

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/03/2019

| | | |
|--------------------------------------|---|---------------------------------|
| latest unit price \$0.8770 | return since inception (Oct 2017) -11.89% | return 1 month -0.95% |
|--------------------------------------|---|---------------------------------|



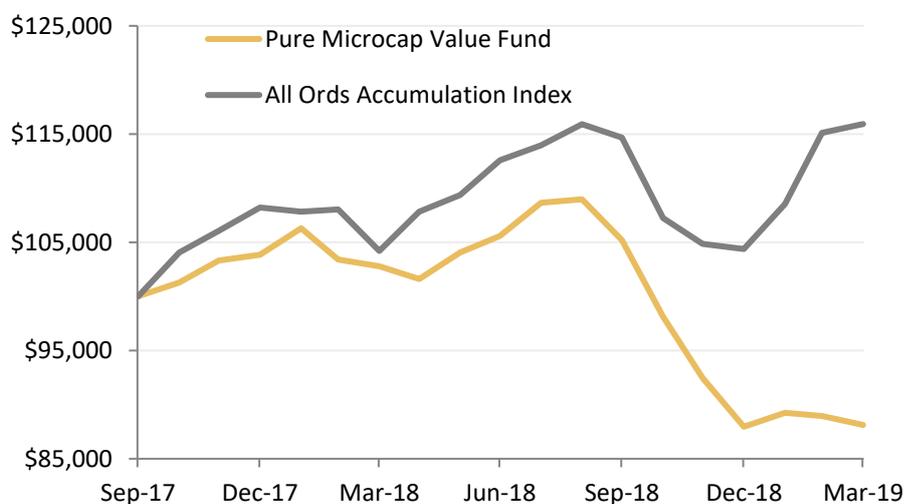
FUND OUTLINE

Fund Manager:

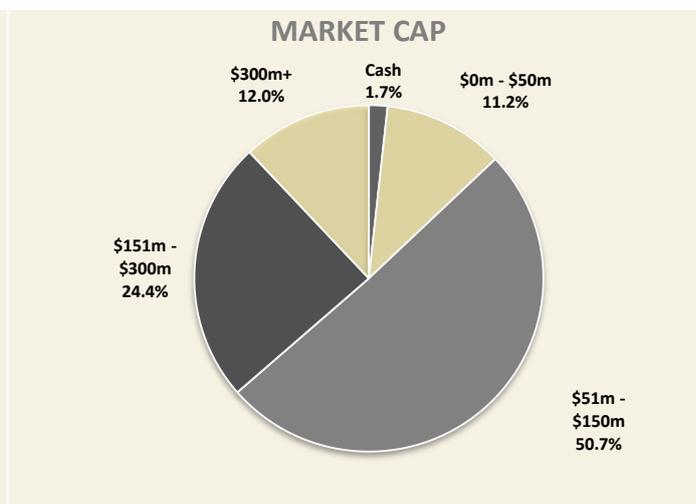
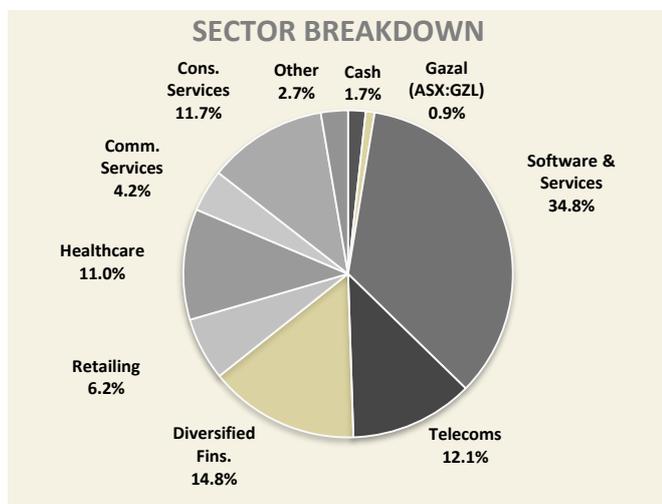
Carlos Gil (CIO)

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 > **\$88,110**



| | Compound p.a. since inception | Total since inception | 1 Year | 6 Month | 1 Month |
|-------------|-------------------------------|-----------------------|----------------|----------------|---------------|
| PMVF | -8.09% | -11.89% | -14.28% | -16.24% | -0.95% |



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MARKET UPDATE AND COMMENTARY

The most significant financial market occurrence during the month was the inversion of US treasury yield curve. During the month, the 10-year US treasury was trading at a lower yield than the 3-month US treasury as investors bought up the longer duration bonds sending yields down. The inversion of the US bond yield has normally been an indicator of a forthcoming economic recessions. Whilst that might be a historical trend, this latest inversion has been triggered by a change in the US Federal Reserve monetary policy stance. US Federal Reserve Chairman Jerome Powell stated that the Federal Reserve would indefinitely stick with an extended pause on rate changes and there would be no rate hikes for the remainder of 2019. At the same time, Fed officials downgraded US GDP growth rate from +2.3% to +2.1% for 2019. The more dovish stance coincides with the world economy facing increased risk of a slowdown across several of its geographies.

Microequities Pure Microcap Value Fund returned -0.95% in March; this brings the total return net of fees to -11.89% for the Fund since inception in October 2017.

The Fund suffered from share price falls in seven companies where there was no updates or fundamental change in the earnings outlook. The share price falls ranged from -10% to as much as -23%. We cannot rationalise the price falls to any one reason but rather put it down to the vagaries of the share market in the short term where certain companies are more popular than others. In the longer term, share price will follow the upward earnings trajectory of these businesses.

We added two new positions to the Fund. The first business is in the enterprise software sector with sticky clients, moderate revenue growth, and balanced with a focus on profitability. We believe it will prove to be a solid investment for the Fund in the years ahead. The second business is in consumer services. The share price has suffered from negative sentiment towards the sector in recent years. The underlying business is sound, cash flow conversion is improving and the business is undervalued. We think it is only a matter of time before the market recognises the undervaluation and a re-rating occurs. We also added to our existing holding in another consumer services business which conducted a placement during the month to fund accretive acquisitions.

| | |
|--|---------------|
| Projected EPS Growth | |
| 1 Year Forward (on a weighted basis) | +12.6% |
| Projected EPS Growth | |
| 2 Years Forward (on a weighted basis) | +27.8% |

| | |
|------------------------------------|--------------|
| Number of companies | 33 |
| Top 5 Holdings % of NAV | 36.8% |
| Top 10 Holdings % of NAV | 57.6% |
| Top 20 Holdings % of NAV | 84.1% |
| Cash Position % of NAV | 1.7% |

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.