

# PURE MICROCAP

## VALUE FUND



### MONTHLY PERFORMANCE AS AT 31/07/2018

latest unit price <b>\$1.0816</b> Ex-distribution	return since inception (Oct 2017) <b>8.67%</b>	return 1 month <b>2.92%</b>
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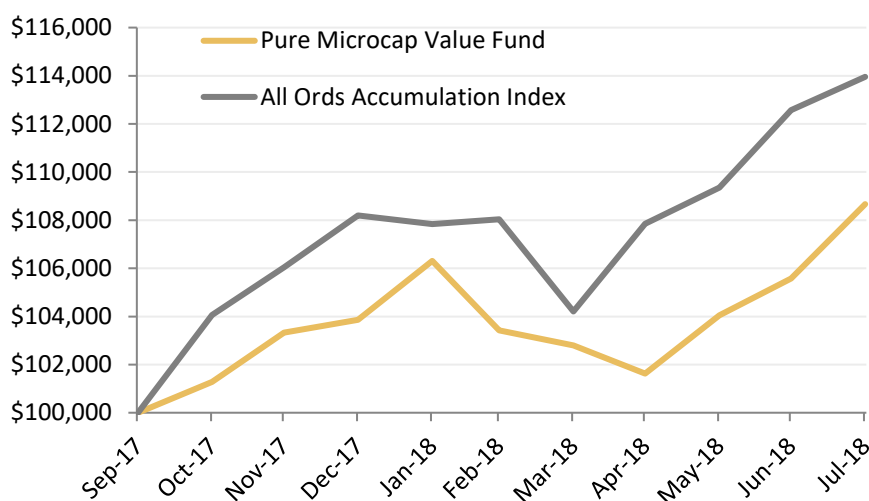
#### FUND OUTLINE

Fund Manager:

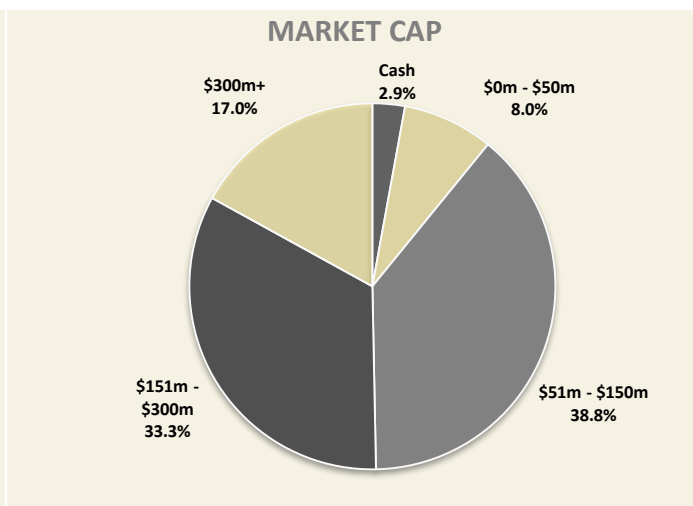
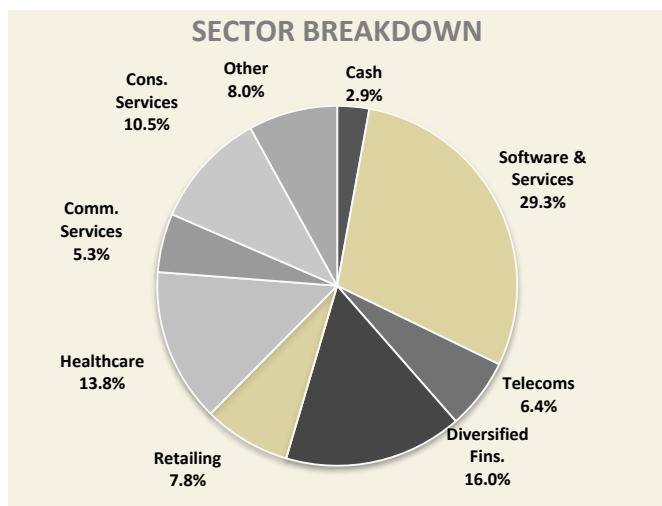
Carlos Gil (CIO)

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 > **\$108,666**



	1 Month	3 Month	6 Month	Total since inception
<b>PMVF</b>	<b>2.92%</b>	<b>6.93%</b>	<b>2.22%</b>	<b>8.67%</b>



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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 Pure Microcap Value Fund returned 2.92% in July; this brings the total return net of fees to 8.67% for the Fund since inception in October 2017.**

The Fund added two new positions to the Fund, one in the retailing sector and one in the mining services/manufacturing sector. Both companies are rather illiquid and the Fund may not be able to establish a sizeable position in either company. Despite this, we still think there is significant valuation upside in both businesses that we do not mind ending up with a small position in both.

The retail business operates through retail stores, the wholesale channel and online. The brands they distribute are world class in nature and currently demonstrating significant like for like sales growth. The business has a clean balance sheet, owns freehold property, has significant management ownership and the shareholder structure ensures downside protection.

The second business in the mining services/manufacturing sector was purchased through a capital raising. This capital raise was to assist the business in making two significant acquisitions during the month. Given the business also recently disposed of a loss making division, FY19 earnings will be a lot cleaner and our purchase at only 8x FY19 earnings represents deep value price points.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+32.8%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+24.7%</b>

<b>Number of companies</b>	<b>33</b>
<b>Top 5 Holdings</b> % of NAV	<b>31.5%</b>
<b>Top 10 Holdings</b> % of NAV	<b>51.9%</b>
<b>Top 20 Holdings</b> % of NAV	<b>83.2%</b>
<b>Cash Position</b> % of NAV	<b>2.9%</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 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.