

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 30/04/2018

latest unit price \$1.0162	return since inception (Oct 2017) 1.62%	return 1 month -1.14%
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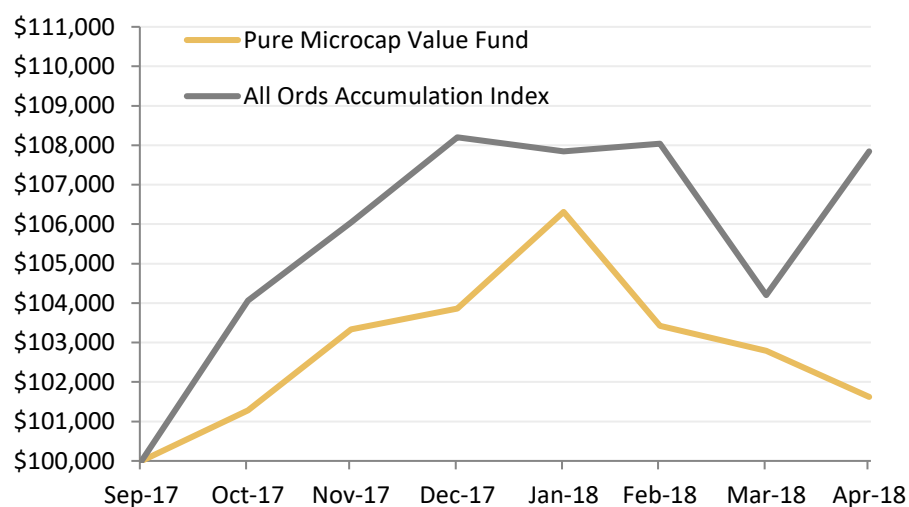
FUND OUTLINE

Fund Manager:

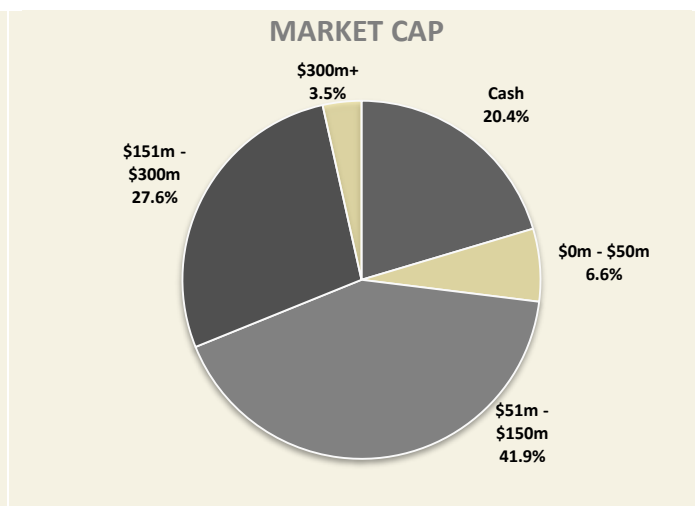
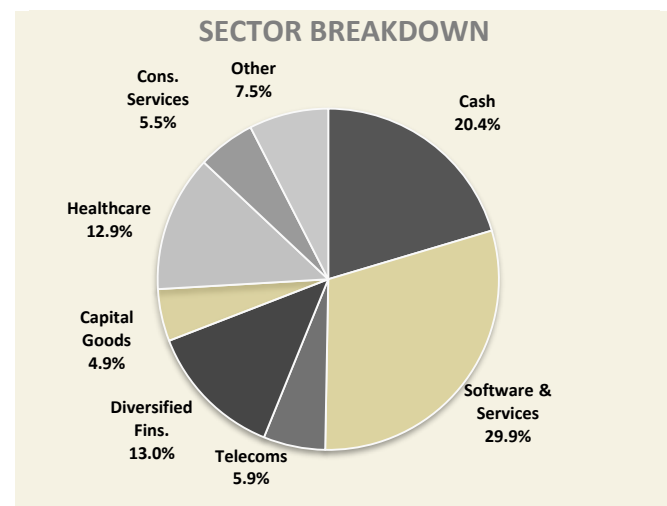
Carlos Gil (CIO)

The Pure Microcap Value Fund is a wholesale fund investing in a portfolio of undervalued, profitable and growing ASX microcap companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$101,620**



	1 Month	3 Month	6 Month	Total since inception
PMVF	-1.14%	-4.41%	0.34%	1.62%
All Ords Accum	3.49%	0.00%	3.63%	7.84%
Outperformance	-4.63%	-4.41%	-3.29%	-6.22%



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MARKET UPDATE AND COMMENTARY

The Chinese economy continues to maintain a steady growth trajectory with the manufacturing purchasing managers index (PMI) data coming at 51.4 whilst the services sector strengthened to 54.8 (a figure above 50 indicates economic expansion). The numbers are encouraging and point to strong resilience in domestic consumption at a time when local government investment has slowed. The Chinese economy will continue to shift towards a consumption-led one. At a macro level, the Chinese economy still requires significant reforms which entails not merely opening up certain protected sectors but also making the financial system more capital efficient and ensuring resources are allocated to more productive sectors and businesses.

Microequities Pure Microcap Value Fund returned -1.14% versus the All Ordinaries Accumulation Index 3.49% in April; this brings the total return net of fees to 1.62% for the Fund since inception in October 2017 compared to 7.84% for the All Ordinaries Accumulation Index.

The month of April saw one business partnership in the Fund provide a trading update that missed consensus forecasts. The causality of the lower earnings were largely one-off in nature and have not led us to alter our investment thesis. Not surprisingly to us however, the update resulted in a sharp market price adjustment. Market valuations are always overtly sensitive to near term earnings due to the short-term investment horizon of most investors, retail and institutions alike. Our investments are undertaken with a 5+ year timeframe and we do not view transitory factors that disrupt earning in the short term in the same conceptual context as other investors. The market price fall has opened a very large valuation gap and the Fund is increasing its investment in this business.

The Fund made a new investment in a healthcare services business. The business will look to acquire smaller healthcare practices and overlay its skillset in sales and marketing to drive higher levels of organic growth in the acquired businesses. At only 10x FY18 PE, we think this investment affords us a significant margin of safety and solid earnings growth over a 5+ year investment timeframe.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+29.0%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+23.7%

Number of companies	28
Top 5 Holdings % of NAV	28.4%
Top 10 Holdings % of NAV	47.1%
Top 20 Holdings % of NAV	70.7%
Cash Position % of NAV	20.4%

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 Asset Management Group Limited 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.