

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/05/2017

latest unit price \$1.4424	return since inception (March 2012) 99.99%	return 1 month 0.65%	FE Crown Rating*
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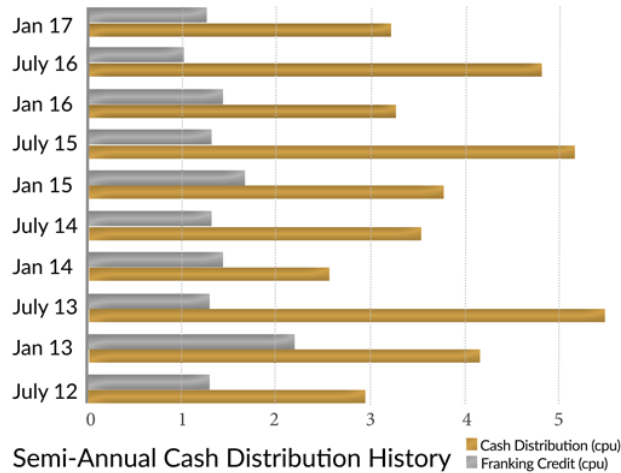
FUND OUTLINE

Fund Manager:

Carlos Gil (CIO)

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

53.34 c Total Cash and Franking Credits RETURNED SINCE INCEPTION

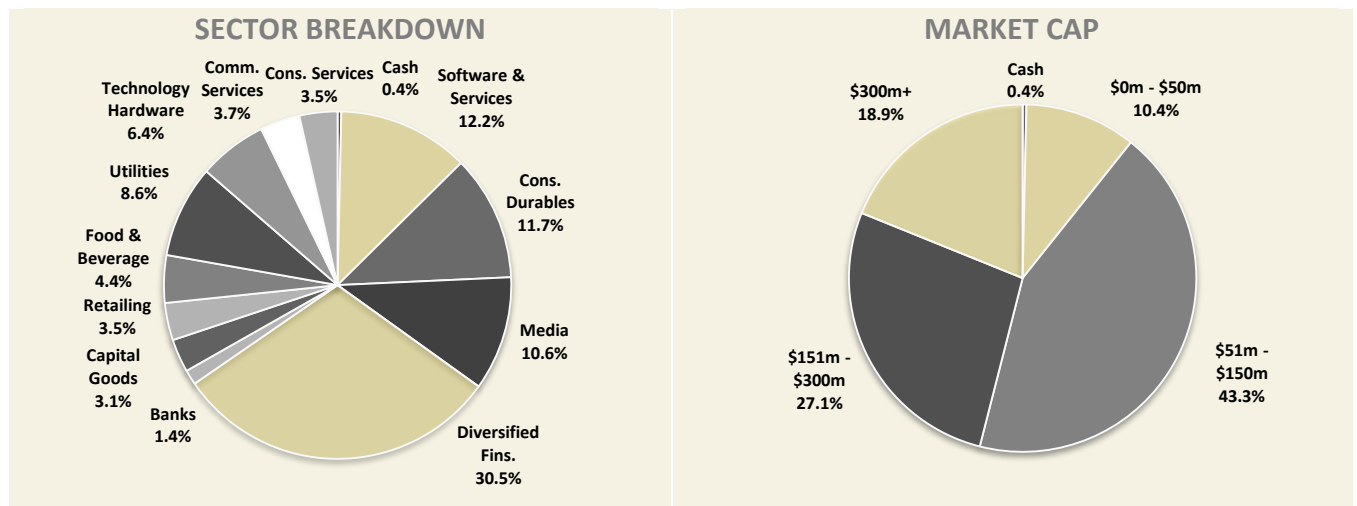


Current Forecast
Grossed Up
Dividend Yield

+8.19%**

**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	3 Year	5 Year	Total since inception	Compound p.a. since Inception
HIMF	0.65%	16.07%	12.15%	14.81%	99.99%	14.11%
All Ords Accum	-2.58%	10.23%	6.23%	11.59%	64.75%	9.98%
Outperformance	3.23%	5.84%	5.92%	3.22%	35.24%	4.13%



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MARKET UPDATE AND COMMENTARY

Europe's biggest and most important economy, Germany, is continuing a strong expansionary cycle. In its last reported quarter (January to March), it grew by 0.6% and forward looking indicators suggest that the pace of growth may have accelerated during the March to June quarter. The Purchasers Manager's Index (PMI) rose from 56.7 to 57.3 in April while the services sector is also displaying robust expansionary figures. Germany is an export driven powerhouse but its trade surplus stems not only from a sophisticated industrial base but by the fact that Germans save more than spend, a contrast to the US.

In our Australian economy, we are increasingly concerned that the prolonged residential price boom, particularly in Melbourne and Sydney, has seen prices rise beyond rational foundational levels. This rise of residential prices, which has also been accompanied by a corresponding commercial property boom, has significantly increased systemic risk in the Australian economy. A risk that, if crystallised, will put stress on the big four banks but would also have harmful resonating effects across many sectors of the economy.

Microequities High Income Value Microcap Fund returned 0.65% versus the All Ordinaries Accumulation Index -2.58% in May; this brings the total return net of fees to 99.99% for the Fund since inception in March 2012 compared to 64.75% for the All Ordinaries Accumulation Index.

It was an interesting month in our High Income Value Fund as the investment management team saw some selective pricing dislocation amongst a number of companies. We enacted an aggressive purchasing spree that saw the Fund's cash assets (which stood at 8.0% in April) almost fully deployed. We increased our weighting across the media sector as we believe the market have severely under-priced some of these businesses, not fully accounting for their growing digital business assets and the cash flow generative capability of their legacy businesses. These qualities, coupled with strong balance sheets and likely passing of an outdated legislative regime, have provided us with a compelling window of opportunity to buy cheap, unloved and misunderstood businesses. Compelling risk/reward metrics.

Projected EPS Growth FY17 (on a weighted basis)	+7.9%
Projected EPS Growth FY18 (on a weighted basis)	+17.0%

Number of companies	33
Top 5 Holdings % of NAV	33.3%
Top 10 Holdings % of NAV	54.6%
Top 20 Holdings % of NAV	83.2%
Cash Position % of NAV	0.4%

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.