

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/12/2017

latest unit price \$1.4817	return since inception (March 2012) 110.51%	return 1 month -0.42%	Morningstar rating* ★★★★
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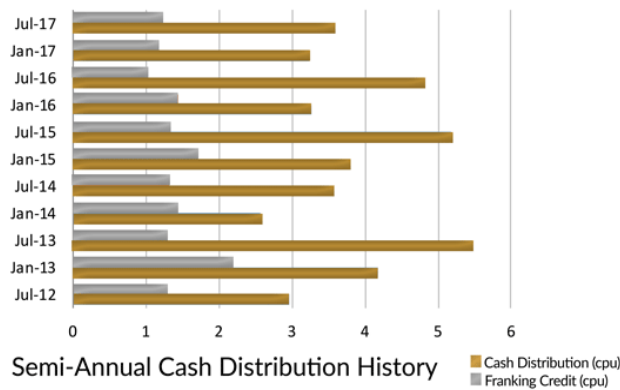


FUND OUTLINE

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

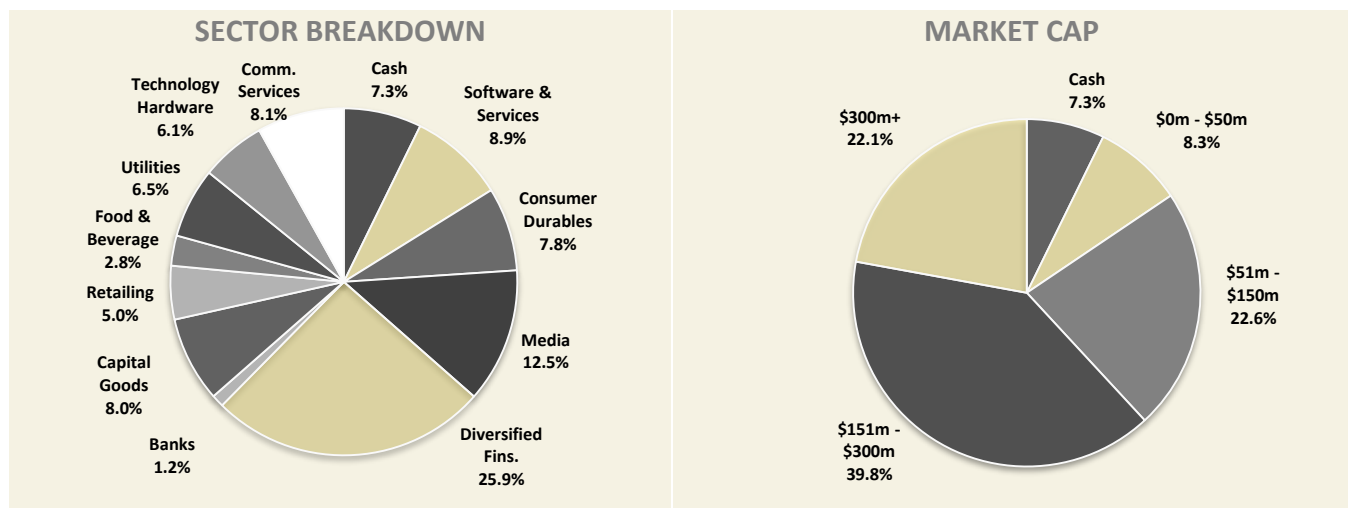


Current Forecast Grossed Up Dividend Yield

+7.38%**

**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	-0.42%	8.10%	11.84%	13.64%	13.61%	110.51%
All Ords Accum	2.03%	12.47%	9.23%	10.37%	10.66%	80.60%
Outperformance	-2.45%	-4.37%	2.61%	3.27%	2.95%	29.91%



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MARKET UPDATE AND COMMENTARY

In 2018 the world economy is set to grow at the fastest pace since the GFC. A strong US economy, a strengthening recovery in Europe and continued +6% growth in China will underpin momentum in the world economy. Japan is in the midst of the best economic run in decades with its economy posting seven consecutive quarters of economic growth and unemployment falling to a 24 year low. But Japan's economic run is emblematic of many Western economies post the GFC: its economic growth has been fuelled on expansionary monetary policy and quantitative easing via aggressive bond purchasing that has seen credit and capital flows injected into the economy, inflating asset prices upwards. Credit is flowing in abundance and risk appetite has increased measurably. Yet inflation and wage growth remains subdued across Japan and most Western economies. To create longer, more sustained and balanced economic growth, real wages must go up and that remains the big question mark for 2018. Will the ever tightening labour markets finally pave the way for substantive real wage growth?

Microequities High Income Value Microcap Fund returned -0.42% versus the All Ordinaries Accumulation Index 2.03% in December; this brings the total return net of fees to 110.51% for the Fund since inception in March 2012 compared to 80.60% for the All Ordinaries Accumulation Index.

Whilst we had a disappointing profit downgrade in one of our 35 business partnerships, overall the portfolio is in an excellent position as we move deeper into FY18. Two business partnerships are being accumulated; one business is in professional services and has fallen over the years from being a small cap company to now being a microcap company. It offers us an excellent high yield (+10% grossed up) whilst at the same time we believe its earnings decline has stabilised. The second business being actively accumulated is in consumer services. It is a growing business that generates substantial cash flow and whilst the yield is currently lower than some of the other Fund's constituents, we believe the dividend will grow over the medium term commensurate with the earnings growth trajectory.

The Fund will also be paying its 12th consecutive cash distribution in January.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+9.6%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+10.0%

Number of companies	35
Top 5 Holdings % of NAV	30.1%
Top 10 Holdings % of NAV	51.1%
Top 20 Holdings % of NAV	76.2%
Cash Position % of NAV	7.3%

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.

(*) The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2017 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Service Guide (FSG) for more information at www.morningstar.com.au/s/fsq.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to invest.