

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/01/2017

latest unit price <b>\$1.4258</b>	return since inception (March 2012) <b>+97.69%</b>	return 1 month <b>+1.52%</b>	FE Crown Rating* 
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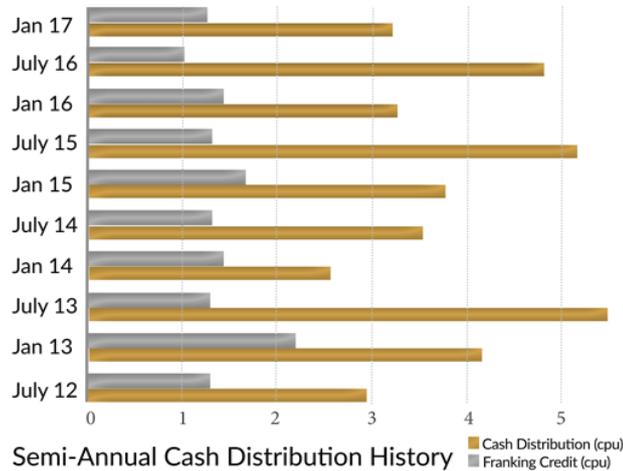
#### FUND OUTLINE

Fund Manager:

Carlos Gil (CIO)

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

**53.34 c** Total Cash and Franking Credits RETURNED SINCE INCEPTION

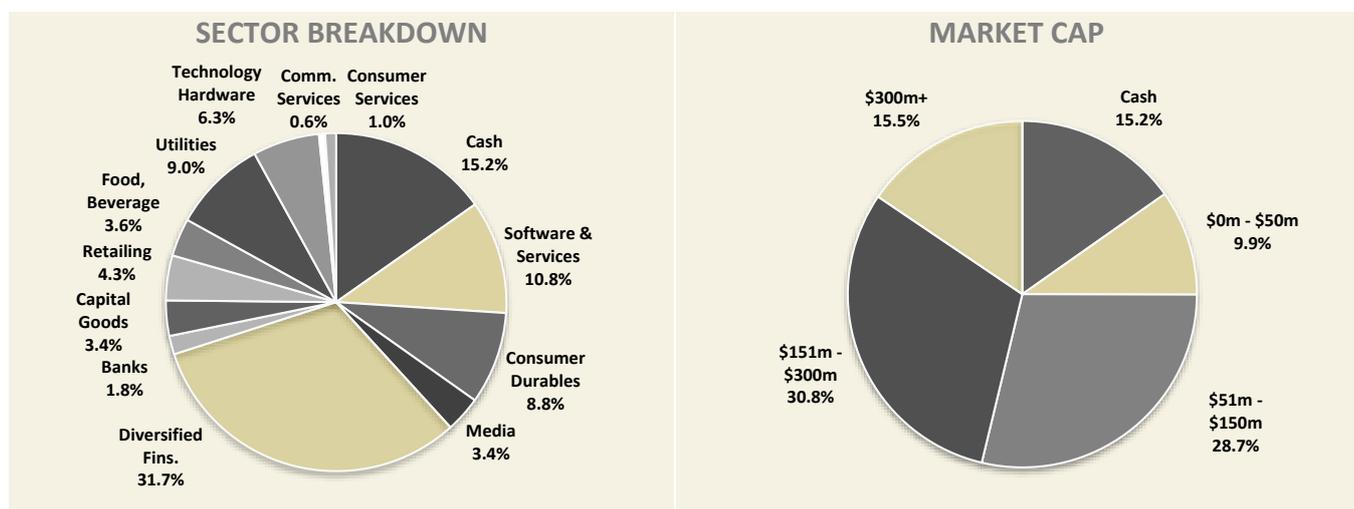


**Current Forecast Grossed Up Dividend Yield**

**+7.05%\*\***

\*\*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	2 Year	3 Year	4 Year	Total since inception	Compound p.a. since Inception
<b>HIMF</b>	1.52%	20.68%	14.34%	10.91%	12.47%	97.69%	14.87%
<b>All Ords Accum</b>	-0.77%	17.09%	5.64%	7.49%	8.29%	59.34%	10.12%
<b>Outperformance</b>	<b>2.29%</b>	<b>3.59%</b>	<b>8.70%</b>	<b>3.42%</b>	<b>4.18%</b>	<b>38.35%</b>	<b>4.75%</b>



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### MARKET UPDATE AND COMMENTARY

The UK economy remained buoyant during the last quarter of 2016 with its dominating services sector (80% of UK's GDP) continuing to strengthen. The UK consumer remains undeterred by Brexit (at least for now). Whilst the manufacturing sector (14% of GDP) is enjoying a competitive boost thanks to significantly weaker British Pound. The strong short term performance should not understate the fact the UK economy will face significant challenges throughout 2017. Inflationary pressures are increasing, the inflation rate is now at a two and a half year high and expected to increase further as the weaker British Pound raises imported input prices. Inflationary pressures could constrain consumption at a time when household real income growth is slowing down. If inflationary pressures do mount the Bank of England would then face the unenviable task of implementing rate rises just as economic growth slows down. At a political level, it's important the UK carves out a settlement framework that protects its important financial services sector which is not only a pillar of its economy but a significant export contributor. Many challenges to overcome but at least the UK is facing them with some positive economic momentum.

**Microequities High Income Value Microcap Fund returned 1.52% versus the All Ordinaries Accumulation Index -0.77% in January; this brings the total return net of fees to 97.69% for the Fund since inception in March 2012 compared to 59.34% for the All Ordinaries Accumulation Index.**

The High Income Value Fund continued to actively purchase two new business partnerships which we initiated last month. These two businesses have business models that we believe provide the Fund access to a sustainable dividend income in addition to credible growth pathways in their respective product markets. Of the two businesses, one has no financial debt (it has a sizable cash asset base) whilst the other business, which has a more capital intensive business model has modest financial debt levels (1.7x EBITDA). We have also begun to purchase a new business partnership in the retail industry.

<b>Projected EPS Growth FY17</b> (on a weighted basis)	<b>+6.5%</b>
<b>Projected EPS Growth FY18</b> (on a weighted basis)	<b>+15.9%</b>

<b>Number of companies</b>	<b>28</b>
<b>Top 5 Holdings</b> % of NAV	<b>33.2%</b>
<b>Top 10 Holdings</b> % of NAV	<b>53.1%</b>
<b>Top 20 Holdings</b> % of NAV	<b>77.4%</b>
<b>Cash Position</b> % of NAV	<b>15.2%</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.

(\*) 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.