

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 28/02/2018

latest unit price \$1.0342	return since inception (Oct 2017) 3.42%	return 1 month -2.72%
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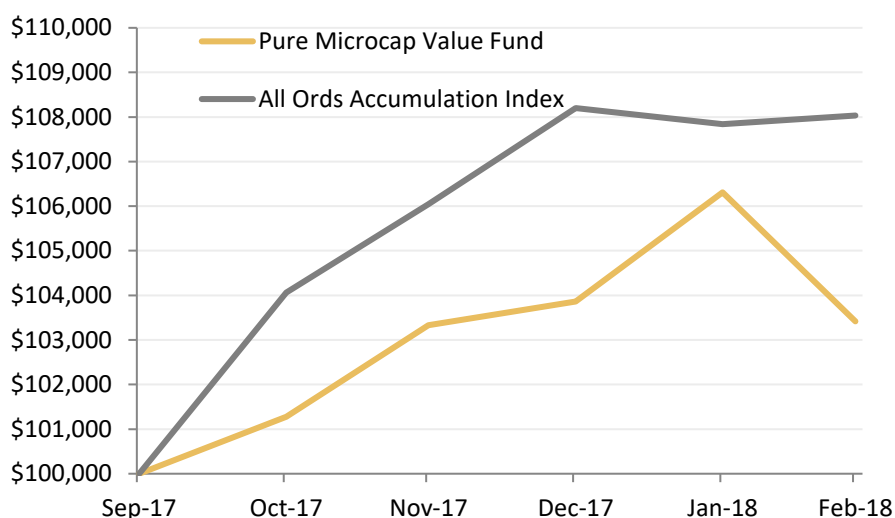
FUND OUTLINE

Fund Manager:

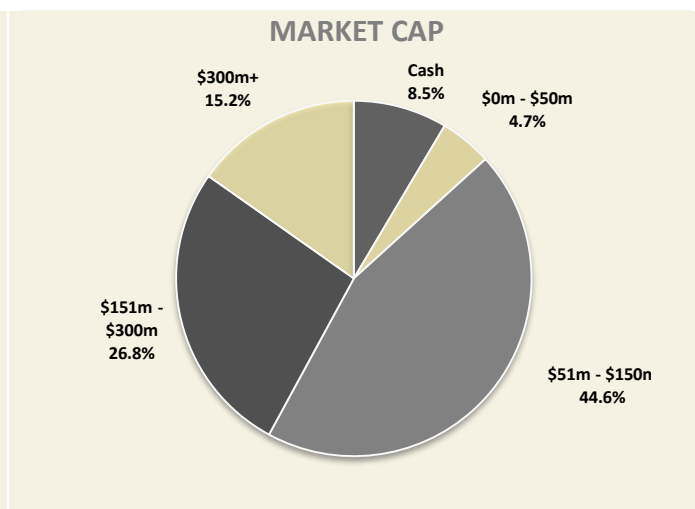
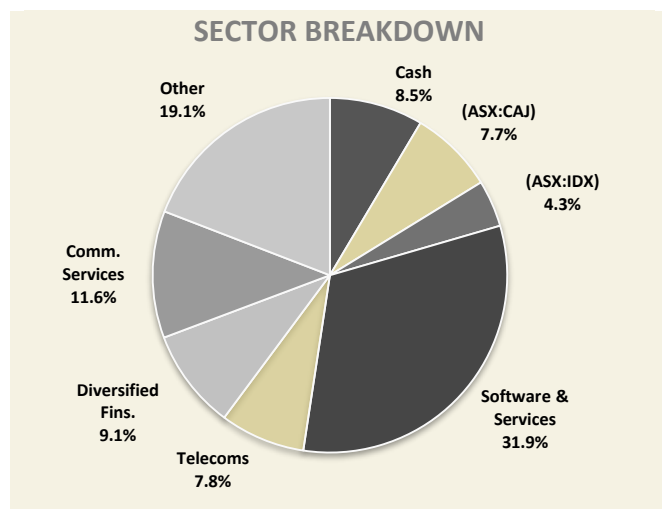
Carlos Gil (CIO)

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 > **\$103,420**



	1 Month	3 Month	6 Month	Total since inception
PMVF	-2.72%	0.09%	-%	3.42%
All Ords Accum	0.18%	1.87%	-%	8.04%
Outperformance	-2.90%	-1.78%	-%	-4.62%



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MARKET UPDATE AND COMMENTARY

2018 beckons as a year of continued world economic expansion, with a significant expected recovery in both investment and trade. Some advanced economies, like the US, will see central banks gradually remove monetary stimulus due to the strength of labour markets and clear signs that the depressed inflationary pattern is changing. Just how accentuated the increase in inflation will be, remains difficult to forecast. The US labour department's latest figures saw hourly earnings rise by 2.9% during the year, the best gain since 2009. With the unemployment rate at 4.1% and the economy continuing to create a staggering amount of new jobs each month, economic theory would suggest upward pressure in wages will exacerbate during 2018. Domestically, we are facing a similar pattern. Whilst Australia has created 292,000 full time jobs over the last 12 months, unlike the US however our wage growth remains suppressed at 2.1%.

Microequities Pure Microcap Value Fund returned -2.72% versus the All Ordinaries Accumulation Index 0.18% in February; this brings the total return net of fees to 3.42% for the Fund since inception in October 2017 compared to 8.04% for the All Ordinaries Accumulation Index.

The Fund exited two investments in February. It is not our intention to enter into and then exit an investment in such a short space of time. However, when our investment thesis has not played out, we must re-evaluate our options. In both cases, we lost confidence in management's ability to execute on their business strategies, felt uncomfortable with their capital management policies, and in one case, questionable accounting policies. The good news for our Fund investors is that we bought these businesses at very cheap valuations and made a positive return.

We made a new investment in a software business which services the finance sector. The business is in the midst of a significant upgrade to its software platform and the market is cautious over the step up in costs that is involved. This provided us with a window of opportunity to acquire a high quality software business, with a strong balance sheet, at what we consider a deep value price point. Our other new investment is an IT services business with improving financial results, a bright outlook and trading at only 10x FY19 free cashflow multiple.

The reporting season has generally been solid for the Fund. **Of the 24 companies that reported during the month of February, six companies exceeded our expectations, 14 reported in line with expectations, whilst four companies were below expectations.**

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+28.8%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+22.4%

Number of companies	25
Top 5 Holdings % of NAV	34.8%
Top 10 Holdings % of NAV	56.6%
Top 20 Holdings % of NAV	85.6%
Cash Position % of NAV	8.5%

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.