

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 30/06/2017

latest unit price \$1.4844	return since inception (March 2012) 105.82%	return 1 month 2.91%	FE Crown Rating*
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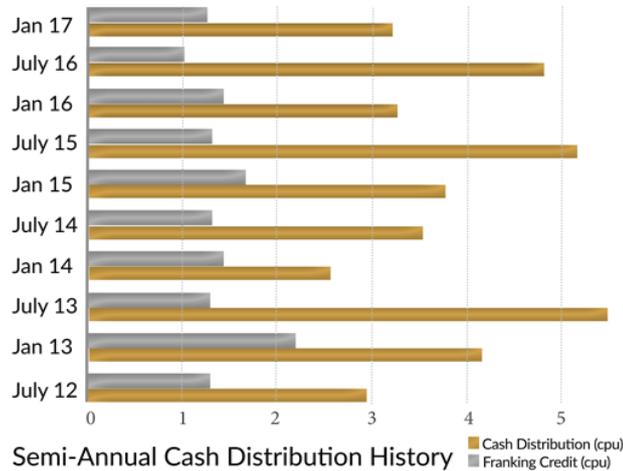
FUND OUTLINE

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

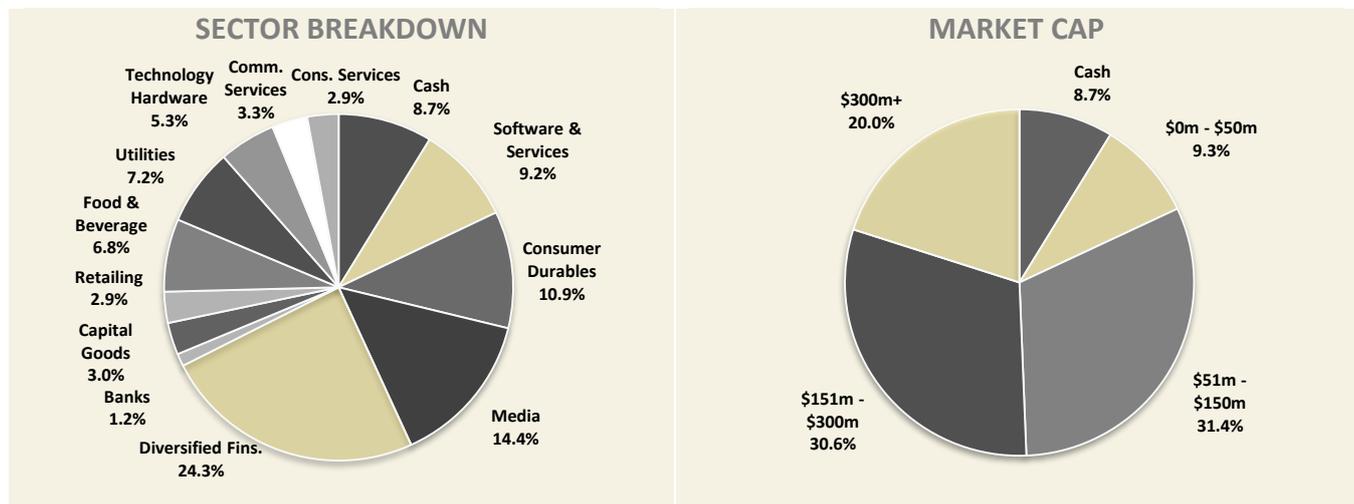


**Current Forecast
Grossed Up
Dividend Yield**

+7.77%**

**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	Total since inception	Compound p.a. since Inception
HIMF	2.91%	22.48%	12.92%	15.99%	105.82%	14.49%
All Ords Accum	0.28%	13.12%	6.83%	11.60%	65.22%	9.87%
Outperformance	2.63%	9.36%	6.09%	4.39%	40.60%	4.62%



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MARKET UPDATE AND COMMENTARY

The US economy is essentially at full employment. US Department of Labor figures released at the beginning of the month put the unemployment rate at 4.3%, a 16 year low. A rate below 5% implies full employment, that is, it is full employment from an economic perspective because it is the rate at which an economy can sustain a component of the labour force still seeking work but not adding to wage inflationary pressures. This is important because the Federal Reserve has consistently signalled it considers the current US labour market at full employment. To maintain its other mandated objective of core inflation at or close to 2%, it needs to judiciously observe that the labour market does not become too tight. This has important implications for US interest rates as we would expect a tightening of monetary policy, effectively withdrawing the stimulus afforded to the economy since the GFC. This means that the Australian Dollar should come under downward pressure against the US Dollar over the medium term as the positive Australian risk rate differential dissipates.

Microequities High Income Value Microcap Fund returned 2.91% versus the All Ordinaries Accumulation Index 0.28% in June; this brings the total return net of fees to 105.82% for the Fund since inception in March 2012 compared to 65.22% for the All Ordinaries Accumulation Index.

Over recent months we have aggressively increased our investments in the media sector taking the exposure in the Fund from 6.4% to 14.4%. We remain of the view that various companies within the sector have been significantly mispriced by the market. We believe the market has underestimated the sustainability of the cash flows these businesses produce, and is not accurately factoring in the value of the digital businesses within them. The Fund received significant cash inflows and, whilst some of these flows were actively deployed, the Fund ended the month with a sizable cash holding. Some of the cash holding will be used to fund the upcoming 11th consecutive distribution. The Fund continues to build up its investment in a growing retail business which has a number of attractive brands and a sizeable international operation. In meeting a dual objective of capital growth and income, the business also pays a sustainable high dividend payment.

Projected EPS Growth FY17 (on a weighted basis)	+7.6%
Projected EPS Growth FY18 (on a weighted basis)	+14.1%

Number of companies	32
Top 5 Holdings % of NAV	29.3%
Top 10 Holdings % of NAV	51.3%
Top 20 Holdings % of NAV	78.2%
Cash Position % of NAV	8.7%

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.

(*) 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.