

# HIGH INCOME

## VALUE MICROCAP FUND

**MICROEQUITIES**  
ASSET MANAGEMENT

### MONTHLY PERFORMANCE AS AT 31/05/2016

latest unit price <b>\$1.3207</b>	return since inception (March 2012) <b>+72.30%</b>	return 1 month <b>+2.42%</b>	Morningstar Rating* <b>★★★</b>
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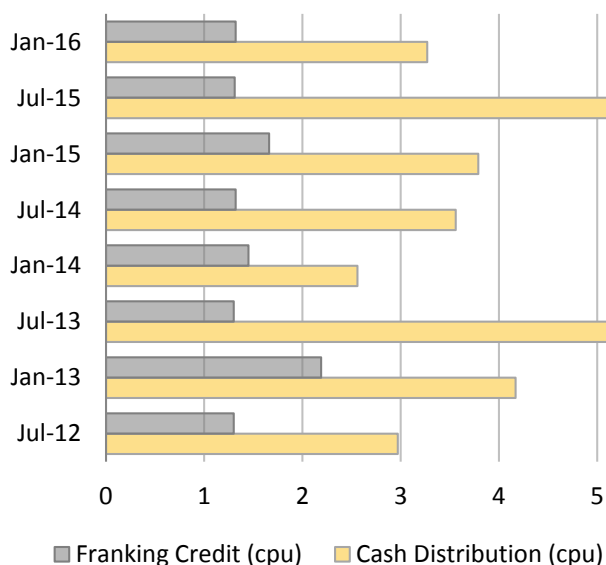
#### FUND OUTLINE

Fund Manager:

Carlos Gil (CIO)

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

#### SEMI-ANNUAL DISTRIBUTION HISTORY

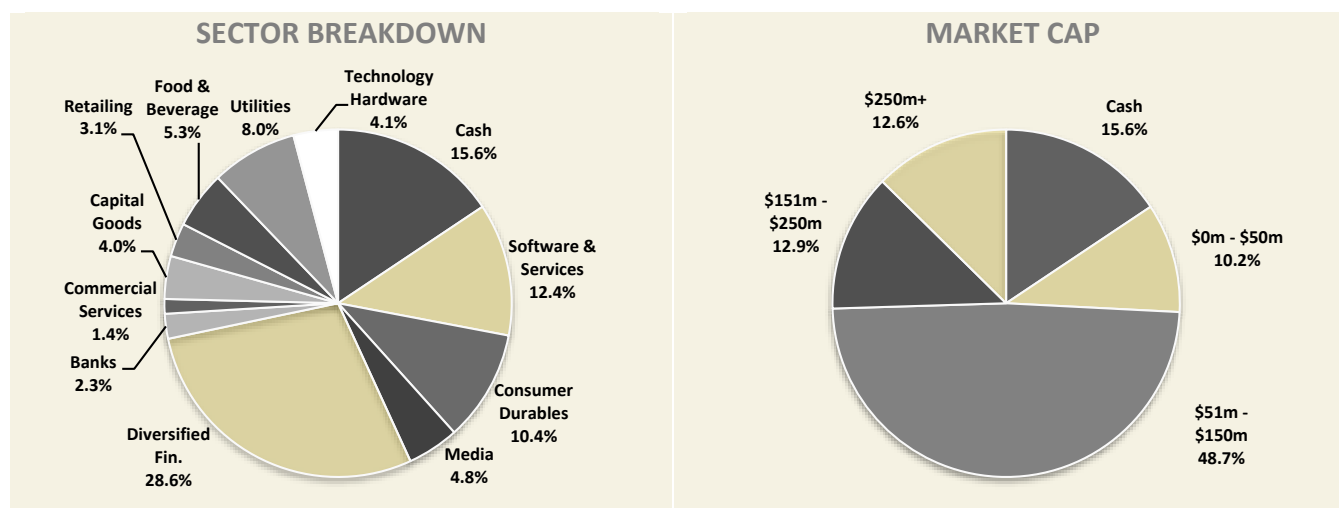


Current Forecast  
Grossed Up  
Dividend Yield

**+8.89%\*\***

\*\*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>	2.42%	2.81%	10.23%	9.77%	14.49%	72.30%	13.66%
<b>All Ords Accum</b>	3.09%	-1.25%	4.28%	8.11%	11.93%	49.46%	9.92%
<b>Outperformance</b>	-0.67%	4.06%	5.95%	1.66%	2.56%	22.84%	3.74%



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### MARKET UPDATE AND COMMENTARY

The RBA's decision to lower interest rates by 25 basis points to 1.75% at the beginning of the month will do little to spur inflation or engender economic growth. The stimulus effect of further monetary policy easing given the already benign record low rate environment is marginal, if any. The underlying causes of our low inflation are a combination of weak commodity prices and a decline in real wage growth which has slowed to 2.1% (the lowest level since records began in 1998). Outside the commodities based industries, many Australian companies are underinvesting in CAPEX. They are not pursuing strategies of developing products, technologies and services that drive new business. Companies looking to the government to spearhead demand are clearly missing the point. Market driven economies are driven by markets, not central governments. In order to drive the economy and consumers towards their products businesses should be leading from the front by investing to spur demand. Perhaps they will do well to read the words from one of Shakespeare's works "The fault, dear Brutus, is not in our stars, but in ourselves".

**Microequities High Income Value Microcap Fund returned 2.42% versus the All Ordinaries Accumulation Index 3.09% in May; this brings the total return net of fees to 72.30% for the Fund since inception in March 2012 compared to 49.46% for the All Ordinaries Accumulation Index.**

Our biggest weighted business partnership provided a profit upgrade to its FY16 earnings during the month, confirming our expectations that the business is back on track to deliver maintainable earnings growth. Our fourth biggest weighted business partnership also confirmed a sizeable improvement in its expected FY16 earnings which we also expect will carry into FY17 & FY18. These two businesses represent 16% of the current assets of the High Income Fund and affirm the good underlying growth dynamics of the current portfolio. Importantly it is earnings that ultimately sustain dividends and the yield income of the portfolio.

<b>Projected EPS Growth</b> FY16 (on a weighted basis)	<b>+22.6%</b>
<b>Projected EPS Growth</b> FY17 (on a weighted basis)	<b>+14.2%</b>

<b>Number of companies</b>	<b>28</b>
<b>Top 5 Holdings</b> % of NAV	<b>34.1%</b>
<b>Top 10 Holdings</b> % of NAV	<b>52.8%</b>
<b>Top 20 Holdings</b> % of NAV	<b>77.9%</b>
<b>Cash Position</b> % of NAV	<b>15.6%</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.

(\*) 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. © 2015 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](http://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.