

GLOBAL VALUE

MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/08/2017

latest unit price \$1.1117	return 1 year 10.44	return since inception 11.17%	 monthly currency impact HEADWIND LOW (0-1%)
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FUND OUTLINE

Fund Manager:

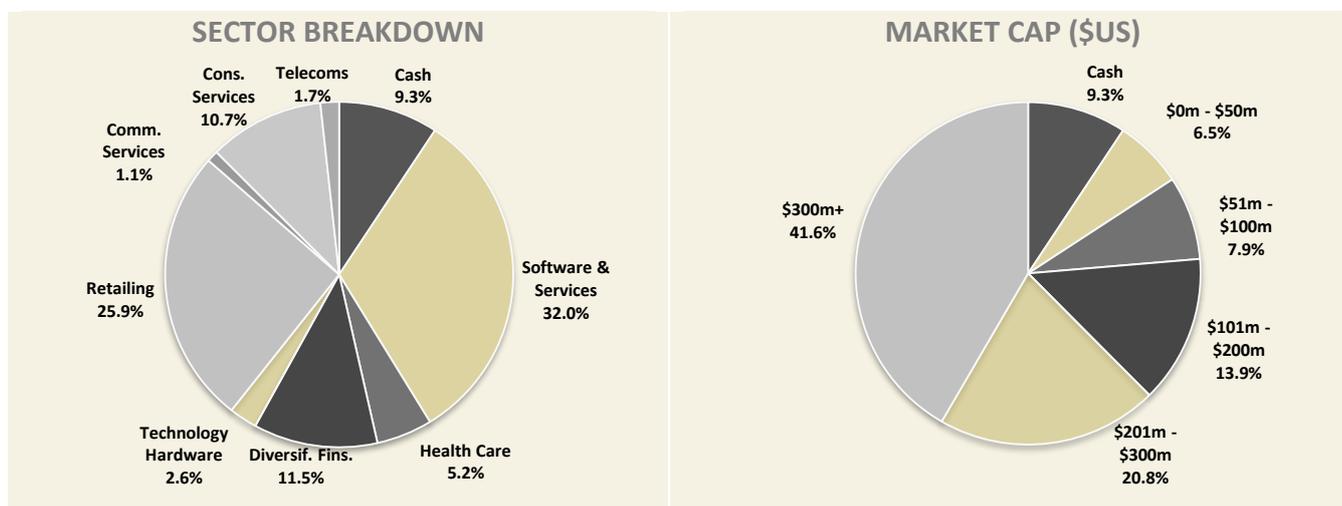
Carlos Gil (CIO)

The Global Value Microcap Fund is a wholesale fund investing in a selection of undervalued, profitable and growing companies listed in predominantly advanced economies around the world.

COUNTRY BREAK UP

		% of Equity Portfolio	% of NAV
	United States	35.6%	32.4%
	United Kingdom	31.9%	28.9%
	Cont. Europe	16.7%	15.2%
	Australia	9.4%	8.5%
	New Zealand	4.6%	4.1%
	Canada	1.8%	1.6%
	Total	100%	90.7%

	1 Month	3 Month	6 Month	1 Year	Total since inception	Compound p.a. since inception
GVMF	0.25%	-1.93%	3.17%	10.44%	11.17%	6.24%
MSCI World Microcap (AUD)	0.53%	-1.12%	5.87%	15.32%	16.85%	9.31%
Outperformance	-0.28%	-0.81%	-2.70%	-4.88%	-5.68%	-3.07%



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MARKET UPDATE AND COMMENTARY

A strange thing is happening to the Japanese economy. It is growing. In the three months to June 2017 the Japanese economy expanded at an annualised rate of 4%, the sixth consecutive quarter of growth and the longest growth streak in 11 years. A few factors are aiding the economy; firstly, the improving international economic climate is contributing to a rise in exports which are up 13.4% from a year ago. Secondly, the consumer in Japan is spending more, retail sales are up 1.9% year on year. Lastly, labour supply remains tight with the unemployment rate at 2.8% and 1.52 jobs available per applicant (the highest ratio since 1974), thus underpinning consumer confidence. Frustratingly, the envisioned virtuous circle of Shinzo Abe's reform package - in which workers earn more, spend more, push prices up, creating quicker inflation and thus giving rise to further wage increases - has not materialised. Wage growth and inflation remain stubbornly low. Corporate Japan has a deep reluctance to pass on wage growth which is a lasting structural impediment to inflation. However, inflation might still be achieved if production capacity investment and consumer spending continue to rise.

Microequities Global Value Microcap Fund returned 0.25% versus the MSCI World Microcap Index (AUD) 0.53% in August; this brings the total return net of fees to 11.17% for the Fund since inception in December 2015 compared to 16.85% for the MSCI World Microcap Index (AUD).

The Global Value Microcap Fund divested out of one its business partnerships, Movado Inc (NYSE:MOV), a global brand owner and distributor of fashionable watch brands. The business partnership had been purchased at a large discount to its intrinsic value but its growth trajectory failed to materialise and the investment management team concluded the business partnership should be severed. The Fund made a total net return of +25.8% in USD terms and +15.7% return when translated back to AUD, over a 20 month holding period.

The Global Value Microcap Fund entered into a new business partnership which is immersed in the online travel agency (OTA) sector. Whilst the business is UK based, it is actually the global leader in its niche vertical. This business represents our fourth OTA in the Fund but it should be noted that the Fund is currently exiting a Swiss listed OTA business. The exit should be fully achieved by the end of September.

Projected EPS Growth FY17 (on a weighted basis)	+14.0%
Projected EPS Growth FY18 (on a weighted basis)	+18.7%

Number of companies	41
Top 5 Holdings % of NAV	23.8%
Top 10 Holdings % of NAV	40.7%
Top 20 Holdings % of NAV	66.7%
Cash Position % of NAV	9.3%

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.