

# GLOBAL VALUE

## MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 30/04/2017

latest unit price <b>\$1.1380</b>	return 1 year <b>15.86%</b>	return since inception <b>13.80%</b>	monthly currency impact <b>TAILWIND MODERATE (1-3%)</b>
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#### FUND OUTLINE

Fund Manager:

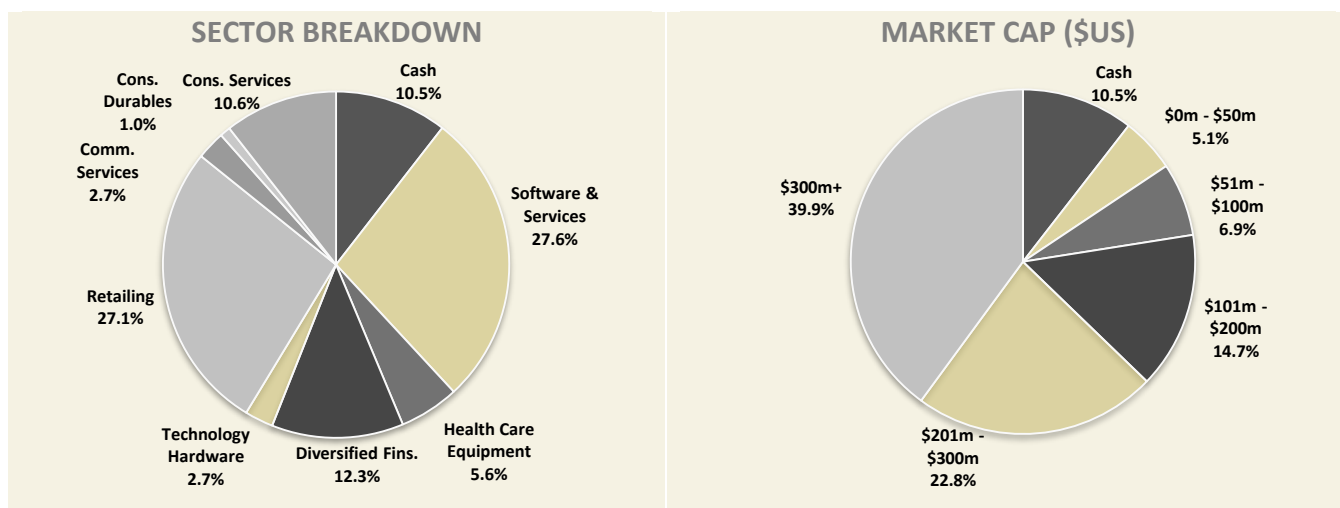
Carlos Gil (CIO)

The Global Value Microcap Fund is a wholesale fund investing in a selection of undervalued, profitable and growing companies listed in predominantly advanced economies around the world.

#### COUNTRY BREAK UP

		% of Equity Portfolio	% of NAV
	United States	41.5%	37.2%
	United Kingdom	26.1%	23.4%
	Cont. Europe	19.5%	17.4%
	Australia	8.1%	7.2%
	Canada	2.6%	2.3%
	New Zealand	2.2%	2.0%
	<b>Total</b>	<b>100%</b>	<b>89.5%</b>

	1 Month	3 Month	6 Month	1 Year	Total since inception	Compound p.a. since inception
<b>GVMF</b>	4.50%	6.95%	14.71%	15.86%	13.80%	9.55%
<b>MSCI World Microcap (AUD)</b>	2.54%	4.83%	13.18%	17.60%	14.95%	10.33%
<b>Outperformance</b>	<b>1.96%</b>	<b>2.12%</b>	<b>1.53%</b>	<b>-1.74%</b>	<b>-1.15%</b>	<b>-0.78%</b>



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### MARKET UPDATE AND COMMENTARY

It would be imprudent to draw many conclusions from last month's 1<sup>st</sup> quarter US GDP numbers. The headline annual growth figure of 0.7% growth might suggest a slowing US economy but GDP numbers are a lagging indicator and are volatile on a quarter to quarter basis. There are certainly no other meaningful indicators that the US economy is weakening. In fact, significant forward looking indicators point to a further strengthening of the economy. The sustainability of a consumer led economy is wage growth; and wage growth is growing in the US. The employment cost index rose 0.8% in the quarter and wages and salaries have risen 2.5% over the year. With a labour market that continues to tighten, the US consumer will have a strong impetus to consume. Across China, the hybrid economy continues its robust growth. Loosening credit conditions and fiscal stimuli via infrastructure spending mean it's likely to growth at 6%+ in 2017. The credit imbalances and soundness of the financial sector however continue to pose medium term risks for the economy.

**Microequities Global Value Microcap Fund returned 4.50% versus the MSCI World Microcap Index (AUD) 2.54% in April; this brings the total return net of fees to 13.80% for the Fund since inception in December 2015 compared to 14.95% for the MSCI World Microcap Index (AUD).**

We have strongly reiterated the negative impact of the rise in the AUD against the major currencies of the Global Fund for some time. The effect of the rising AUD has been to mask the strong underlying performance of our business partnerships. During the month of April, we experienced a weakening in the AUD and a consequent tailwind in the currency effect on our marked to market performance. Should this trend continue, it will unmask the strength of the underlying performance of our Global Value Microcap business partnerships.

During the month, we divested from a retail business partnership in the US and invested in a new US business partnership that is immersed in software security. We expect strong demand for the company's main products as network security and IT integrity continue to pose front of mind existential concerns for large enterprises. We expect the business to grow EPS during FY18 at 20%+. We are purchasing the business near its 5 year lows.

<b>Projected EPS Growth</b> FY17 (on a weighted basis)	<b>+7.8%</b>
<b>Projected EPS Growth</b> FY18 (on a weighted basis)	<b>+19.3%</b>

<b>Number of companies</b>	<b>39</b>
<b>Top 5 Holdings</b> % of NAV	<b>25.0%</b>
<b>Top 10 Holdings</b> % of NAV	<b>40.9%</b>
<b>Top 20 Holdings</b> % of NAV	<b>66.3%</b>
<b>Cash Position</b> % of NAV	<b>10.5%</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.