


GLOBAL VALUE

MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/10/2018

latest unit price \$1.2750	return since inception 29.93%	return 1 month -3.52%	 monthly currency impact TAILWIND LOW (0-1%)
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FUND OUTLINE

Fund Manager:

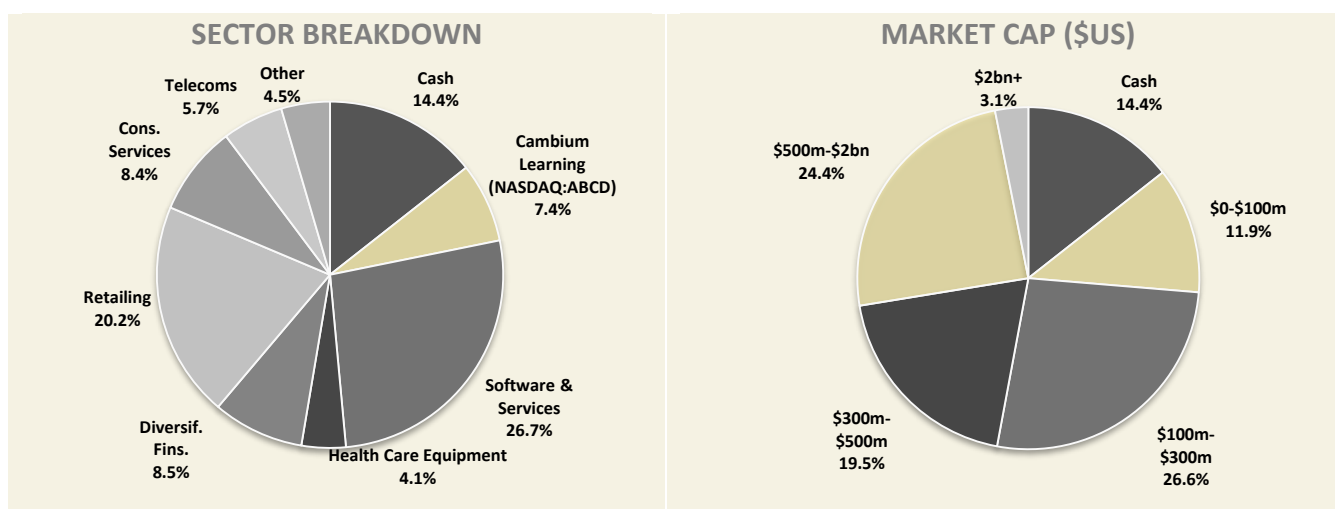
Carlos Gil (CIO)

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	37.0%	31.7%
	United States	32.0%	27.4%
	Cont. Europe	18.5%	15.9%
	Australia	9.0%	7.7%
	Canada	2.3%	1.9%
	New Zealand	1.2%	1.0%
	Total	100%	85.6%

	Total since inception	Compound p.a. since inception	2 Year	1 Year	1 Month
GVMF	29.93%	8.69%	14.44%	9.74%	-3.52%



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MARKET UPDATE AND COMMENTARY

We will refrain from using euphemisms such as “heightened volatility” and “volatile markets”. Instead, we will immerse ourselves in the reality which saw October register widespread market price falls across world equity markets. The MSCI World Microcap Index fell -8.2% in Australian Dollar terms. In Australia, the All Ordinaries Index fell -6.5%, the Small Ordinaries Index fell -9.6% and the Emerging Companies Index fell -10.9%. Whilst trying to articulate the reason behind most market price falls is an inherently nebulous and treacherous exercise, this most recent price fall has a clear plausible causality, risk-free rates. Or more precisely, increasing risk-free rates. The US 10-year government treasury bond yield has been creeping upwards since July 2016 when it reached a post GFC low of +1.35%. Since July 2016 the 10-year treasury bond has been on a slow upward climb. Over the last quarter the yield broke through the psychological +3.00% barrier and last month climbed as high as +3.22%. Risk-free rates affect valuations of all financial assets, including equities, and have an inverse effect on them. Equity markets had, until October, been slow to absorb and reposition the risk-free rate in their valuation models. They looked to grasp and reset a different risk-free rate reality rather abruptly. Microequities has been using a risk-free rate of +3.25% for some time, well ahead of the current 10-year Australian government bond yield which sits at +2.6%.

Microequities Global Value Microcap Fund returned -3.52% in October; this brings the total return net of fees to 29.93 % for the Fund since inception in December 2015.

The largest weighted investee company in the Fund, **Cambium Learning Group (NASDAQ:ABCD)** (7.4% of the Fund’s total assets) became the subject of a takeover bid by private equity (Veritas Capital). The approved acquisition will see shareholders receive USD\$14.50 per share, a 121% gain on our average price paid of USD\$6.50 share. Whilst we are disappointed by the offer price, the investment outcome continues to validate our selective deep value approach as applied to international equity investing. Cambium Learning Group is an education business based in the US with a rapidly growing e-learning SaaS business segment.

The Fund maintains a strong cash position of 14.4%, not including the 7.4% of Cambium Learning which we expect to monetise in coming months.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+20.7%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+21.0%

Number of companies	35
Top 5 Holdings % of NAV	29.6%
Top 10 Holdings % of NAV	48.1%
Top 20 Holdings % of NAV	70.9%
Cash Position % of NAV	14.4%

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.