

# PURE MICROCAP

## VALUE FUND



### MONTHLY PERFORMANCE AS AT 31/12/2017

latest unit price <b>\$1.0386</b>	return since inception (Oct 2017) <b>3.86%</b>	return 1 month <b>0.51%</b>
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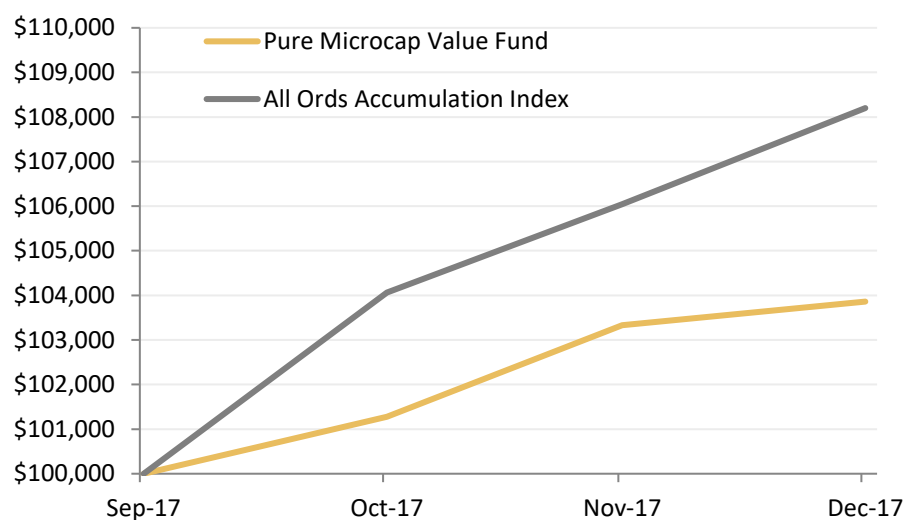
#### FUND OUTLINE

Fund Manager:

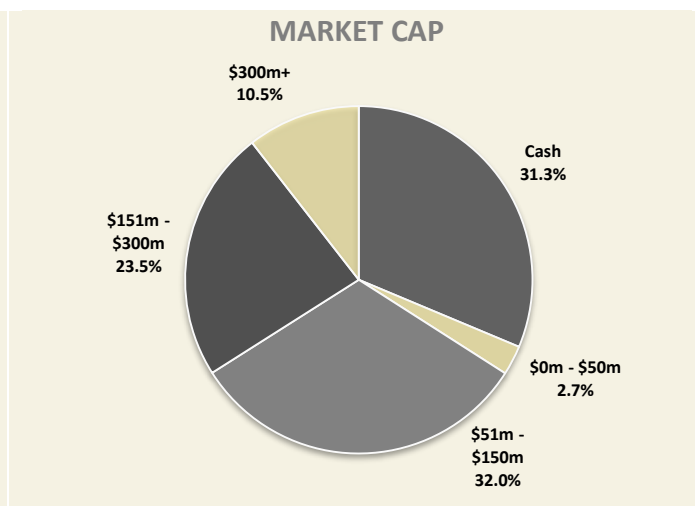
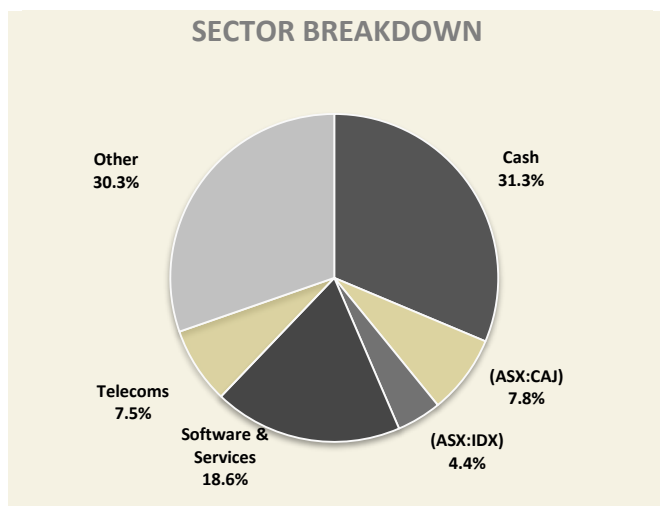
Carlos Gil (CIO)

The Pure Microcap Value Fund is a wholesale fund investing in a portfolio of undervalued, profitable and growing ASX microcap companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$103,860**



	1 Month	3 Month	6 Month	Total since inception
<b>PMVF</b>	0.51%	3.86%	-%	3.86%
<b>All Ords Accum</b>	2.03%	8.20%	-%	8.20%
<b>Outperformance</b>	-1.52%	-4.34%	-%	-4.34%



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## MARKET UPDATE AND COMMENTARY

In 2018 the world economy is set to grow at the fastest pace since the GFC. A strong US economy, a strengthening recovery in Europe and continued +6% growth in China will underpin momentum in the world economy. Japan is in the midst of the best economic run in decades with its economy posting seven consecutive quarters of economic growth and unemployment falling to a 24 year low. But Japan's economic run is emblematic of many Western economies post the GFC: its economic growth has been fuelled on expansionary monetary policy and quantitative easing via aggressive bond purchasing that has seen credit and capital flows injected into the economy, inflating asset prices upwards. Credit is flowing in abundance and risk appetite has increased measurably. Yet inflation and wage growth remains subdued across Japan and most Western economies. To create longer, more sustained and balanced economic growth, real wages must go up and that remains the big question mark for 2018. Will the ever tightening labour markets finally pave the way for substantive real wage growth?

**Microequities Pure Microcap Value Fund returned 0.51% versus the All Ordinaries Accumulation Index 2.03% in December; this brings the total return net of fees to 3.86% for the Fund since inception in October 2017 compared to 8.20% for the All Ordinaries Accumulation Index.**

We continue to make solid progress in deploying the Fund's assets, with 68% of the Fund now invested. We remain on track to have 70-80% of the Fund assets invested in the next 2 months.

The Fund made a new investment in the software sector. This business supplies software to the sports and entertainment sector. We acquired this business at circa 10x FY18 PE. With around 50% recurring revenue, a sticky client base and solid earnings growth, we think this is a sound investment for the Fund.

We have also increased our weighting in a diversified financial services business that has a track record of making logical capital management decisions. Another one of our financial services businesses announced a long awaited financing deal that now gives it funding for multi-year growth. These two companies are trading at FY18 PE of 12x and 9x respectively and will become some of our higher weighted investments in the Fund.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+33.9%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+21.1%</b>

<b>Number of companies</b>	<b>23</b>
<b>Top 5 Holdings</b> % of NAV	<b>31.3%</b>
<b>Top 10 Holdings</b> % of NAV	<b>48.8%</b>
<b>Top 20 Holdings</b> % of NAV	<b>67.5%</b>
<b>Cash Position</b> % of NAV	<b>31.3%</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.