


GLOBAL VALUE

MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/05/2018

latest unit price \$1.2688	return since inception 26.88%	return 1 year 11.93%	 monthly currency impact HEADWIND MODERATE (1-3%)
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FUND OUTLINE

Fund Manager:

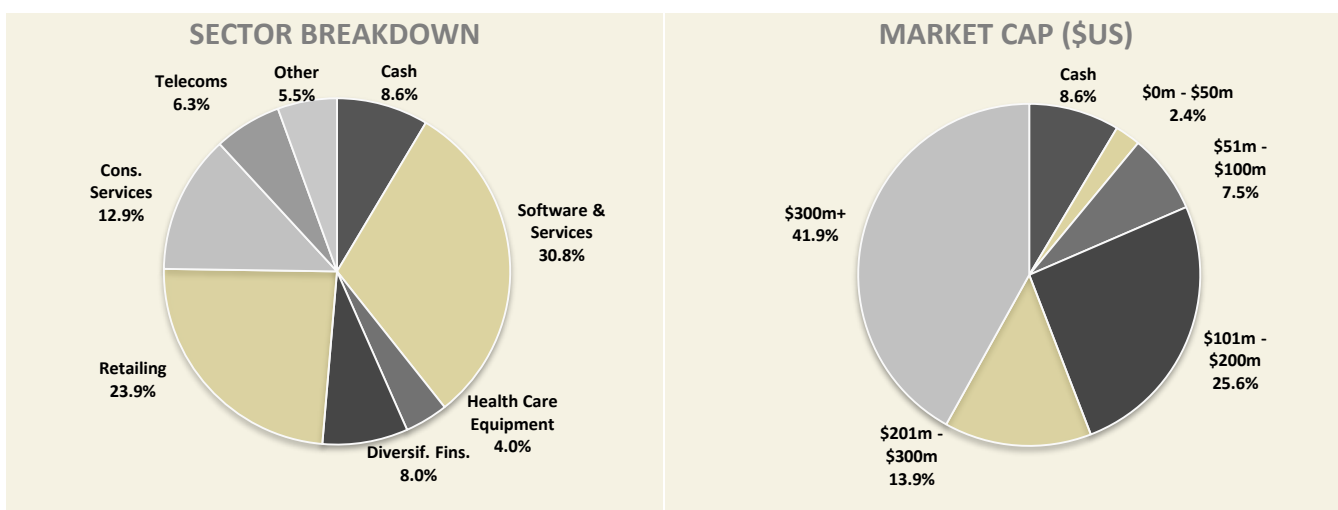
Carlos Gil (CIO)

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	35.8%	32.7%
	United States	25.5%	23.2%
	Cont. Europe	21.8%	20.0%
	Australia	9.4%	8.6%
	New Zealand	4.8%	4.4%
	Canada	2.7%	2.5%
	Total	100%	91.4%

	1 Month	1 Year	2 Year	Compound p.a. since inception	Total since inception
GVMF	-3.51%	11.93%	13.31%	9.99%	26.88%



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MARKET UPDATE AND COMMENTARY

The US economy continued to create jobs last month with a further 164,000 non-farm jobs added, taking the unemployment rate down to 3.9%, the lowest rate in 17 years. It is likely that the unemployment rate will fall further during the year as the US economy continues to build on momentum. This growth phase has been previously well reported. The thematic we are acutely focused on however, is the inflationary cadence across both the US, Western Europe and Australia. Wages growth in the US continues to rise modestly; increasing at an annual pace of +2.6% and this has lifted an upward trending inflation rate to +2.0%. This is still benign but at least tracking upwards. Across Europe, a surprising surge in inflation last month saw the annual inflation rate rise from +1.2% to +1.9%. The rise was well ahead of the market consensus and was in part driven by improving labour market conditions across the continent. In Australia, wage growth remains stubbornly stable at annual rate of +2.0% with our Inflation rate hovering at +1.9%. Predicting when the RBA rate will raise rates again is therefore a call on when inflation will pick up which will principally be driven by wage growth.

Microequities Global Value Microcap Fund returned -3.51% in May; this brings the total return net of fees to 26.88% for the Fund since inception in December 2015.

Our biggest weighted business partnership in the Fund, a specialist online travel agency based in the UK reported its 1H18 earnings. Whilst its organic revenue growth was +19%, its earnings per share (EPS) grew at a more modest +9%. The numbers were temporarily impacted by the collapse of low cost airline company Monarch Airlines, which reduced flight capacity to summer beach destinations across Europe. This reduction in capacity also had the added negative impact of increasing prices on remaining flight capacity and thus causing an adverse impact on demand from UK holidaymakers. Both revenue and EPS were below the market's expectations and as a result the market price endured a significant fall. Despite the fall in market price, our view on the business remains unchanged. The business has a long-term growth pathway with excellent unit economics. The causality of its earnings growth is not systemic in nature but rather transient.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+19.4%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+21.3%

Number of companies	37
Top 5 Holdings % of NAV	26.1%
Top 10 Holdings % of NAV	44.3%
Top 20 Holdings % of NAV	71.5%
Cash Position % of NAV	8.6%

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.