

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/05/2018

latest unit price <b>\$1.4669</b>	return since inception (March 2012) <b>112.39%</b>	return 1 month <b>1.99%</b>	Morningstar rating* <b>★★★</b>
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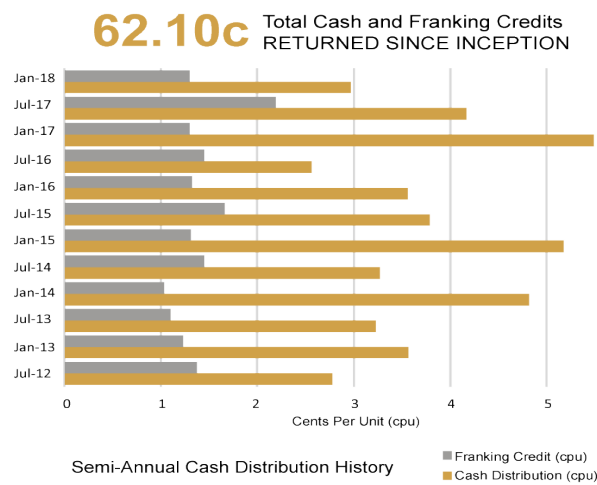
\*As of 31/03/2018



#### 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.

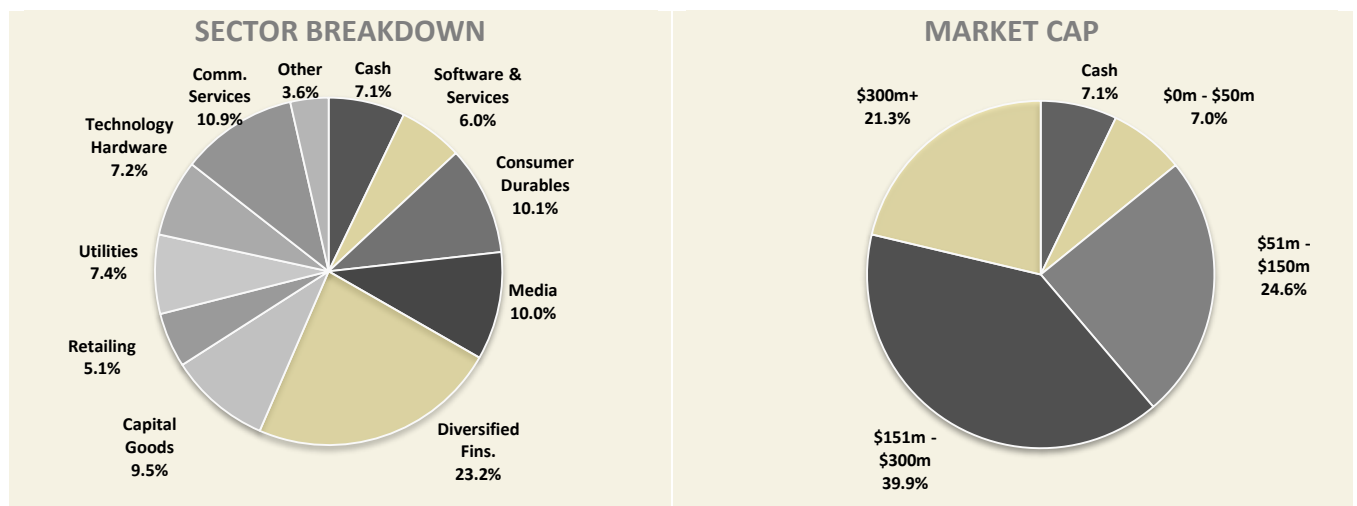


**Current Forecast  
Grossed Up  
Dividend Yield**

**+7.22%\*\***

\*\*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
<b>HIMF</b>	<b>1.99%</b>	<b>6.20%</b>	<b>8.22%</b>	<b>10.27%</b>	<b>12.81%</b>	<b>112.39%</b>



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### MARKET UPDATE AND COMMENTARY

The US economy continued to create jobs last month with a further 164,000 non-farm jobs added, taking the unemployment rate down to 3.9%, the lowest rate in 17 years. It is likely that the unemployment rate will fall further during the year as the US economy continues to build on momentum. This growth phase has been previously well reported. The thematic we are acutely focused on however, is the inflationary cadence across both the US, Western Europe and Australia. Wages growth in the US continues to rise modestly; increasing at an annual pace of +2.6% and this has lifted an upward trending inflation rate to +2.0%. This is still benign but at least tracking upwards. Across Europe, a surprising surge in inflation last month saw the annual inflation rate rise from +1.2% to +1.9%. The rise was well ahead of the market consensus and was in part driven by improving labour market conditions across the continent. In Australia, wage growth remains stubbornly stable at annual rate of +2.0% with our Inflation rate hovering at +1.9%. Predicting when the RBA rate will raise rates again is therefore a call on when inflation will pick up which will principally be driven by wage growth.

**Microequities High Income Value Microcap Fund returned 1.99% in May; this brings the total return net of fees to 112.39% for the Fund since inception in March 2012.**

It was a relatively active month for the Fund with two business partnership exited and two new business partnerships added. We have bought into a mining services business that has a strong track record of performance, a strong balance sheet with a net cash asset position, growing order book and trading at a low price to earnings ratio. We have bought the business at a prospective +7.4% grossed up dividend yield. The second business we bought into is one we previously owned, with a strong market share and a long track record of successful execution. The business has been purchased at a prospective +8.9% grossed up dividend yield.

The High Income Value Microcap Fund will be paying a franked distribution next month. The payment will mark its 13th consecutive distribution payment, maintaining the Fund's impeccable track record.

<b>Projected EPS Growth</b> 1 Year Forward (on a weighted basis)	<b>+9.8%</b>
<b>Projected EPS Growth</b> 2 Years Forward (on a weighted basis)	<b>+11.6%</b>

<b>Number of companies</b>	<b>33</b>
<b>Top 5 Holdings</b> % of NAV	<b>33.5%</b>
<b>Top 10 Holdings</b> % of NAV	<b>54.8%</b>
<b>Top 20 Holdings</b> % of NAV	<b>78.6%</b>
<b>Cash Position</b> % of NAV	<b>7.1%</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 Asset Management Group 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/fsfg.pdf](http://www.morningstar.com.au/s/fsfg.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