

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/07/2018

latest unit price \$1.4470 Ex-distribution	return since inception (March 2012) 114.18%	return 1 month 0.89%
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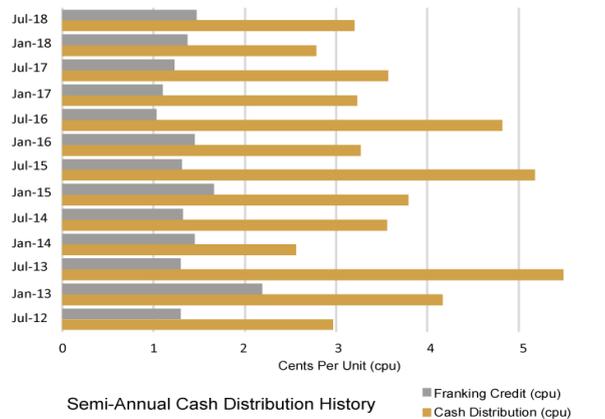


FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

The High Income Value Microcap Fund is a wholesale fund investing in high dividend paying, undervalued, ASX microcap companies.

66.56c Total Cash and Franking Credits RETURNED SINCE INCEPTION

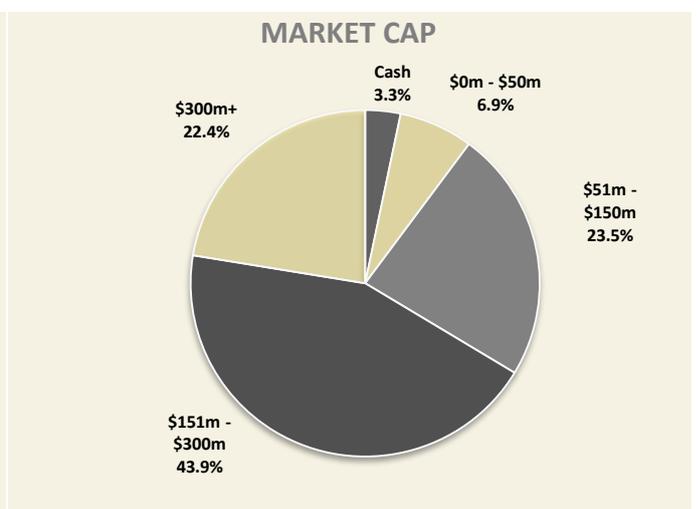
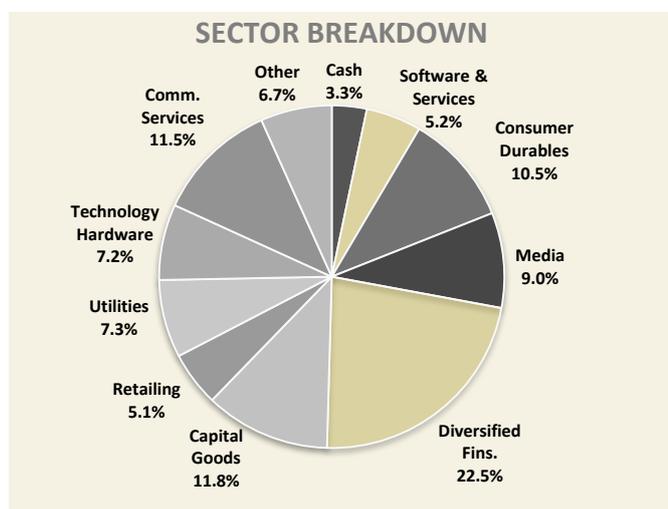


**Current Forecast
Grossed Up
Dividend Yield**

+7.51%**

**Represents the annual dividend yield of the companies in the portfolio grossed up for franking credits. It is based on internal forecasts and actual results may vary. It is not a forecast distribution as distributions will depend on actual dividend income received, expenses of the fund and actual number of units on issue at the time a distribution is made.

	1 Month	1 Year	3 Year	5 Year	Compound p.a. since inception	Total since inception
HIMF	0.89%	0.79%	10.88%	9.83%	12.60%	114.18%



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MARKET UPDATE AND COMMENTARY

The United States, the world largest economy, accelerated the pace of its economic expansion during the second quarter of 2018. GDP grew at an annualised rate of 4.1%, marking the fastest rate of growth in almost 4 years. Capital investment continued to improve which suggests that tax cuts are having the desired effect on investment. However, we question the sustainability of consumer spending growth which surged in the quarter. How much of the increase in spending was due to consumers bringing forward consumption ahead of the impending tariff increases, remains to be seen. Wages growth has been steadily increasing, though still subdued at +2.7% and will need to rise further if the Fed is to meet its stated objective of four (two done, two more to go) interest rate hikes for 2018. In Australia, the economy continued to produce strong jobs growth, with the economy adding 317,000 jobs over the past 12 months. We expect employment growth to moderate over the second half of the year, though this does not imply that unemployment will rise as we see overall domestic economic conditions as remaining conducive to growth.

Microequities High Income Value Microcap Fund returned 0.89% in July; this brings the total return net of fees to 114.18% for the Fund since inception in March 2012.

At the beginning of the month the Fund paid a cash distribution of 3.2 cents per unit in addition to a 1.47 cent per unit franking credit. The distribution marks the 13th consecutive cash distribution by the Fund and is a testament to the Fund's ability to draw a sustainable income stream from the industrial businesses that constitute its assets.

We instigated two changes in the Fund during the month. We exited a professional services firm due to a review of the investment thesis which was no longer valid and had materially deteriorated. The exit was fully completed by month end and represented a very small weighting in the Fund. The Fund has begun to buy a new business in the media industry. The business generates strong cash flows, the balance sheet is well capitalised and we expect high single digit EPS growth. We are buying the business at 8.6x FY19 PE and on a forward grossed up dividend yield of 10%, with potential for further capital management initiatives.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+8.3%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+11.5%

Number of companies	32
Top 5 Holdings % of NAV	33.2%
Top 10 Holdings % of NAV	55.1%
Top 20 Holdings % of NAV	81.6%
Cash Position % of NAV	3.3%

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 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.