

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 30/06/2018

latest unit price \$1.0558 (cum-distribution)	return since inception (Oct 2017) 5.58%	return 1 month 1.47%
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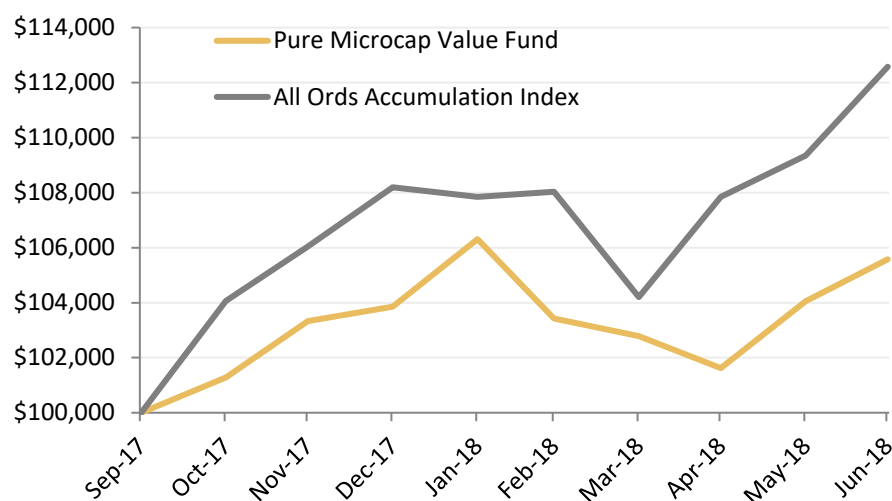
FUND OUTLINE

Fund Manager:

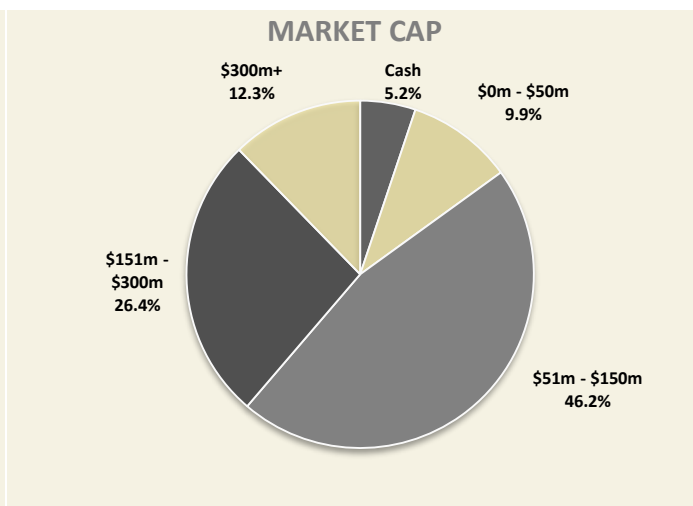
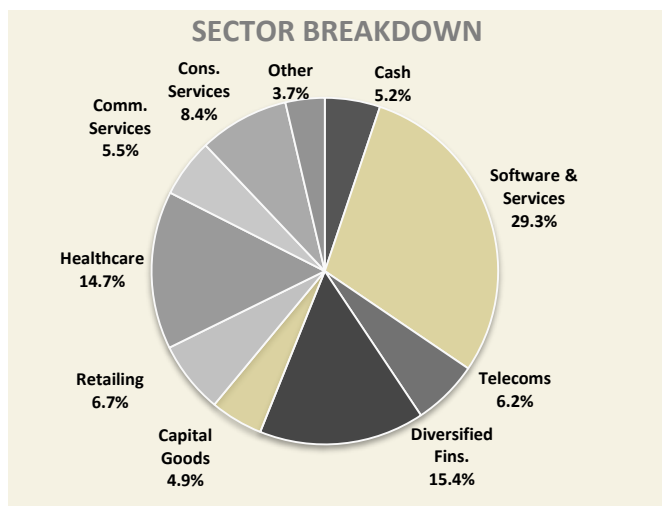
Carlos Gil (CIO)

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 > **\$105,580**



	1 Month	3 Month	6 Month	Total since inception
PMVF	1.47%	2.71%	1.66%	5.58%



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MARKET UPDATE AND COMMENTARY

Trying to forecast when the RBA will next raise rates is a somewhat perilous exercise. Several opposing forces are currently being observed which makes the Bank's job of deciding when to start removing an accommodative monetary policy, a complex undertaking. Clearly, the Australian labour market is in an excellent shape, with economic growth now above 3%, and a resurgent resources sector. There are strong arguments to raise rates. A hawkish stance, of which we are advocates, however is somewhat undermined by a low inflationary environment, elusive wages growth and a weakening property market which risks a sharp fall in the face of higher interest rates. Further complicating the task is that some banks are already increasing mortgage rates out of cycle due to sustained increased costs in their short-term funding. In our view, the RBA needs to prudently move towards a neutral stance and raise rates. It does not have a mandate to shield asset prices nor can it afford to idly wait for businesses to responsibly increase wages. It must look beyond this expansionary cycle knowing full well that failure to raise rates now will undermine its capability to stimulate the economy in the next slowdown. It should raise rates this year, the sooner the better.

Microequities Pure Microcap Value Fund returned 1.47% in June; this brings the total return net of fees to 5.58 % for the Fund since inception in October 2017.

The Fund divested out of one business this month on the basis of valuation alone. This business was purchased early on at the inception of the Fund as the business was trading at a reasonable valuation and we could see many years of strong earnings growth. Since then, the share price has doubled in less than 8 months and the business is also flagging additional costs in the next few years. Given the business is now trading at an excessive valuation, we have taken the opportunity to exit and redeploy funds into other opportunities where there is more compelling value on offer.

We added one new business partnership in the consumer services sector. We have been following this business for over three years and have watched management navigate through challenges that have faced the industry. We are investing into the business at a time where the regulatory environment is relatively benign and general industry outlook is positive. Trading at 9x 2018 PE, this business has a long pathway for further acquisitions and solid organic earnings growth.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+31.7%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+24.4%

Number of companies	31
Top 5 Holdings % of NAV	31.4%
Top 10 Holdings % of NAV	52.1%
Top 20 Holdings % of NAV	81.5%
Cash Position % of NAV	5.2%

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.