

# GLOBAL VALUE

## MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 30/06/2017

latest unit price <b>\$1.1200</b>	return 1 year <b>16.33%</b>	return since inception <b>12.00%</b>	monthly currency impact <b>HEADWIND MODERATE (1-3%)</b>
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#### FUND OUTLINE

Fund Manager:

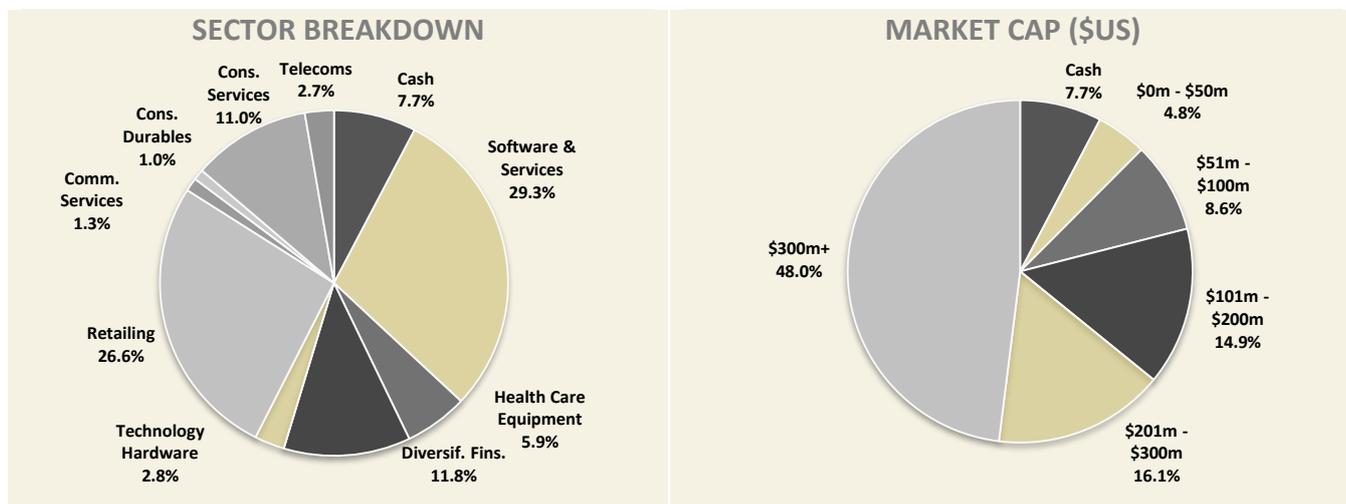
Carlos Gil (CIO)

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	40.9%	37.8%
	United Kingdom	24.9%	23.0%
	Cont. Europe	19.3%	17.8%
	Australia	10.5%	9.7%
	Canada	2.3%	2.1%
	New Zealand	2.1%	1.9%
	<b>Total</b>	<b>100%</b>	<b>92.3%</b>

	1 Month	3 Month	6 Month	1 Year	Total since inception	Compound p.a. since inception
<b>GVMF</b>	-1.20%	2.85%	1.34%	16.33%	12.00%	7.42%
<b>MSCI World Microcap (AUD)</b>	-1.04%	4.33%	6.48%	20.97%	16.94%	10.39%
<b>Outperformance</b>	<b>-0.16%</b>	<b>-1.48%</b>	<b>-5.14%</b>	<b>-4.64%</b>	<b>-4.94%</b>	<b>-2.97%</b>



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### MARKET UPDATE AND COMMENTARY

The US economy is essentially at full employment. US Department of Labor figures released at the beginning of the month put the unemployment rate at 4.3%, a 16 year low. A rate below 5% implies full employment, that is, it is full employment from an economic perspective because it is the rate at which an economy can sustain a component of the labour force still seeking work but not adding to wage inflationary pressures. This is important because the Federal Reserve has consistently signalled it considers the current US labour market at full employment. To maintain its other mandated objective of core inflation at or close to 2%, it needs to judiciously observe that the labour market does not become too tight. This has important implications for US interest rates as we would expect a tightening of monetary policy, effectively withdrawing the stimulus afforded to the economy since the GFC. This means that the Australian Dollar should come under downward pressure against the US Dollar over the medium term as the positive Australian risk rate differential dissipates.

**Microequities Global Value Microcap Fund returned -1.20% versus the MSCI World Microcap Index (AUD) -1.04% in June; this brings the total return net of fees to 12.00% for the Fund since inception in December 2015 compared to 16.94% for the MSCI World Microcap Index (AUD).**

A significant amount of our research time this month was spent undertaking due diligence on a UK enterprise software business which is in the midst of a transformative acquisition. We have vast experience investing in enterprise software businesses which, historically, have been successful investments for us. However, each enterprise software market vertical has its own unique nuisances and takes research resources to understand the technology in the context of its particular product market. Our investment management team has decided to support the capital raising to fund the transformative acquisition, after concluding that the high-quality business model, organic and acquisitive growth pathway and valuation provides a compelling risk/reward opportunity.

I will be traveling to London in July where I will meet with 20 company executives from a combination of existing business partnerships and potential future ones.

<b>Projected EPS Growth</b> FY17 (on a weighted basis)	<b>+10.1%</b>
<b>Projected EPS Growth</b> FY18 (on a weighted basis)	<b>+19.9%</b>

<b>Number of companies</b>	<b>40</b>
<b>Top 5 Holdings</b> % of NAV	<b>25.0%</b>
<b>Top 10 Holdings</b> % of NAV	<b>41.2%</b>
<b>Top 20 Holdings</b> % of NAV	<b>68.4%</b>
<b>Cash Position</b> % of NAV	<b>7.7%</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.