

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 30/09/2018

latest unit price <b>\$1.4599</b>	return since inception (March 2012) <b>116.09%</b>	return 1 month <b>0.14%</b>
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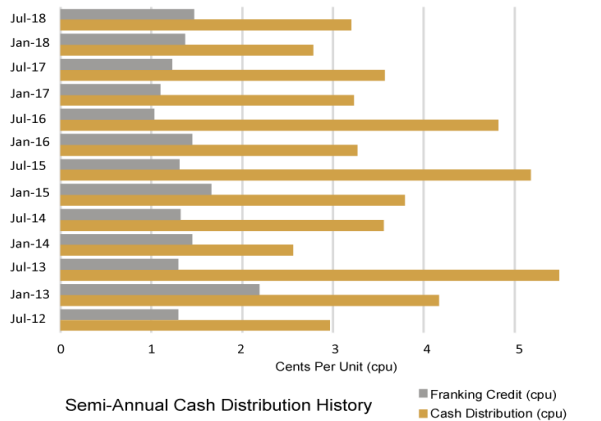


#### FUND OUTLINE

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

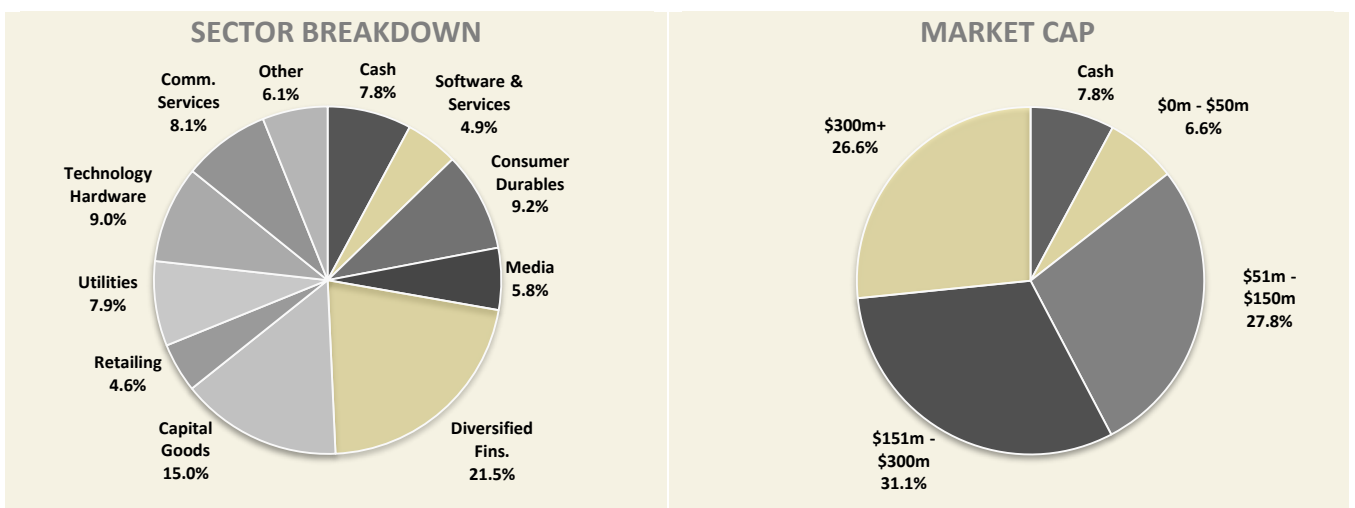


Current Forecast Grossed Up Dividend Yield

**+7.45%\*\***

\*\*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	0.14%	2.27%	10.50%	8.65%	12.42%	116.09%



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### FUNDAMENTAL FY18 PERFORMANCE REPORT

Last week the US Federal Reserve, as anticipated and well flagged, hiked rates by 25 basis points, lifting the overnight benchmark lending rate to 2.25%. The interest rate increase heralds the end of its accommodative monetary policy, which was hurriedly ushered in during the dark days of the GFC. The benchmark rate now sits in the band that economists consider a neutral policy stance; neither boosting nor restraining investment. We have been critical of the Fed's slow response to increasing rates. It is axiomatic that the US economic recovery has been gathering pace for some time. Whilst it is true that inflation has been relatively benign, there was no need to add greater stimulus to an economy that was already driven by internal demand expansion and rapid credit growth. Prudence should have dictated that the Fed needed to realign its monetary policy a lot earlier. We upheld this view even before the impact of the Trump administration's \$1.5 trillion of fiscal stimulus in the form of corporate and personal income tax cuts. The combination of various policies and the extremities that can result from unconstrained animal spirits has heightened the risks that the US economy will expand too rapidly. The latency in the policy response by the Fed may turn it into an involuntary culprit.

**Microequities High Income Value Microcap Fund returned 0.14% in September; this brings the total return net of fees to 116.09% for the Fund since inception in March 2012.**

A relatively active month for the Fund saw us divest out of **IPH Ltd (ASX:IPH)** after a successful investment term. We also sold out of a small professional services business due to a lack of execution of the underlying investment thesis. Offsetting these two exits, the Fund has started accumulating stakes in two new businesses; one is a vertically integrated specialist finance company in which it is a relatively significant player in its respective market. We are buying into this business after it incurred a market price fall of over 35 percent in the past twelve months. The business has strong core competence and sits on a grossed-up dividend yield above 8%. The second business we have purchased is an infrastructure and construction services firm that we believe will strongly benefit from the sectoral tailwind and expanding order book. We have followed this business for over five years and have been impressed by how well the management team has executed the strategy.

<b>Projected EPS Growth</b> 1 Year Forward (on a weighted basis)	<b>+9.7%</b>
<b>Projected EPS Growth</b> 2 Years Forward (on a weighted basis)	<b>+10.1%</b>

<b>Number of companies</b>	<b>30</b>
<b>Top 5 Holdings</b> % of NAV	<b>30.7%</b>
<b>Top 10 Holdings</b> % of NAV	<b>53.3%</b>
<b>Top 20 Holdings</b> % of NAV	<b>79.9%</b>
<b>Cash Position</b> % of NAV	<b>7.8%</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.