

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/10/2017

latest unit price \$1.0128	return since inception (Oct 2017) 1.28%	return 1 month 1.28%
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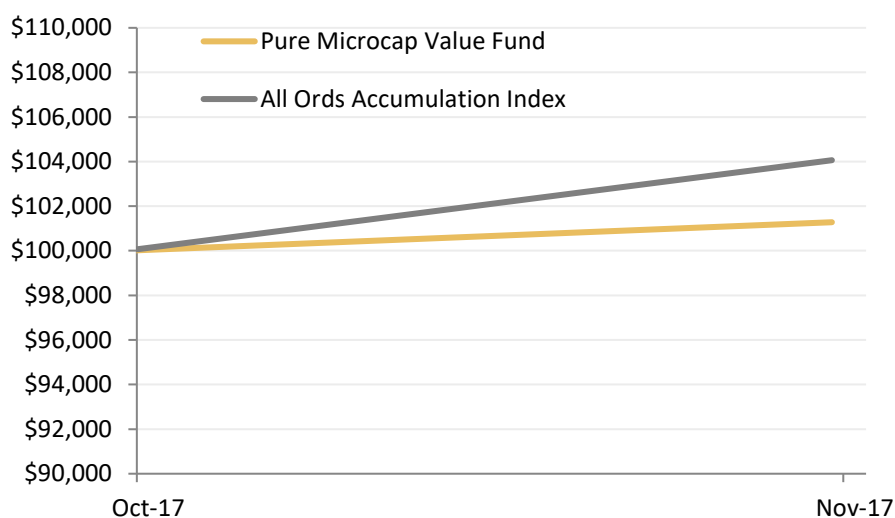
FUND OUTLINE

Fund Manager:

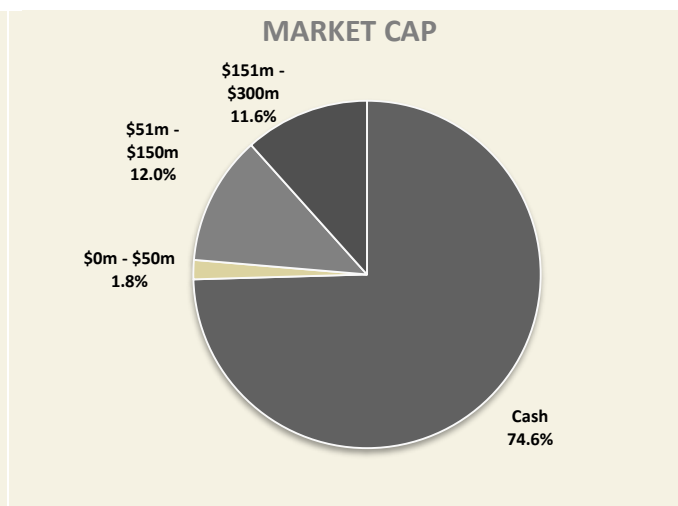
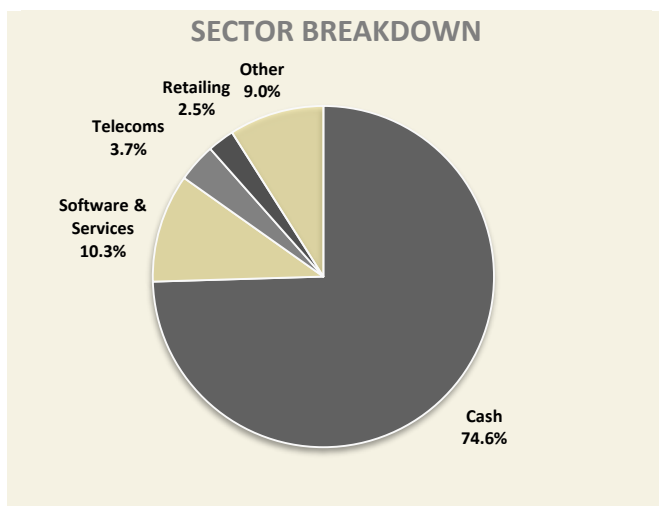
Carlos Gil (CIO)

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 > **\$101,280**



	1 Month	3 Month	6 Month	Total since inception
PMVF	1.28%	-%	-%	1.28%
All Ords Accum	4.06%	-%	-%	4.06%
Outperformance	-2.78%	-%	-%	-2.78%



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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 Pure Microcap Value Fund returned 1.28% versus the All Ordinaries Accumulation Index 4.06% in October; this brings the total return net of fees to 1.28% for the Fund since inception in October 2017 compared to 4.06% for the All Ordinaries Accumulation Index.

This marks the first month of the Pure Microcap Value Fund. Pleasingly, the investment team has already identified 20 potential investment candidates for the Fund and have started deploying capital in 18 of those businesses. Approximately 25% of the Fund has already been deployed. We remain on track to have 70-80% of the Fund invested in the next 3-4 months subject to market pricing and buying within our strict value criteria.

The 20 companies we have identified range from those in the software & services sector to retailing, healthcare, financials and consumer products sectors. All these businesses however share some similar characteristics; they are all profitable businesses, expected to generate earnings growth in the medium to long term and are attractively priced relative to our assessment of their intrinsic values.

Projected EPS Growth FY18 (on a weighted basis)	+31.8%
Projected EPS Growth FY19 (on a weighted basis)	+21.1%

Number of companies	18
Top 5 Holdings % of NAV	13.8%
Top 10 Holdings % of NAV	20.9%
Top 20 Holdings % of NAV	25.4%
Cash Position % of NAV	74.6%

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.