


# GLOBAL VALUE

## MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 30/10/2017

latest unit price <b>\$1.1840</b>	return 1 year <b>19.34%</b>	return since inception <b>18.40%</b>	 monthly currency impact <b>TAILWIND MODERATE (1-3%)</b>
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#### FUND OUTLINE

Fund Manager:

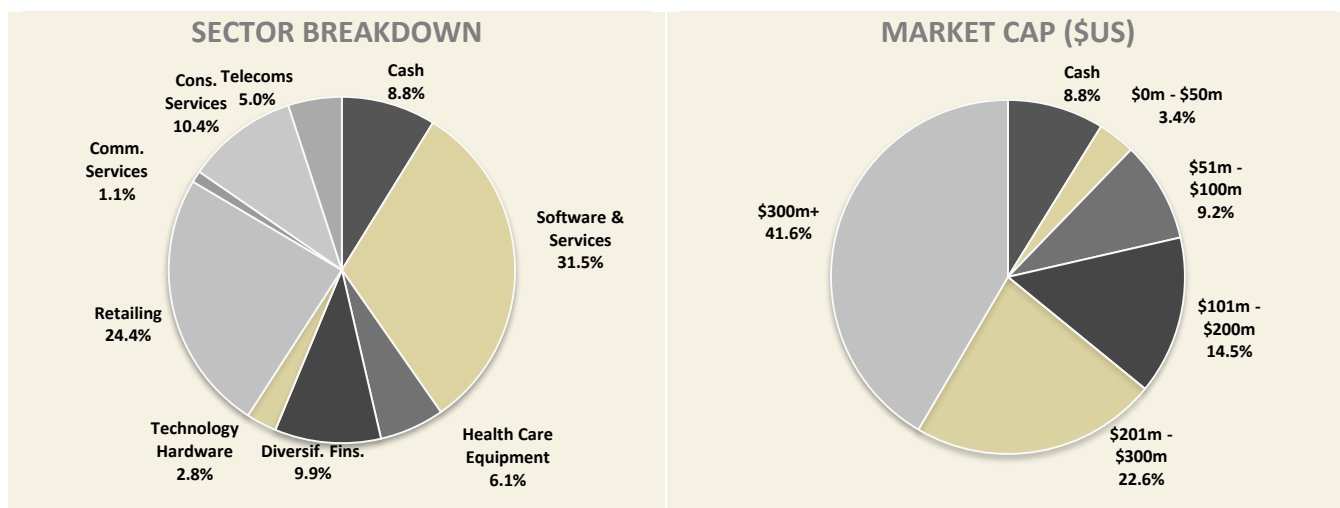
Carlos Gil (CIO)

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	36.5%	33.3%
	United States	31.0%	28.3%
	Cont. Europe	16.2%	14.7%
	Australia	9.1%	8.3%
	New Zealand	5.2%	4.8%
	Canada	2.0%	1.8%
	<b>Total</b>	<b>100%</b>	<b>91.2%</b>

	1 Month	3 Month	6 Month	1 Year	Compound p.a. since inception	Total since inception
<b>GVMF</b>	3.96%	6.77%	4.04%	19.34%	9.21%	18.40%
<b>MSCI World Microcap (AUD)</b>	3.26%	8.73%	9.95%	24.45%	13.00%	26.39%
<b>Outperformance</b>	<b>0.70%</b>	<b>-1.96%</b>	<b>-5.91%</b>	<b>-5.11%</b>	<b>-3.79%</b>	<b>-7.99%</b>



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### MARKET UPDATE AND COMMENTARY

The US economy grew at 3.1% during the second quarter of 2017, the fastest growth in 2 years. The growth is particularly impressive given the disruptive effects of two large hurricanes in Texas and Florida. Consumer spending grew at 2.4% whilst the unemployment rate fell to 4.2%, the lowest since February 2001. We have in the past been critical of the Federal Reserve and its dovish monetary stance which has displayed an overt reluctance to normalise its expansionary monetary policy. It is highly likely that the Federal Reserve will raise rates by 25 basis points in December though such a rise will still fall short of an appropriate normalisation. The relaxed stance heightens overheating risks for the US economy as the boom cycle matures. Domestically our monetary policy remains in a prolonged holding pattern with little likelihood of any upward move on rates. Consequently, the spread between the US 10-year note yield and the Australian 10-year bond has compressed to about 30 basis points. This compression has currency implications for the Australian Dollar which has enjoyed a premium from the carry spread between the two securities. As the spread further condenses, the AUD should come under further pressure.

**Microequities Global Value Microcap Fund returned 3.96% versus the MSCI World Microcap Index (AUD) 3.26% in October; this brings the total return net of fees to 18.40% for the Fund since inception in December 2015 compared to 26.39% for the MSCI World Microcap Index (AUD).**

A busy month for the Fund with two new business partnerships added, taking the total number to 41. Whilst the number is above our self-imposed limit of 40, there are various business partnerships that will be dissolved over coming periods. One of the two business partnerships added is a fast growing small telecommunications and IT managed services business in the UK servicing the health sector, education and businesses customers. This is a business model in which Microequities has deep industry knowledge and previously investment experience in. The company has a highly focussed acquisition growth pathway, strong skill set in business integration, good cash flows and a capable management team. Our second new business partnership is a US software company specialised in file transfer and data management. An initial stake has been purchased in this business.

<b>Projected EPS Growth</b> FY17 (on a weighted basis)	<b>+15.4%</b>
<b>Projected EPS Growth</b> FY18 (on a weighted basis)	<b>+18.0%</b>

<b>Number of companies</b>	<b>41</b>
<b>Top 5 Holdings</b> % of NAV	<b>23.6%</b>
<b>Top 10 Holdings</b> % of NAV	<b>40.7%</b>
<b>Top 20 Holdings</b> % of NAV	<b>67.5%</b>
<b>Cash Position</b> % of NAV	<b>8.8%</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 Ltd 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.