

# PURE MICROCAP

## VALUE FUND



### MONTHLY PERFORMANCE AS AT 31/03/2018

latest unit price <b>\$1.0279</b>	return since inception (Oct 2017) <b>2.79%</b>	return 1 month <b>-0.61%</b>
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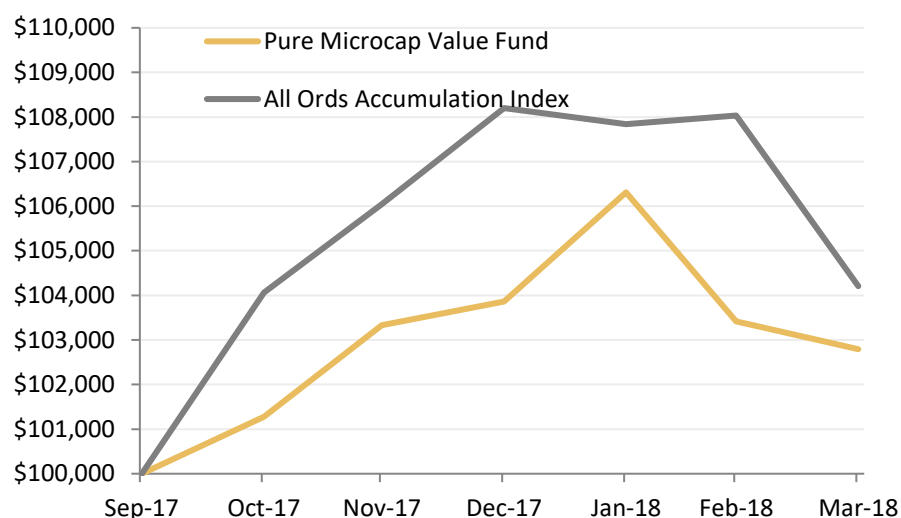
#### FUND OUTLINE

Fund Manager:

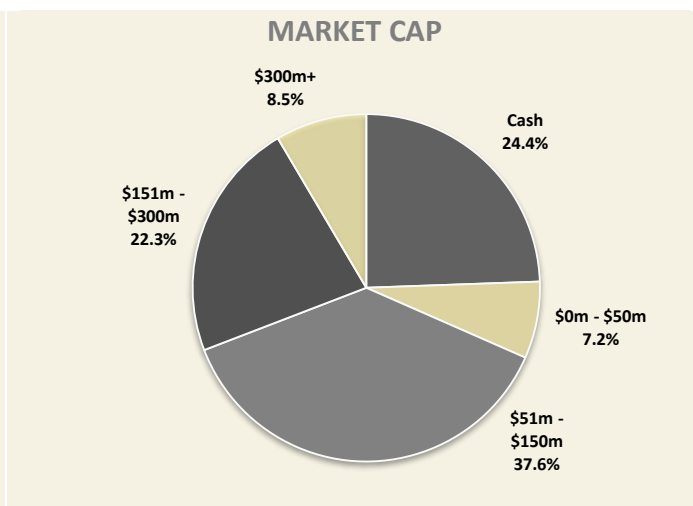
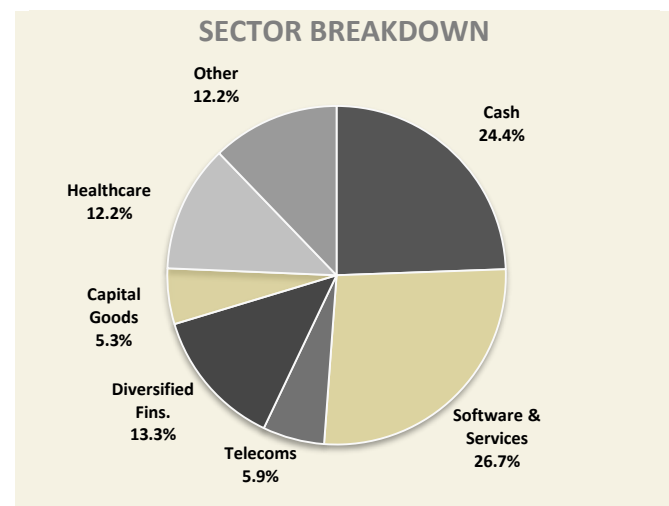
Carlos Gil (CIO)

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 > **\$102,790**



	1 Month	3 Month	6 Month	Total since inception
<b>PMVF</b>	-0.61%	-1.03%	2.79%	2.79%
<b>All Ords Accum</b>	-3.55%	-3.69%	4.20%	4.20%
<b>Outperformance</b>	<b>2.94%</b>	<b>2.66%</b>	<b>-1.41%</b>	<b>-1.41%</b>



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## MARKET UPDATE AND COMMENTARY

March was a month in which international trade dominated the market's attention as the US sought to redress its large trade deficit with China by imposing a set of tariffs aimed at imported steel and aluminium. The imposition of those tariffs was later followed by the Trump administration's intention to levy new tariffs targeting up to \$60b USD of Chinese imports. These new potential tariffs are supposedly aimed at what the administration considers unfair trade practices. So far, the Chinese response has been measured and whilst China has announced new tariffs affecting 128 classes of goods, it will only affect \$3b worth of trade. It is likely that the Trump administration is employing a hardened brinkmanship approach in order to lower a commercial trade deficit with China that has spiralled to \$375bn a year (and increasing). Trade and free trade at that, is the bedrock of market driven economies and propels economic development. China and the US are bound to a mutually dependent co-existence. Both sides know this, though neither would openly recognise it. The Trump posturing is about redressing some of the imbalances in that coexistence, not severing it.

**Microequities Pure Microcap Value Fund returned -0.61% versus the All Ordinaries Accumulation Index -3.55% in March; this brings the total return net of fees to 2.79% for the Fund since inception in October 2017 compared to 4.20% for the All Ordinaries Accumulation Index.**

The investment team spent the entire month of March meeting with both companies that the Fund is currently invested in and potential new investment ideas. We are very comfortable with the outlook for earnings growth in the current portfolio.

The Fund also began accumulating initial stakes in two new investments, both companies we had been following for some time. The first company is specialised in a particular technology niche with 85% of its revenues sourced internationally. The business has two divisions, one is extremely profitable and growing, the other has just reached the inflection point of profitability. The second company is transforming itself into an IT services business. Its legacy business division however, has seen accelerating declines in recent reporting halves and has caused several earnings downgrades. Management has now rebased earnings forecasts to more realistic levels and made a number of changes operationally to deliver those results. In the meantime, the business is undertaking a review of its various divisions, which we believe will unlock value for shareholders.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+32.0%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+23.3%</b>

<b>Number of companies</b>	<b>27</b>
<b>Top 5 Holdings</b> % of NAV	<b>28.8%</b>
<b>Top 10 Holdings</b> % of NAV	<b>47.7%</b>
<b>Top 20 Holdings</b> % of NAV	<b>70.0%</b>
<b>Cash Position</b> % of NAV	<b>24.4%</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.