

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/10/2018

latest unit price \$1.3435	return since inception (March 2012) 98.86%	return 1 month -7.97%
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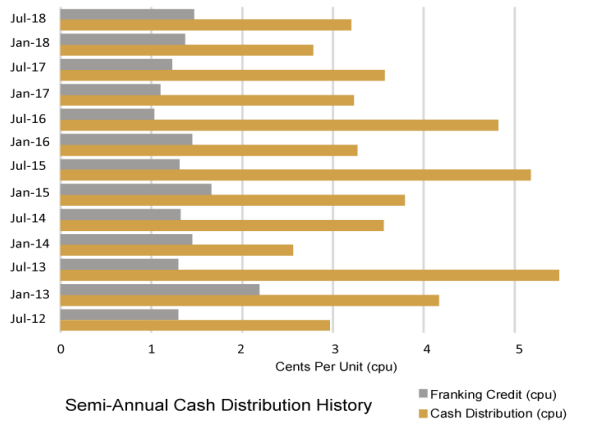


FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

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

66.56c Total Cash and Franking Credits RETURNED SINCE INCEPTION

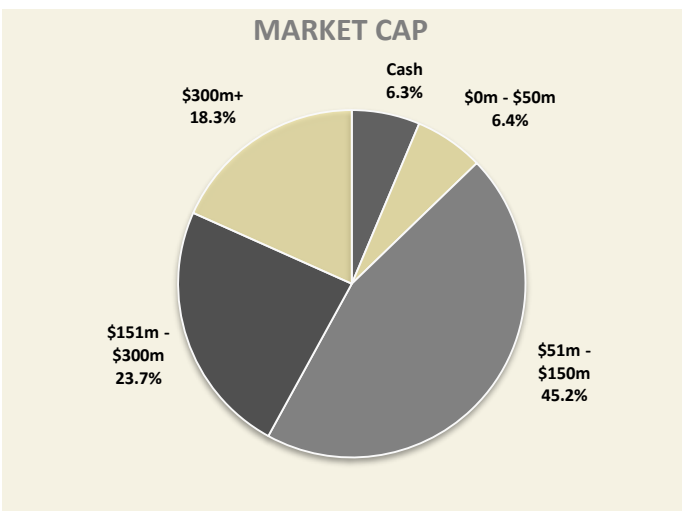
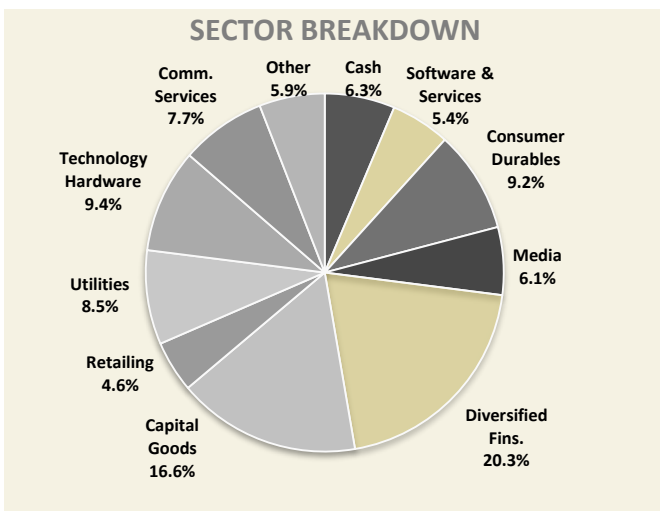


Current Forecast Grossed Up Dividend Yield

+7.72%**

**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.

	Total since inception	Compound p.a. since inception	5 Year	3 Year	1 Year	1 Month
HIMF	98.86%	10.86%	6.40%	5.91%	-8.32%	-7.97%



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MARKET UPDATE AND COMMENTARY

We will refrain from using euphemisms such as “heightened volatility” and “volatile markets”. Instead, we will immerse ourselves in the reality which saw October register widespread market price falls across world equity markets. The MSCI World Microcap Index fell -8.2% in Australian Dollar terms. In Australia, the All Ordinaries Index fell -6.5%, the Small Ordinaries Index fell -9.6% and the Emerging Companies Index fell -10.9%. Whilst trying to articulate the reason behind most market price falls is an inherently nebulous and treacherous exercise, this most recent price fall has a clear plausible causality, risk-free rates. Or more precisely, increasing risk-free rates. The US 10-year government treasury bond yield has been creeping upwards since July 2016 when it reached a post GFC low of +1.35%. Since July 2016 the 10-year treasury bond has been on a slow upward climb. Over the last quarter the yield broke through the psychological +3.00% barrier and last month climbed as high as +3.22%. Risk-free rates affect valuations of all financial assets, including equities, and have an inverse effect on them. Equity markets had, until October, been slow to absorb and reposition the risk-free rate in their valuation models. They looked to grasp and reset a different risk-free rate reality rather abruptly. Microequities has been using a risk-free rate of +3.25% for some time, well ahead of the current 10-year Australian government bond yield which sits at +2.6%.

Microequities High Income Value Microcap Fund returned -7.97% in October; this brings the total return net of fees to 98.86% for the Fund since inception in March 2012.

Following on from last month, we continued to buy more shares in our new entrant; a vertically integrated specialist finance company. This business now accounts for 1.5% of the Fund’s assets. It is the intention of the investment management team to continue to augment the weighting of this investment, price permitting. The Fund also continued to increase its holdings in an infrastructure and construction firm which we expect will benefit from the sectorial tailwind of the East Coast infrastructure spending boom. This business currently makes up 1.4% of the Fund’s assets and is significantly below our target weighting.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+9.3%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+10.3%

Number of companies	30
Top 5 Holdings % of NAV	30.7%
Top 10 Holdings % of NAV	54.3%
Top 20 Holdings % of NAV	80.0%
Cash Position % of NAV	6.3%

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 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.