

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/10/2017

latest unit price <b>\$1.5268</b>	return since inception (March 2012) <b>116.91%</b>	return 1 month <b>2.66%</b>	Morningstar rating* <b>★★★★</b>
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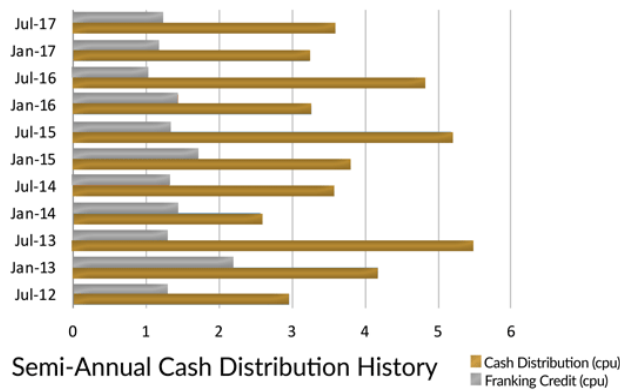


#### FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

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

**57.95 c** Total Cash and Franking Credits RETURNED SINCE INCEPTION

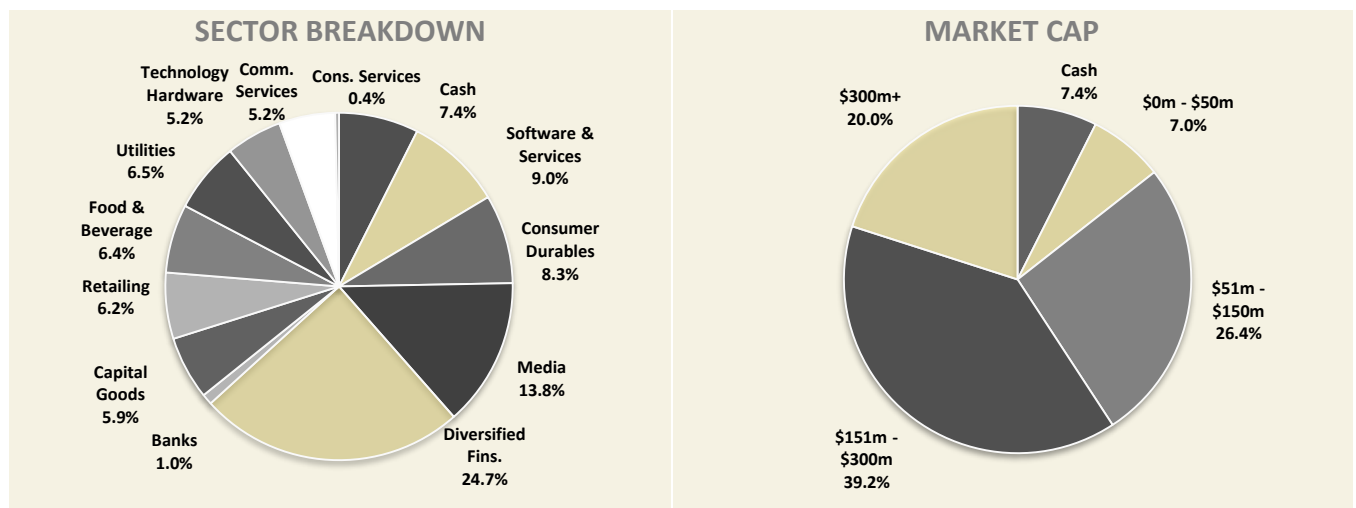


**Current Forecast Grossed Up Dividend Yield**

**+7.60%\*\***

\*\*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	Compound p.a. since Inception	Total since inception
<b>HIMF</b>	2.66%	11.72%	12.77%	15.48%	14.64%	116.91%
<b>All Ords Accum</b>	4.06%	15.45%	7.34%	10.31%	10.23%	73.69%
<b>Outperformance</b>	-1.40%	-3.73%	5.43%	5.17%	4.41%	43.22%



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### MARKET UPDATE AND COMMENTARY

The US economy grew at 3.1% during the second quarter of 2017, the fastest growth in 2 years. The growth is particularly impressive given the disruptive effects of two large hurricanes in Texas and Florida. Consumer spending grew at 2.4% whilst the unemployment rate fell to 4.2%, the lowest since February 2001. We have in the past been critical of the Federal Reserve and its dovish monetary stance which has displayed an overt reluctance to normalise its expansionary monetary policy. It is highly likely that the Federal Reserve will raise rates by 25 basis points in December though such a rise will still fall short of an appropriate normalisation. The relaxed stance heightens overheating risks for the US economy as the boom cycle matures. Domestically our monetary policy remains in a prolonged holding pattern with little likelihood of any upward move on rates. Consequently, the spread between the US 10-year note yield and the Australian 10-year bond has compressed to about 30 basis points. This compression has currency implications for the Australian Dollar which has enjoyed a premium from the carry spread between the two securities. As the spread further condenses, the AUD should come under further pressure.

**Microequities High Income Value Microcap Fund returned 2.66% versus the All Ordinaries Accumulation Index 4.06% in October; this brings the total return net of fees to 116.91% for the Fund since inception in March 2012 compared to 73.69% for the All Ordinaries Accumulation Index.**

While there were again no new business partnerships added or dissolved during the month, the investment management team sought to increase its investment in a retail business partnership that represents an extreme deep value opportunity. Currently this business partnership accounts for 4.5% of the total assets of the Fund but prices permitting, the investment management team will seek to considerably increase the investment over coming months. On an industry sector basis, the Fund has a total of 6.2% of its assets in retail related businesses. The sector has been subject to significant media focus, particularly around structural challenges. Sentiment is weak, and for value investors, weak sentiment can create pricing dislocation.

<b>Projected EPS Growth FY18</b> (on a weighted basis)	<b>+10.6%</b>
<b>Projected EPS Growth FY19</b> (on a weighted basis)	<b>+10.5%</b>

<b>Number of companies</b>	<b>34</b>
<b>Top 5 Holdings % of NAV</b>	<b>29.7%</b>
<b>Top 10 Holdings % of NAV</b>	<b>51.1%</b>
<b>Top 20 Holdings % of NAV</b>	<b>77.8%</b>
<b>Cash Position % of NAV</b>	<b>7.4%</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.

(\*) The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2017 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Service Guide (FSG) for more information at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to invest.