

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/01/2018

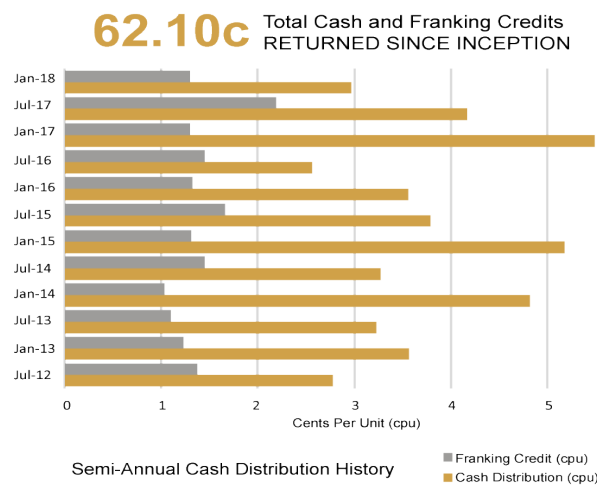
latest unit price \$1.4665	return since inception (March 2012) 112.33%	return 1 month 0.87%	Morningstar rating* ★★★
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FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

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

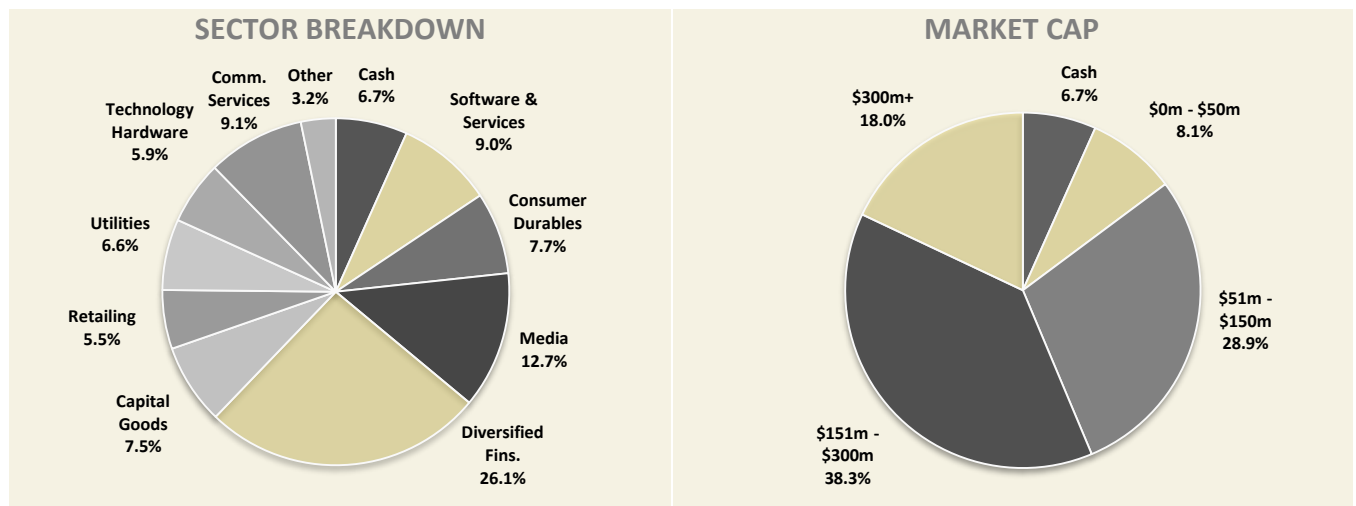


Current Forecast Grossed Up Dividend Yield

+7.25%**

**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	0.87%	7.40%	11.98%	11.44%	13.57%	112.33%
All Ords Accum	-0.33%	12.96%	8.03%	9.21%	10.44%	80.00%
Outperformance	1.20%	-5.56%	3.95%	2.23%	3.13%	32.33%



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MARKET UPDATE AND COMMENTARY

Unsurprisingly, US treasury notes fell significantly last month sending 10-year treasury yields above 2.7% for the first time since 2015. The overdue upward movement also coincided with the German 5-year Bund moving above a zero yield as the ECB is signalling the end of quantitative easing. Bond prices have remained stubbornly high despite clear evidence that world economic growth is accelerating in a near synchronised manner. Inflation is likely to have bottomed across many economies last year and 2018 should see the beginning of an inflationary cycle triggered by rising wages as labour markets continue to tighten. Domestically, the headline CPI number of 1.8% that was released yesterday might have been below market expectations, but it is well above the low of 1% in 2016. Inflationary pressures are already building in the Australian economy, the non-tradable component of the CPI which comprises many services not subject to foreign competition is up 3.1% year on year. There are also upward movements in wages which will filter through the economy over the course of the year. We maintain our view that the RBA will raise rates towards the end 2018.

Microequities High Income Value Microcap Fund returned 0.87% versus the All Ordinaries Accumulation Index -0.33% in January; this brings the total return net of fees to 112.33% for the Fund since inception in March 2012 compared to 80.00% for the All Ordinaries Accumulation Index.

During the month the Fund fully divested out of Australian Vintage Group (**ASX:AVG**). The investment management team believed an increasing array of variables that will affect future financial performance has undermined the earnings visibility of the business. Additionally, management execution in the business over recent years has not met our expectations. The investment in Australian Vintage represented less than 2% of the assets of the Fund.

We continue to increase our investment in a consumer discretionary business partnership that generates superb cash flow and will provide both capital growth and high dividend income for our fellow investors.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+7.6%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+10.9%

Number of companies	34
Top 5 Holdings % of NAV	31.1%
Top 10 Holdings % of NAV	52.2%
Top 20 Holdings % of NAV	77.2%
Cash Position % of NAV	6.7%

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. © 2018 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/fsg.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.