

HIGH INCOME

VALUE MICROCAP FUND

MICROEQUITIES
ASSET MANAGEMENT

MONTHLY PERFORMANCE AS AT 31/07/2016

latest unit price \$1.3570	return since inception (March 2012) +83.92%	return 1 month +9.45%	FE Crown Rating* 👑👑👑👑👑
--------------------------------------	---	---------------------------------	----------------------------------



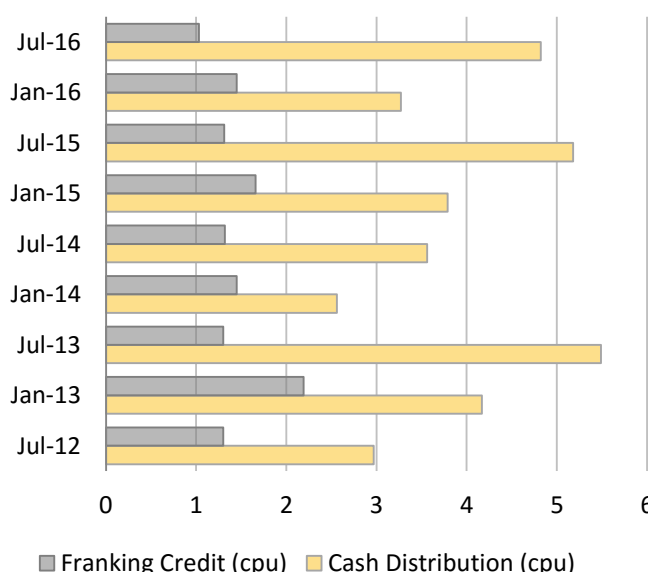
FUND OUTLINE

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



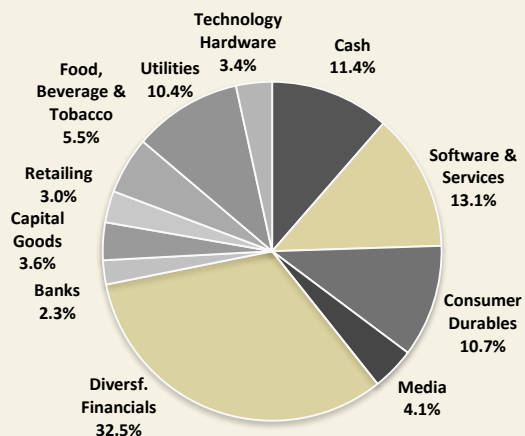
Current Forecast
Grossed Up
Dividend Yield

+7.58%**

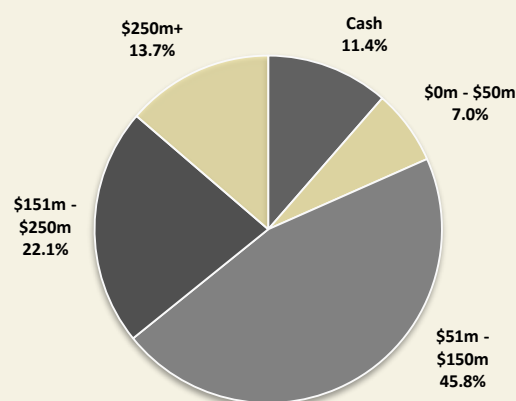
**Represents the annual dividend yield of the companies in the portfolio grossed up for franking credits. It is based on internal forecasts and actual results may vary. It is not a forecast distribution as distributions will depend on actual dividend income received, expenses of the fund and actual number 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	9.45%	17.05%	9.47%	11.12%	15.40%	83.92%	14.79%
All Ords Accum	6.29%	4.02%	4.71%	8.52%	11.90%	55.24%	10.68%
Outperformance	3.16%	13.03%	4.76%	2.60%	3.50%	28.69%	4.11%

SECTOR BREAKDOWN



MARKET CAP



HIGH INCOME

VALUE MICROCAP FUND

MICROEQUITIES
ASSET MANAGEMENT

MARKET UPDATE AND COMMENTARY

The US 2nd 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 High Income Value Microcap Fund returned 9.45% versus the All Ordinaries Accumulation Index 6.29% in July; this brings the total return net of fees to 83.92% for the Fund since inception in March 2012 compared to 55.24% for the All Ordinaries Accumulation Index.

This month saw a surge in the market values of a number of our business partnerships in the High Income Value Microcap Fund. The appreciation in market values came as a number of our business partnerships provided FY16 earnings updates. These updates were consistent with our investment cases and showed strong growth in earnings. The valuation gap (between intrinsic value and market value) in some of our business partnerships has consequently diminished somewhat. Notwithstanding, holistically the High Income Fund remains undervalued whilst earnings growth outlook continues to remain favourable. During the month we successfully disinvested out of one of business partnerships involved in the retail industry. The sale means we are currently invested across 26 profitable business partnerships.

Projected EPS Growth FY16 (on a weighted basis)	+16.1%
Projected EPS Growth FY17 (on a weighted basis)	+9.5%

Number of companies	26
Top 5 Holdings % of NAV	38.6%
Top 10 Holdings % of NAV	59.2%
Top 20 Holdings % of NAV	83.6%
Cash Position % of NAV	11.4%

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.