

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 30/06/2018

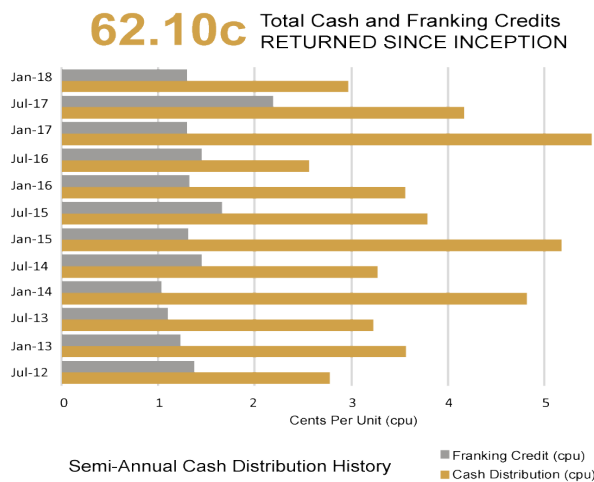
latest unit price <b>\$1.4662</b> (cum-distribution)	return since inception (March 2012) <b>112.29%</b>	return 1 month <b>-0.05%</b>
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#### FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

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

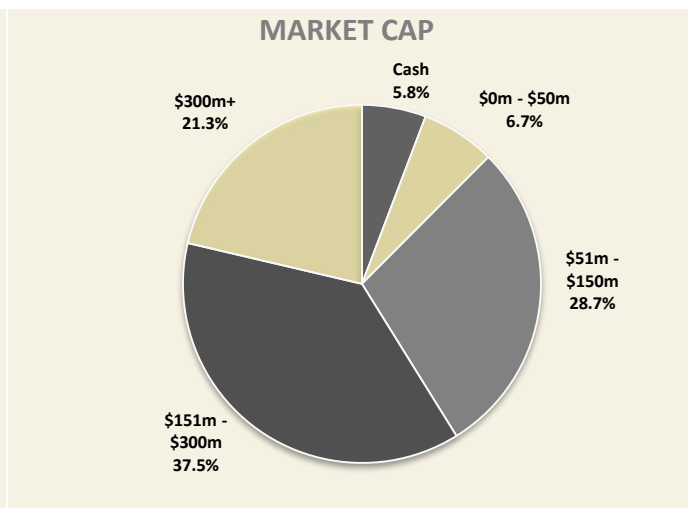
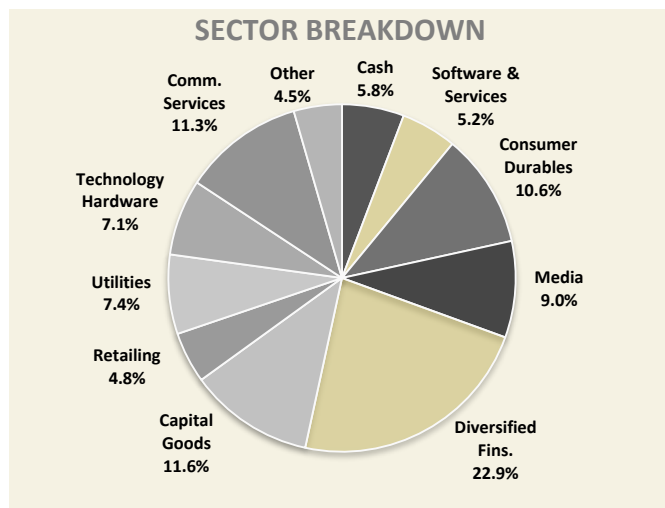


**Current Forecast  
Grossed Up  
Dividend Yield**

**+7.35%\*\***

\*\*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	3 Year	5 Year	Compound p.a. since inception	Total since inception
HIMF	-0.05%	3.14%	12.52%	11.10%	12.62%	112.29%



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### MARKET UPDATE AND COMMENTARY

Trying to forecast when the RBA will next raise rates is a somewhat perilous exercise. Several opposing forces are currently being observed which makes the Bank's job of deciding when to start removing an accommodative monetary policy, a complex undertaking. Clearly, the Australian labour market is in an excellent shape, with economic growth now above 3%, and a resurgent resources sector. There are strong arguments to raise rates. A hawkish stance, of which we are advocates, however is somewhat undermined by a low inflationary environment, elusive wages growth and a weakening property market which risks a sharp fall in the face of higher interest rates. Further complicating the task is that some banks are already increasing mortgage rates out of cycle due to sustained increased costs in their short-term funding. In our view, the RBA needs to prudently move towards a neutral stance and raise rates. It does not have a mandate to shield asset prices nor can it afford to idly wait for businesses to responsibly increase wages. It must look beyond this expansionary cycle knowing full well that failure to raise rates now will undermine its capability to stimulate the economy in the next slowdown. It should raise rates this year, the sooner the better.

**Microequities High Income Value Microcap Fund returned -0.05% in June; this brings the total return net of fees to 112.29% for the Fund since inception in March 2012.**

Over the last 12 months the investment team has taken a systematic process to increase the concentration of the Fund to improve its long-term capital growth prospects without undermining its sustainable income producing capability. We are pleased to report that the Fund now has 32 constituent industrial businesses. We exited a minor business partnership last month which represented less than 1% of the Fund's assets. The Fund is now extremely well balanced to continue to meet its objectives of: capital preservation, a sustainable income stream and long-term capital growth. Outside the 32 companies owned by the Fund, the investment team has also identified potential new investments and are actively monitoring their respective investment cases.

<b>Projected EPS Growth</b> 1 Year Forward (on a weighted basis)	<b>+7.7%</b>
<b>Projected EPS Growth</b> 2 Years Forward (on a weighted basis)	<b>+11.9%</b>

<b>Number of companies</b>	<b>32</b>
<b>Top 5 Holdings</b> % of NAV	<b>33.5%</b>
<b>Top 10 Holdings</b> % of NAV	<b>54.7%</b>
<b>Top 20 Holdings</b> % of NAV	<b>80.1%</b>
<b>Cash Position</b> % of NAV	<b>5.8%</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 Asset Management Group 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.

(\*) The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2018 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Service Guide (FSG) for more information at [www.morningstar.com.au/s/fsfg.pdf](http://www.morningstar.com.au/s/fsfg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to