

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/10/2016

latest unit price \$1.4325	return since inception (March 2012) +94.16%	return 1 month +0.09%	FE Crown Rating* 👑👑👑👑
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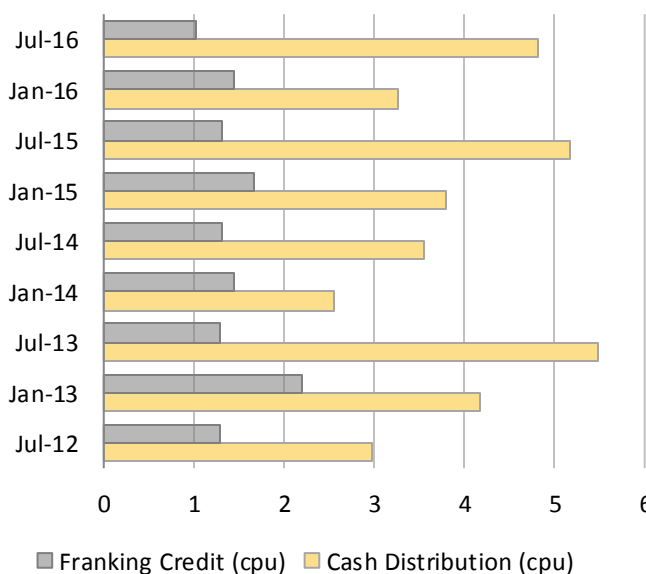
FUND OUTLINE

Fund Manager:

Carlos Gil (CIO)

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

SEMI-ANNUAL DISTRIBUTION HISTORY

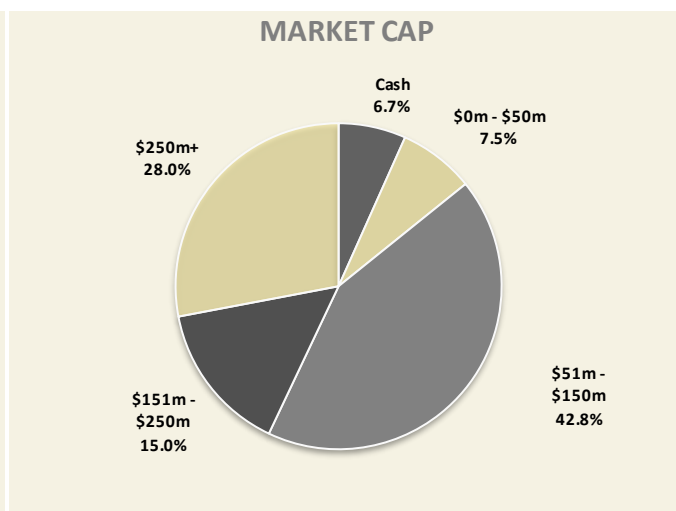
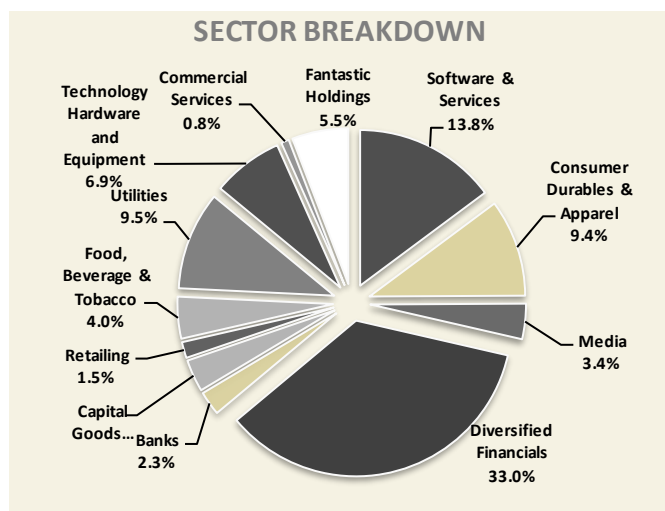


Current Forecast Grossed Up Dividend Yield

+8.05%**

**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
HIMF	0.09%	15.98%	13.30%	10.01%	16.44%	94.16%	15.28%
All Ords Accum	-2.18%	6.63%	3.50%	4.30%	9.06%	50.44%	9.32%
Outperformance	2.27%	9.35%	9.81%	5.70%	7.38%	43.71%	5.96%



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MARKET UPDATE AND COMMENTARY

During the 3rd quarter of 2016, The US economy grew at an annualised rate of +2.9%. That is the fastest quarterly rate of growth in two years and compares favourably to the average growth rate of +1.6% the economy experienced during the 2000s. The surge in the world's biggest economy was on the back of inventory replacement and increased capital expenditure in non-residential structures (+5.4%). Robust economic growth and sound economic indicators across the board have paved the way for the Federal Reserve to increase cash rates before the end of the year. An increase that should have been undertaken at the previous meeting. On the subject of cash rates, by the time you read this, our own RBA will have delivered its rate decision outcome and, if sanity has prevailed, rates should have remained on hold. The Australian economy will receive little boost from any further interest rate cuts and a rate cut would induce further asset class pricing distortion, heightening future market dislocation risk.

Microequities High Income Value Microcap Fund returned 0.09% versus the All Ordinaries Accumulation Index -2.18% in October; this brings the total return net of fees to 94.16% for the Fund since inception in March 2012 compared to 50.44% for the All Ordinaries Accumulation Index.

One of our business partnerships in the High Income Value Fund, Fantastic Holdings Ltd (ASX FAN) became subject to a friendly takeover bid during the month by Steinhoff Asia Pacific. The takeover bid represented a +43% premium to the last market price. The Fantastic Holdings business partnership represents 5.5% of the total value of the High Income Value Fund. The original investment in Fantastic was first made in February this year and the takeover price represents a formidable outcome for our fellow unit holders. A small remaining stake in the Software Services sector was exited during the month. This would have reduced the total number of companies owned however the exit was offset by a new business partnership in the retail sector which has been purchased at an exceptional deep value price point and very high prospective dividend yield.

Projected EPS Growth FY17 (on a weighted basis)	+7.3%
Projected EPS Growth FY18 (on a weighted basis)	+14.6%

Number of companies	27
Top 5 Holdings % of NAV	36.2%
Top 10 Holdings % of NAV	60.1%
Top 20 Holdings % of NAV	86.5%
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.

(*) 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.