

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/05/2018

latest unit price \$1.0405	return since inception (Oct 2017) 4.05%	return 1 month 2.39%
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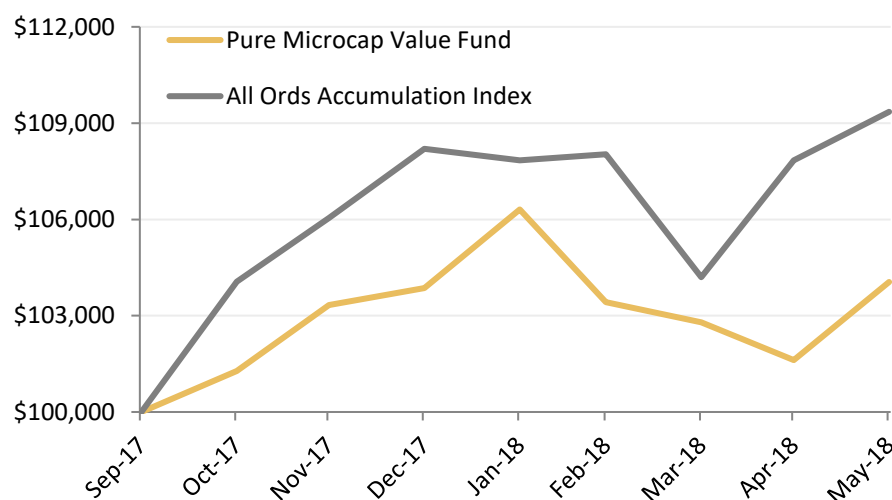
FUND OUTLINE

Fund Manager:

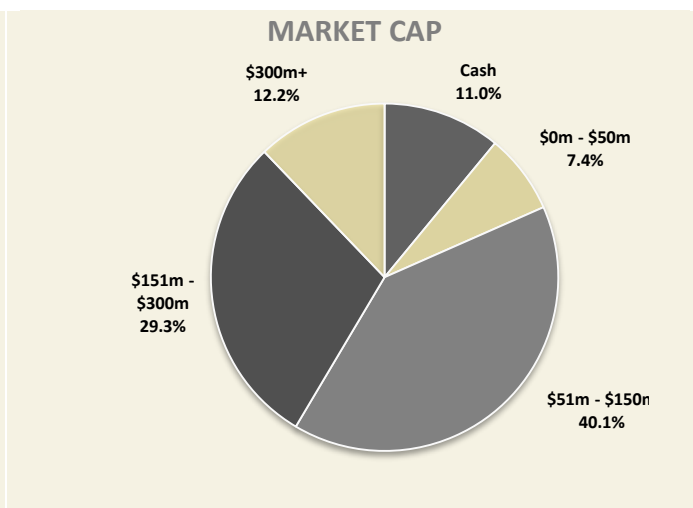
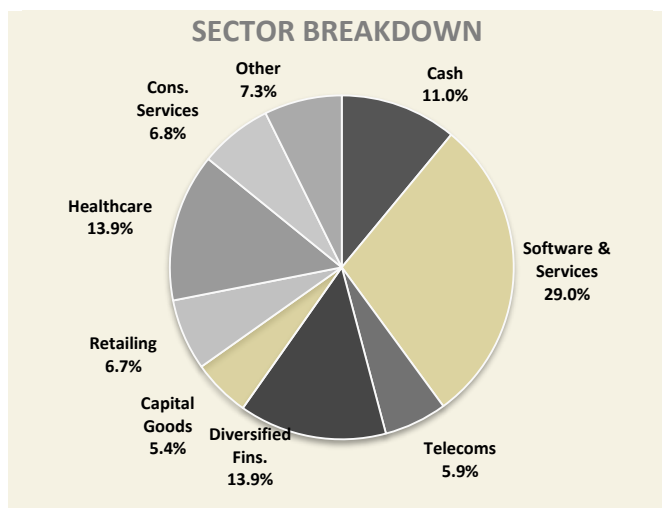
Carlos Gil (CIO)

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 > **\$104,050**



	1 Month	3 Month	6 Month	Total since inception
PMVF	2.39%	0.61%	0.70%	4.05%



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MARKET UPDATE AND COMMENTARY

The US economy continued to create jobs last month with a further 164,000 non-farm jobs added, taking the unemployment rate down to 3.9%, the lowest rate in 17 years. It is likely that the unemployment rate will fall further during the year as the US economy continues to build on momentum. This growth phase has been previously well reported. The thematic we are acutely focused on however, is the inflationary cadence across both the US, Western Europe and Australia. Wages growth in the US continues to rise modestly; increasing at an annual pace of +2.6% and this has lifted an upward trending inflation rate to +2.0%. This is still benign but at least tracking upwards. Across Europe, a surprising surge in inflation last month saw the annual inflation rate rise from +1.2% to +1.9%. The rise was well ahead of the market consensus and was in part driven by improving labour market conditions across the continent. In Australia, wage growth remains stubbornly stable at annual rate of +2.0% with our Inflation rate hovering at +1.9%. Predicting when the RBA rate will raise rates again is therefore a call on when inflation will pick up which will principally be driven by wage growth.

Microequities Pure Microcap Value Fund returned 2.39% in May; this brings the total return net of fees to 4.05% for the Fund since inception in October 2017.

The Fund bought into three new businesses. The first business is a classic deep value situation. The business is trading below net current assets, has surplus property assets and is generating operating profits. The second is a retailer which made an acquisition that we believe will ultimately prove to be an astute purchase. The management team over the past three years have shown an ability to turnaround underperforming retail businesses and we believe there are more significant cost synergies to be extracted in this most recent acquisition than what management has indicated. We bought into the business at around 3x FY20 EBITDA, which will include the first full year of synergies from the acquisition.

The third new business is an enterprise software firm. The business has come through a long turnaround over the past four years. With a large recurring revenue base and extremely sticky client base, recent contract wins and low institutional investor interest in the business, we believe we have found a company that is under the radar of most investors.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+33.3%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+24.8%

Number of companies	31
Top 5 Holdings % of NAV	30.2%
Top 10 Holdings % of NAV	49.9%
Top 20 Holdings % of NAV	76.5%
Cash Position % of NAV	11.0%

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.