

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 30/09/2018

latest unit price \$1.0471	return since inception (Oct 2017) 5.20%	return 1 month -3.47%
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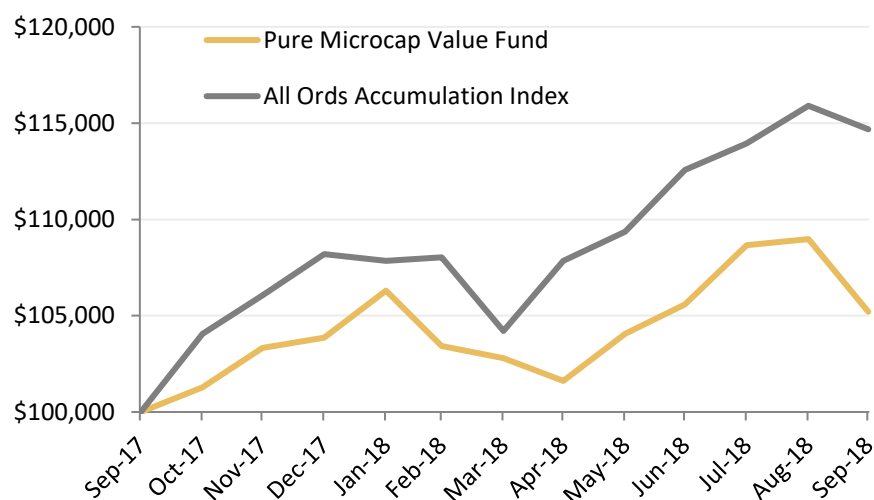
FUND OUTLINE

Fund Manager:

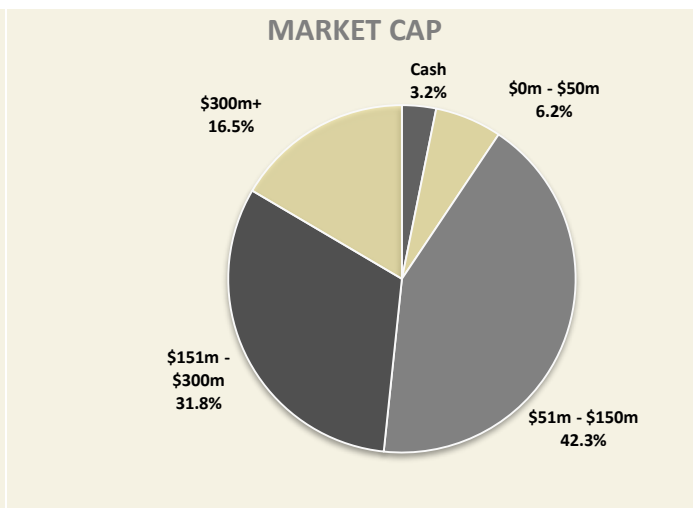
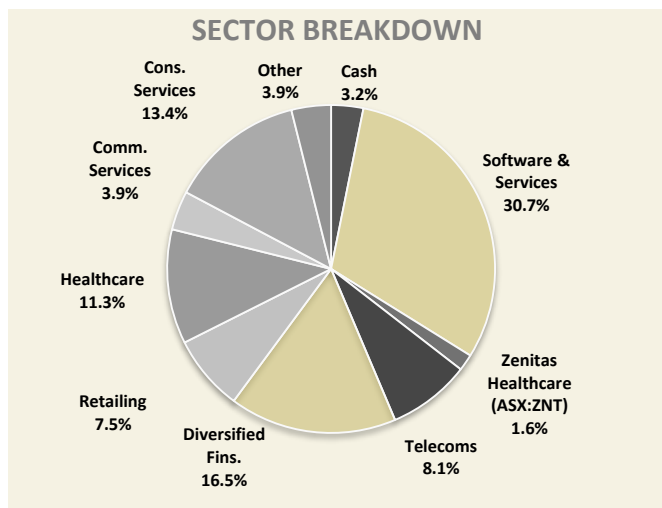
Carlos Gil (CIO)

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 > **\$105,200**



	1 Month	6 Month	1 Year	Total since inception
PMVF	-3.47%	2.34%	5.20%	5.20%



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MARKET UPDATE AND COMMENTARY

Last week the US Federal Reserve, as anticipated and well flagged, hiked rates by 25 basis points, lifting the overnight benchmark lending rate to 2.25%. The interest rate increase heralds the end of its accommodative monetary policy, which was hurriedly ushered in during the dark days of the GFC. The benchmark rate now sits in the band that economists consider a neutral policy stance; neither boosting nor restraining investment. We have been critical of the Fed's slow response to increasing rates. It is axiomatic that the US economic recovery has been gathering pace for some time. Whilst it is true that inflation has been relatively benign, there was no need to add greater stimulus to an economy that was already driven by internal demand expansion and rapid credit growth. Prudence should have dictated that the Fed needed to realign its monetary policy a lot earlier. We upheld this view even before the impact of the Trump administration's \$1.5 trillion of fiscal stimulus in the form of corporate and personal income tax cuts. The combination of various policies and the extremities that can result from unconstrained animal spirits has heightened the risks that the US economy will expand too rapidly. The latency in the policy response by the Fed may turn it into an involuntary culprit.

Microequities Pure Microcap Value Fund returned -3.47% in September; this brings the total return net of fees to 5.20% for the Fund since inception in October 2017.

During the month we exited two positions. One of these businesses was a classic deep value situation. It was deeply out of favour and trading at a substantial discount to its net tangible assets with prospects for capital management initiatives. The business accounted for 0.7% of the Fund at the start of the month. The share price rose sharply during the month and traded close to its net tangible asset value. The second business we exited accounted for only 0.1% of the Fund assets. We had been selling down this position over the last couple of months as it became apparent the business was potentially under some financial stress.

We added two new businesses to the Fund. The first business operates in a software niche, with an extremely sticky customer base but with some lumpiness in its growth rate. The second business, in the consumer services sector, conducted a placement for an acquisition during the month. We have known this business for a number of years and believe it has a long runway to acquire and consolidate the industry in which it operates.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+17.2%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+23.1%

Number of companies	33
Top 5 Holdings % of NAV	32.2%
Top 10 Holdings % of NAV	51.9%
Top 20 Holdings % of NAV	79.8%
Cash Position % of NAV	3.2%

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 Limited 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.