

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 30/09/2016

latest unit price \$1.4312	return since inception (March 2012) +93.98%	return 1 month +2.43%	FE Crown Rating* 👑👑👑👑👑
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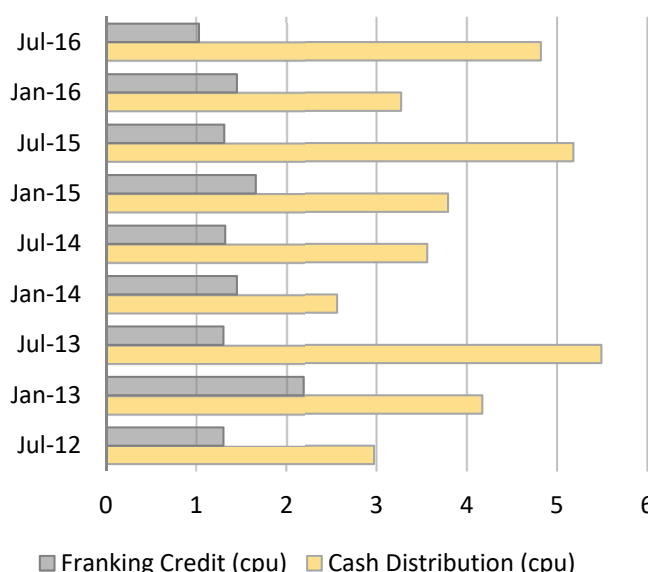
FUND OUTLINE

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

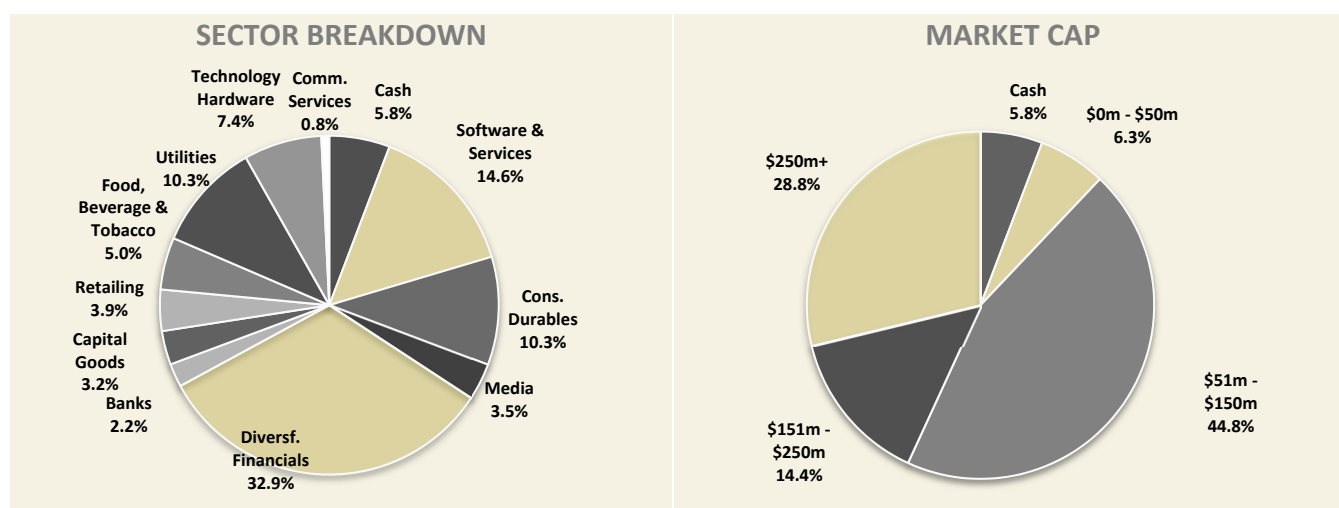


Current Forecast
Grossed Up
Dividend Yield

+8.32%**

**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	2.43%	21.11%	11.64%	10.77%	16.10%	93.98%	15.55%
All Ords Accum	0.40%	14.01%	6.69%	6.42%	10.74%	53.79%	10.04%
Outperformance	2.03%	7.09%	4.94%	4.35%	5.36%	40.19%	5.52%



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MARKET UPDATE AND COMMENTARY

Australia's second quarter GDP numbers came in at 0.6%, taking the overall annual GDP growth rate to 3.30%. Whilst the number is above long term growth of rates of 2.5%, the economy was enhanced by state government spending in infrastructure, which provided a 1% boost to the numbers. Government infrastructure spending is set to counter the capex decline in the resources sector, particularly in the eastern states of Victoria and NSW where the state governments will initiate massive infrastructure projects. These projects will provide a strong medium term countervail to the weak resource sector and will underpin economic growth into 2018. Household consumption remains stable, whilst consumer sentiment remains positive. The bewildering feature amongst these positive statistics is business spending (outside mining), which remains flat. Australian businesses remain uncommitted to boosting their overall productive capacity despite generally buoyant economic conditions.

Microequities High Income Value Microcap Fund returned 2.43% versus the All Ordinaries Accumulation Index 0.40% in September; this brings the total return net of fees to 93.98% for the Fund since inception in March 2012 compared to 53.79% for the All Ordinaries Accumulation Index.

September saw a large number of business partnerships pay their dividend. The next cash distribution to be paid in January 2017 will be primarily sourced from these dividends. We have often referred to one of the key strengths of the Microequities High Income Value Microcap Fund as the sustainability of its high cash distributions. The Fund is currently invested across 27 business partnerships that pay regular dividends, and this diversified pool of investments allows the Fund to continue to be able to make its distribution commitments even if one or two companies in the Fund were to suspend their dividend payments. The strength of these business partnerships and the diverse origin of income streams gives us confidence that the Fund will continue to meet its cash distribution mandate.

Projected EPS Growth FY17 (on a weighted basis)	+10.8%
Projected EPS Growth FY18 (on a weighted basis)	+13.9%

Number of companies	27
Top 5 Holdings % of NAV	38.0%
Top 10 Holdings % of NAV	61.7%
Top 20 Holdings % of NAV	87.8%
Cash Position % of NAV	5.8%

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.