

# PURE MICROCAP

## VALUE FUND



### MONTHLY PERFORMANCE AS AT 31/10/2018

latest unit price <b>\$0.9767</b>	return since inception (Oct 2017) <b>-1.87%</b>	return 1 month <b>-6.72%</b>
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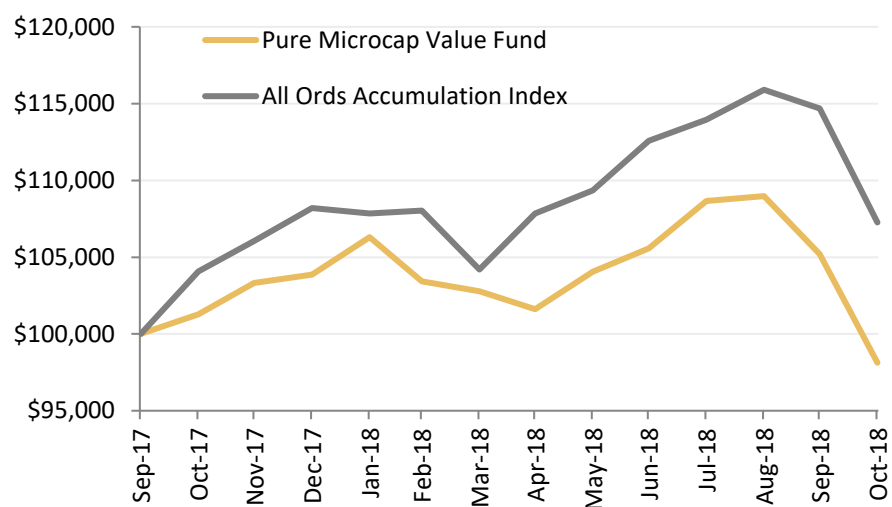
#### FUND OUTLINE

Fund Manager:

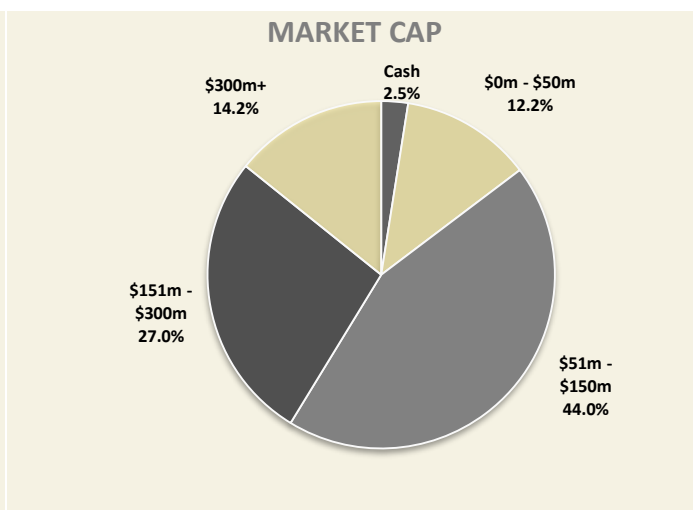
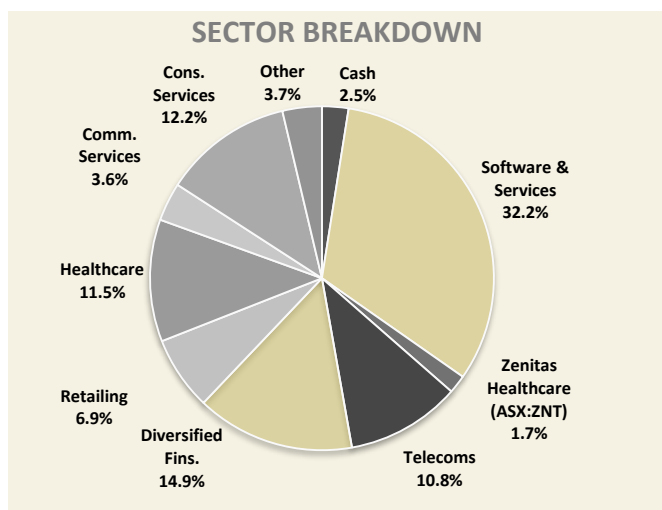
Carlos Gil (CIO)

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 > **\$98,127**



	Compound p.a. since inception	Total since inception	1 Year	6 Month	1 Month
<b>PMVF</b>	<b>-1.73%</b>	<b>-1.87%</b>	<b>-3.11%</b>	<b>-3.44%</b>	<b>-6.72%</b>



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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 Pure Microcap Value Fund returned -6.72% in October; this brings the total return net of fees to -1.87% for the Fund since inception in October 2017.**

We made no change to the constituents of the portfolio over the past month. We added significantly to our top weighted position (10.8% weighting) in an IT/telecommunications business that conducted an acquisition and capital raising. This business has a pristine track record of double-digit organic growth, supplemented by sensibly priced acquisitions. Post-acquisition, there is considerable cross sell potential of additional services to the acquired client base. We believe this business has a long runway for organic growth as it is a small player in a large corporate IT and telecommunications market. It is also in a sweet spot to make further acquisitions as other listed competitors are focused on fixing internal issues and are so large that bolt-on acquisitions are not meaningful enough to move the dial on their earnings.

<b>Projected EPS Growth</b> 1 Year Forward (on a weighted basis)	<b>+17.4%</b>
<b>Projected EPS Growth</b> 2 Years Forward (on a weighted basis)	<b>+23.1%</b>

<b>Number of companies</b>	<b>33</b>
<b>Top 5 Holdings</b> % of NAV	<b>34.9%</b>
<b>Top 10 Holdings</b> % of NAV	<b>53.8%</b>
<b>Top 20 Holdings</b> % of NAV	<b>80.3%</b>
<b>Cash Position</b> % of NAV	<b>2.5%</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 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.