

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/12/2018

| | | |
|--|--|---------------------------------|
| latest unit price \$1.2627 (cum-distribution) | return since inception (March 2012) 86.90% | return 1 month -3.35% |
|--|--|---------------------------------|

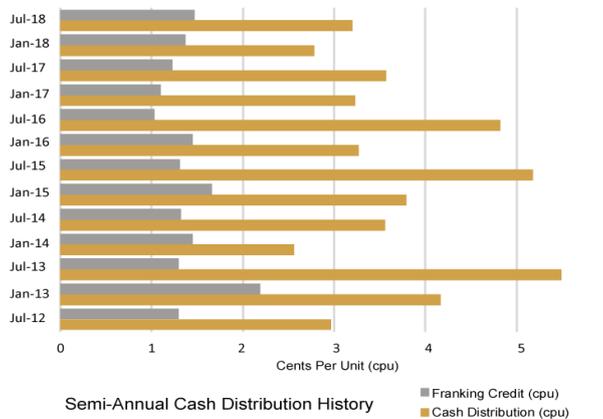


FUND OUTLINE

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

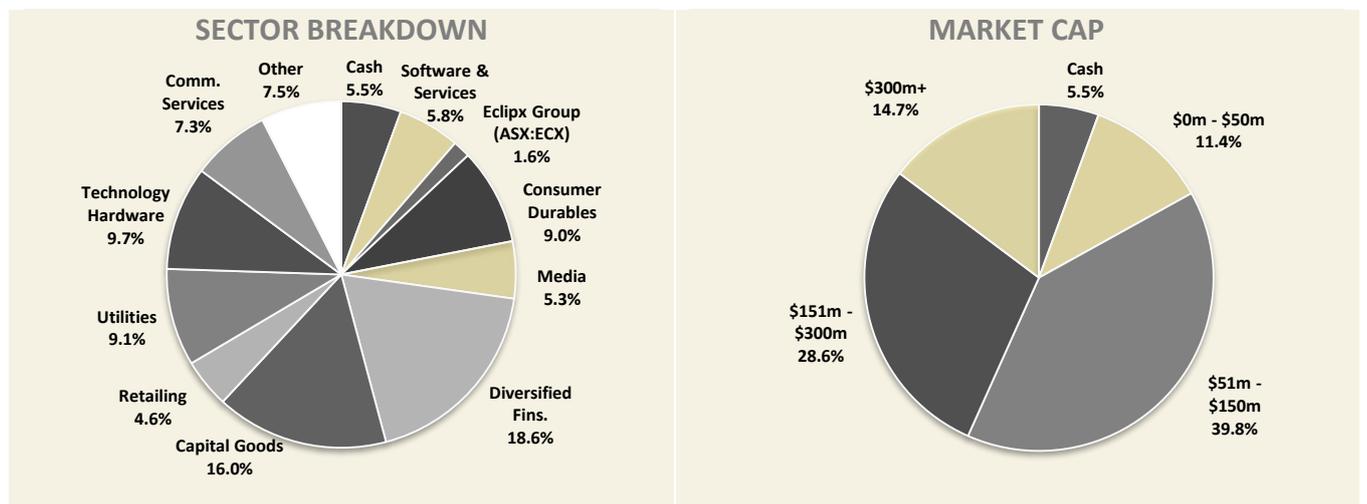


**Current Forecast
Grossed Up
Dividend Yield**

+8.09%**

**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.

| | Total since inception | Compound p.a. since inception | 5 Year | 3 Year | 1 Year | 1 Month |
|-------------|-----------------------|-------------------------------|--------------|--------------|----------------|---------------|
| HIMF | 86.90% | 9.58% | 4.79% | 4.14% | -11.21% | -3.35% |



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MARKET UPDATE AND COMMENTARY

Chinese manufacturing contracted for the first time since 2016. The Purchasing Managers Index (PMI) for December came in at 49.4 (a reading below 50 signals a contraction in activity). Whilst a 49.4 reading doesn't signal a particularly strong contraction, it is the contextual setting around the number that might be significant. It is the first contraction since November 2016 and comes after seven consecutive months of falling export orders. The PMI encompasses both export and domestic manufacturing activity and therefore better captures economic activity levels in China. December is not a seasonally weak month for China, so it raises questions about China's short-term economic momentum. The geopolitical ramifications of Donald Trump's war may be having an effect, not only on China's exports, but also domestic economic confidence. Capital markets in China have not enjoyed a good 2018, with the Shanghai Composite Index declining by over 25% for the year. Against this backdrop, China's economic policy response has so far been muted, monetary policy has been maintained, no new stimulus packages have been announced and the strong deleveraging process which China began in November 2017 remains, though with increasing calls to turn the credit tap back on. How these developments will affect forthcoming China-US trade negotiations remains a pressing question.

Microequities High Income Value Microcap Fund returned -3.35% in December; this brings the total return net of fees to 86.90% for the Fund since inception in March 2012.

It was a quiet month for the Fund. Activity was centred on recalibrating the portfolio based on risk/reward metrics. The Fund also continued to add to its newest entrant, a business in the construction and engineering sector. This business currently makes up 1.4% of the Fund's assets. The investment management team will continue to build its weighting.

We are pleased to announce that we will shortly be paying out the Fund's 14th consecutive distribution. The Fund's investee companies provide unitholders with a sustainable source of income, and the Fund's constituents continue to be well positioned to generate profits that sustain the dividend income stream of the Fund.

| | |
|---|---------------|
| Projected EPS Growth 1 Year Forward (on a weighted basis) | +5.90% |
| Projected EPS Growth 2 Years Forward (on a weighted basis) | +12.0% |

| | |
|------------------------------------|--------------|
| Number of companies | 29 |
| Top 5 Holdings % of NAV | 31.0% |
| Top 10 Holdings % of NAV | 53.5% |
| Top 20 Holdings % of NAV | 81.9% |
| Cash Position % of NAV | 5.5% |

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.