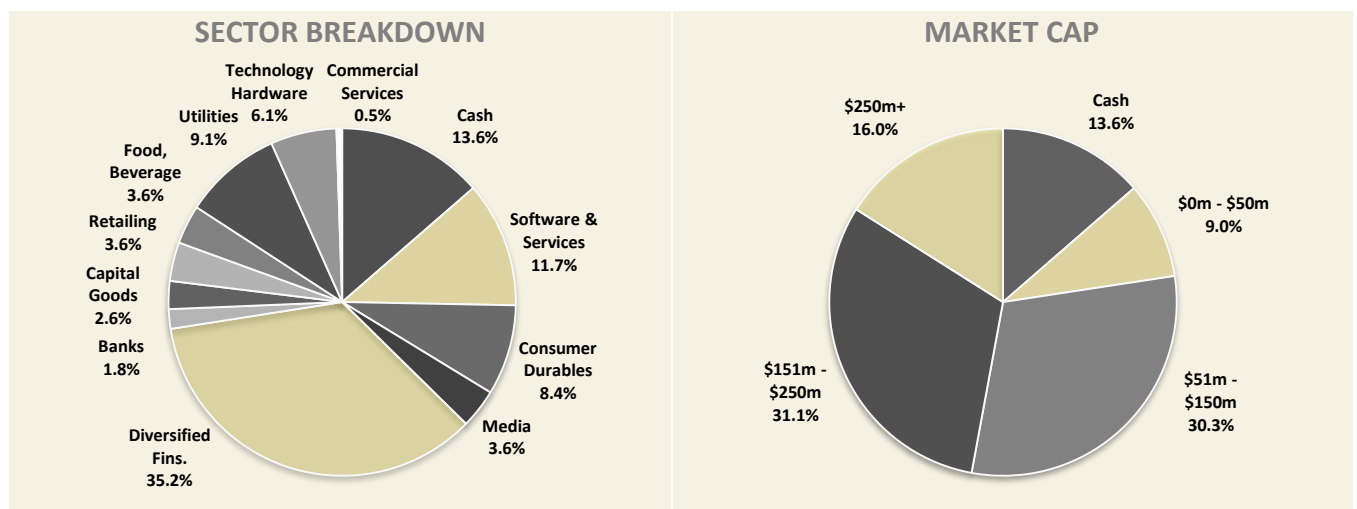


Current Forecast Grossed Up Dividend Yield

+7.16%**

**Represents the annual dividend yield of the companies in the portfolio grossed up for franking credits. It is based on internal forecasts and actual results may vary. It is not a forecast distribution as distributions will depend on actual dividend income received, expenses of the fund and actual number of units on issue at the time a distribution is made.

	1 Month	1 Year	2 Year	3 Year	4 Year	Total since inception	Compound p.a. since Inception
HIMF	1.17%	17.68%	13.76%	9.60%	15.06%	94.73%	14.78%
All Ords Accum	4.17%	11.65%	7.64%	6.76%	9.85%	60.57%	10.48%
Outperformance	-3.00%	6.03%	6.12%	2.84%	5.21%	34.15%	4.30%



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MARKET UPDATE AND COMMENTARY

We expect the Australian economy to continue to grow at +2% rates. The decline in new capital expenditure from the resources sector will stabilise into 2017 and whilst business investment remains weak, infrastructure investment and the household sector will underpin economic growth. Services industries like tourism, education, finance and health will offset weaker sectors of the economy. Employment levels should remain robust, however there will continue to be significant differences across the states. Australia's labour market is likely to experience modest employment growth for 2017. Internationally, Chinese growth should continue to moderate but maintain a pace well ahead of its industrialised peers. The shift of China to a consumer and household driven economy will continue to play out. The US economy enters 2017 at an above average growth rate. The change in presidency and balance of power in both houses paves the way for significant fiscal stimulus and a much-needed infrastructure refresh program. In all, despite the negative media reporting bias, we look at 2017 as a year of relatively benign economic conditions conducive to business investment.

Microequities High Income Value Microcap Fund returned 1.17% versus the All Ordinaries Accumulation Index 4.17% in December; this brings the total return net of fees to 94.73% for the Fund since inception in March 2012 compared to 60.57% for the All Ordinaries Accumulation Index.

An unusually busy month for the High Income Value Microcap Fund saw three business partnerships fully disinvested whilst the Fund has begun purchasing two new business partnerships. Overall the total number of business partnerships was reduced from 27 to 26 as we continue to maintain our high conviction approach. It gives me great pleasure to also announce that the High Income Fund will pay its 10th consecutive cash distribution in January of approximately 3.23 cents per unit and franking credits of 1.29 cents per unit. The Fund maintains its perfect record of paying cash distributions every six months.

Projected EPS Growth FY17 (on a weighted basis)	+5.3%
Projected EPS Growth FY18 (on a weighted basis)	+14.7%

Number of companies	26
Top 5 Holdings % of NAV	35.0%
Top 10 Holdings % of NAV	56.1%
Top 20 Holdings % of NAV	82.1%
Cash Position % of NAV	13.6%

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.

(*) FE Crown Fund Ratings enable investors to distinguish between funds that are strongly outperforming their benchmark and those that are not. The top 10% of funds will be awarded five FE Crowns, the next 15% receiving four Crowns and each of the remaining three quartiles will be given three, two and one Crown(s) respectively.

Rebalanced twice a year in January and August, the rating takes into account three key measurements to derive a fund's performance: alpha, volatility and consistently strong performance. FE Crown Fund Ratings are frequently used by professional advisers to screen for the best performing funds in a sector and at a factsheet level are used as part of an adviser's paper trail to show thorough and rigorous research has been undertaken.