


GLOBAL VALUE

MICROCAP FUND



MONTHLY PERFORMANCE AS AT 30/09/2017

| | | | |
|--------------------------------------|-------------------------------|---|---|
| latest unit price \$1.1389 | return 1 year 13.94 | return since inception 13.89% |  monthly currency impact TAILWIND MODERATE (1-3%) |
|--------------------------------------|-------------------------------|---|---|









FUND OUTLINE

Fund Manager:

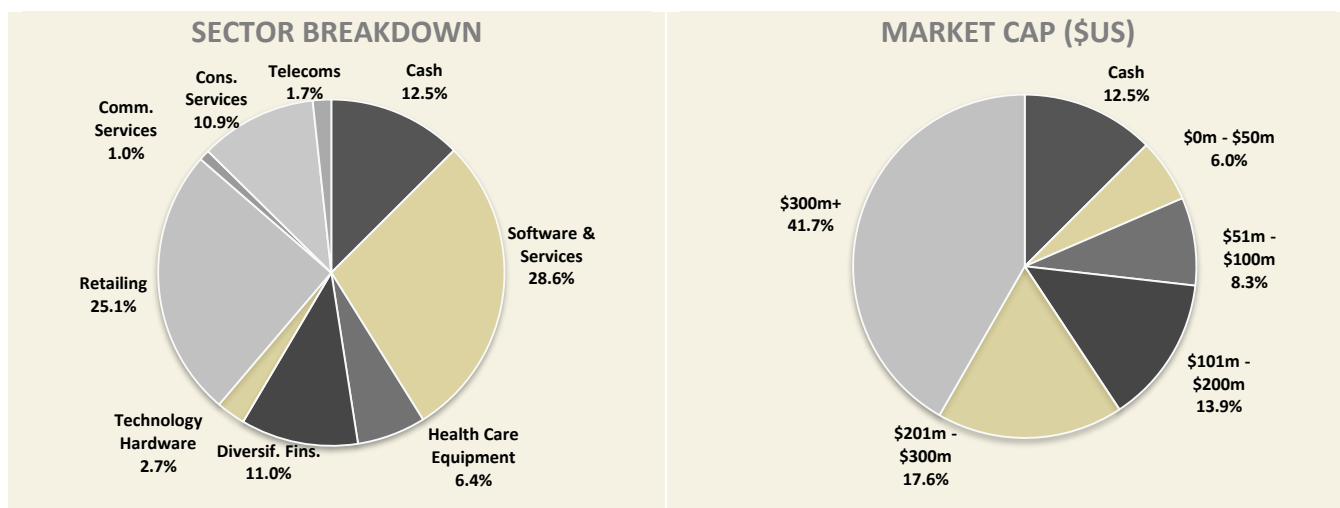
Carlos Gil (CIO)

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 Kingdom | 34.0% | 29.8% |
|  | United States | 33.1% | 29.0% |
|  | Cont. Europe | 17.2% | 15.0% |
|  | Australia | 9.0% | 7.9% |
|  | New Zealand | 4.5% | 3.9% |
|  | Canada | 2.2% | 1.9% |
| | Total | 100% | 87.5% |

| | 1 Month | 3 Month | 6 Month | 1 Year | Compound p.a. since inception | Total since inception |
|----------------------------------|---------------|---------------|---------------|---------------|-------------------------------|-----------------------|
| GVMF | 2.45% | 1.69% | 4.58% | 13.94% | 7.35% | 13.89% |
| MSCI World Microcap (AUD) | 4.75% | 4.67% | 9.20% | 18.22% | 11.66% | 22.40% |
| Outperformance | -2.30% | -2.98% | -4.62% | -4.28% | -4.31% | -8.51% |



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MARKET UPDATE AND COMMENTARY

Australia's labour market continues to strengthen and while caution needs to be applied to month on month figures, the underlying trend is evident, it is a strong labour market. During the month of August, Australia added 54,200 jobs of which 40,100 were full time. The indications are that the labour market will continue to strengthen with job vacancies hitting the highest level on record. The vacancies rate is a leading indicator of employment growth. The strength in employment contrasts with wage growth which has been a laggard. We do expect wage growth to pick up over the medium term and some industries are already increasing wages as tight labour supply dynamics kick in.

Internationally, the Bank of England has hinted it may raise rates for the first time since 2007 as inflation surged past its targeted 2% ceiling (current UK inflation is at 2.9%). Across the Atlantic, the US Federal Reserve will almost definitely increase rates one more time before the end of the 2017 as it seeks to remove monetary stimulus in a surging US economy.

Microequities Global Value Microcap Fund returned 2.45% versus the MSCI World Microcap Index (AUD) 4.75% in September; this brings the total return net of fees to 13.89% for the Fund since inception in December 2015 compared to 22.40% for the MSCI World Microcap Index (AUD).

The Global Value Microcap Fund was forced to divest out of one its business partnerships, **Guidance Software Inc. (NASDAQ:GUID)**, a security software business for the enterprise market. The business partnership became subject to a takeover bid by OpenText (NASDAQ:OTEX). Whilst the Global Value Microcap Fund will make a double digit return out of its investment we are very disappointed with the outcome. We deemed that Guidance Software was a highly undervalued business that had a compelling growth pathway. We viewed the bid as underwhelming and at a price that ultimately significantly under-valued the business.

The Fund also completely divested out of its Swiss based online travel agency, **Lastminute.com (SWX:LMN)**. The fund made a small loss out of this investment. The Fund is holding significant cash assets (12.5%) and the investment management team is assessing a number of investment opportunities.

| | |
|--|---------------|
| Projected EPS Growth FY17 (on a weighted basis) | +16.4% |
| Projected EPS Growth FY18 (on a weighted basis) | +18.1% |

| | |
|------------------------------------|--------------|
| Number of companies | 39 |
| Top 5 Holdings % of NAV | 23.5% |
| Top 10 Holdings % of NAV | 40.7% |
| Top 20 Holdings % of NAV | 65.6% |
| Cash Position % of NAV | 12.5% |

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.