

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/08/2017

latest unit price \$1.5060	return since inception (March 2012) 113.96%	return 1 month 0.69%	FE Crown Rating*
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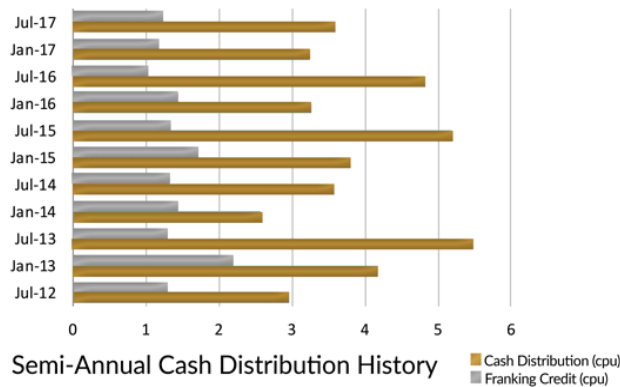


FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

The High Income Value Microcap Fund is a wholesale fund investing in high dividend paying, undervalued, ASX microcap companies.

57.95 c Total Cash and Franking Credits RETURNED SINCE INCEPTION

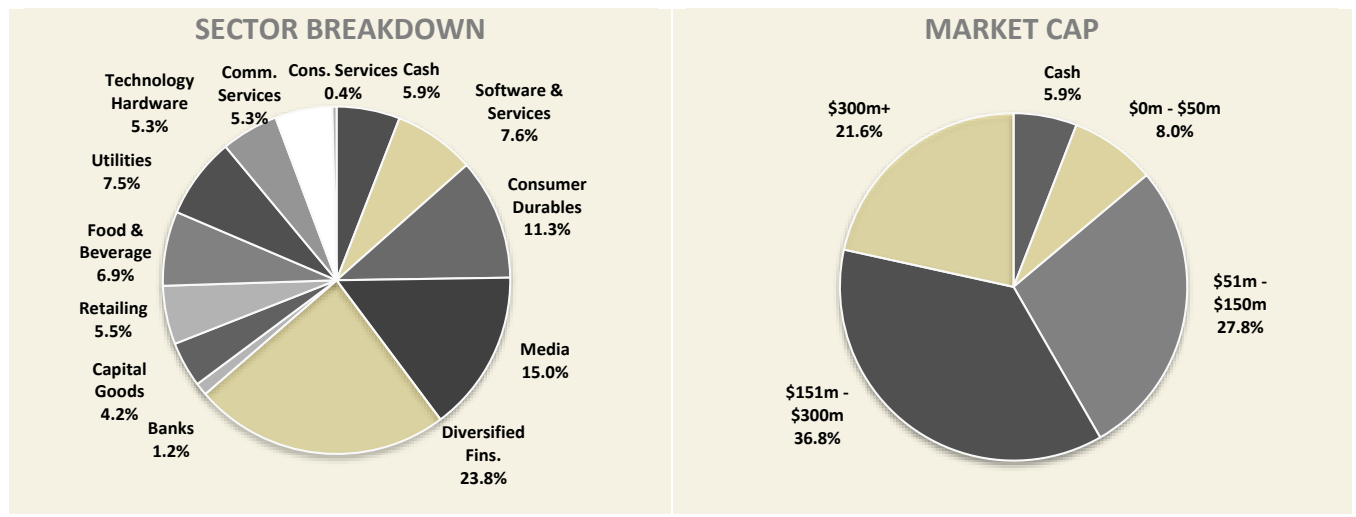


Current Forecast Grossed Up Dividend Yield

+7.82%**

**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.

	1 Month	1 Year	3 Year	5 Year	Compound p.a. since inception	Total since inception
HIMF	0.69%	12.97%	10.62%	14.61%	14.83%	113.96%
All Ords Accum	0.79%	8.91%	5.37%	10.53%	9.75%	66.82%
Outperformance	-0.10%	4.06%	5.25%	4.08%	5.08%	47.14%



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MARKET UPDATE AND COMMENTARY

A strange thing is happening to the Japanese economy. It is growing. In the three months to June 2017 the Japanese economy expanded at an annualised rate of 4%, the sixth consecutive quarter of growth and the longest growth streak in 11 years. A few factors are aiding the economy; firstly, the improving international economic climate is contributing to a rise in exports which are up 13.4% from a year ago. Secondly, the consumer in Japan is spending more, retail sales are up 1.9% year on year. Lastly, labour supply remains tight with the unemployment rate at 2.8% and 1.52 jobs available per applicant (the highest ratio since 1974), thus underpinning consumer confidence. Frustratingly, the envisioned virtuous circle of Shinzo Abe's reform package - in which workers earn more, spend more, push prices up, creating quicker inflation and thus giving rise to further wage increases - has not materialised. Wage growth and inflation remain stubbornly low. Corporate Japan has a deep reluctance to pass on wage growth which is a lasting structural impediment to inflation. However, inflation might still be achieved if production capacity investment and consumer spending continue to rise.

Microequities High Income Value Microcap Fund returned 0.69% versus the All Ordinaries Accumulation Index 0.79% in August; this brings the total return net of fees to 113.96% for the Fund since inception in March 2012 compared to 66.82% for the All Ordinaries Accumulation Index.

Our portfolio of business partnerships reported a weighted average FY17 EPS growth of +5.6%, largely consistent with last month's forecasts (+4.8%). The seemingly low number does not fully capture some of the long-term growth pathways of the businesses and forecast FY18 EPS growth for the Fund is a healthier +12.2%. Additionally, a significant source of capital growth for the Fund comes from purchasing undervalued businesses where large gaps between intrinsic values and market values converge over time.

	FY17 EPS Growth Simple Average	FY17 EPS Weighted Ave.
34 Companies reporting in August (94.1% weighting)	+0.2%	+5.6%

Projected EPS Growth FY18 (on a weighted basis)	+12.2%
Projected EPS Growth FY19 (on a weighted basis)	+10.7%

Number of companies	34
Top 5 Holdings % of NAV	30.9%
Top 10 Holdings % of NAV	53.7%
Top 20 Holdings % of NAV	79.9%
Cash Position % of NAV	5.9%

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.

(*) FE Crown Fund Ratings enable investors to distinguish between funds that are strongly outperforming their benchmark and those that are not. The top 10% of funds will be awarded five FE Crowns, the next 15% receiving four Crowns and each of the remaining three quartiles will be given three, two and one Crown(s) respectively. Rebalanced twice a year in January and August, the rating takes into account three key measurements to derive a fund's performance: alpha, volatility and consistently strong performance. FE Crown Fund Ratings are frequently used by professional advisers to screen for the best performing funds in a sector and at a factsheet level are used as part of an adviser's paper trail to show thorough and rigorous research has been undertaken.