

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 30/11/2018

| | | |
|--------------------------------------|--|---------------------------------|
| latest unit price \$0.9204 | return since inception (Oct 2017) -7.53% | return 1 month -5.76% |
|--------------------------------------|--|---------------------------------|



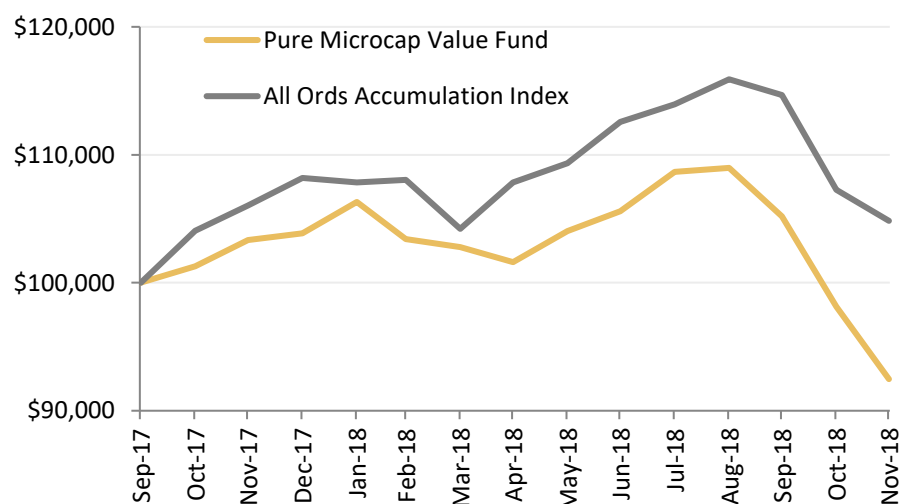
FUND OUTLINE

Fund Manager:

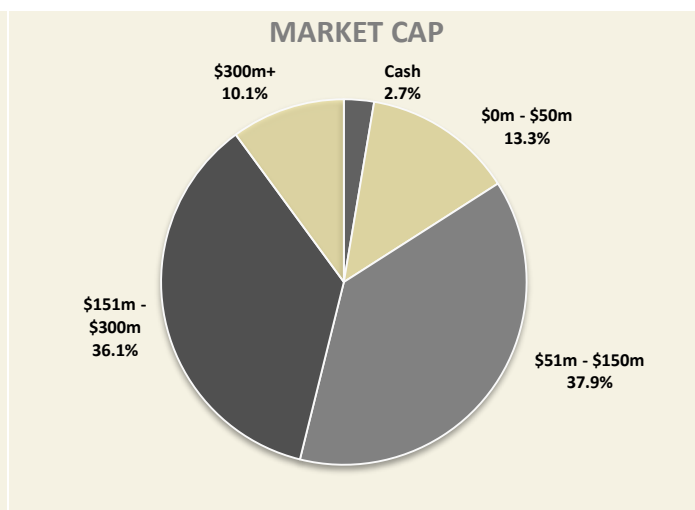
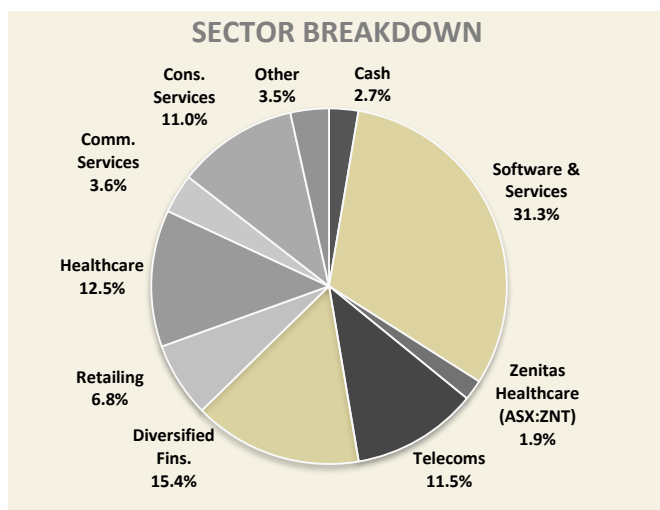
Carlos Gil (CIO)

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 > **\$92,471**



| | Compound p.a. since inception | Total since inception | 1 Year | 6 Month | 1 Month |
|-------------|-------------------------------|-----------------------|----------------|----------------|---------------|
| PMVF | -6.49% | -7.53% | -10.51% | -11.13% | -5.76% |



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MARKET UPDATE AND COMMENTARY

A more dovish narrative from US Federal Reserve Chairman, Jerome Powell, has tempered expectations that the Fed will continue to raise rates in 2019 as it looks to adjust monetary policy. Whilst in October Powell had said the Fed was “a long way” from a neutral monetary stance, November saw the rhetoric soften to “just below the broad range of estimates of the level that would be neutral for the economy”. The prepared comments of the Federal Open Market Committee also suggest a more flexible approach to forthcoming interest rate decisions, as the Fed observes fallouts from the trade war and downward shifts in sentiment. The change in the commentary comes at an interesting time for the Fed as wages inflation rose +3.1% in the quarter, the biggest rise in a decade. Wages had been the missing ingredient out of the Goldilocks economic boom in the US. Should the rise in wages continue, and so far, employment growth maintains a very solid trajectory, the Fed will be forced to continue its rate hikes irrespective of this month’s appeasing rhetoric that placated capital markets.

Microequities Pure Microcap Value Fund returned -5.76% in November; this brings the total return net of fees to -7.53% for the Fund since inception in October 2017.

We again made no changes to the constituents of the portfolio over the past month. Four companies provided AGM updates that resulted in severe share price reactions to the downside. Two of these companies were fairly punished as their operational performance were disappointing. We are actively monitoring these two companies with the view to potentially exiting our position. The other two companies we believe were unfairly punished as one is investing in growth at the expense of short term earnings and the other was already trading at unusually low P/E multiples.

We did have one company that provided a standout update on their operational performance. This retail business is laser focused on cutting costs from their recently acquired business that is now expected to deliver potentially \$40-\$50m of sustainable annual earnings, from a business they only paid \$30m to acquire.

| | |
|--|---------------|
| Projected EPS Growth | |
| 1 Year Forward (on a weighted basis) | +17.0% |
| Projected EPS Growth | |
| 2 Years Forward (on a weighted basis) | +24.1% |

| | |
|------------------------------------|--------------|
| Number of companies | 33 |
| Top 5 Holdings % of NAV | 36.3% |
| Top 10 Holdings % of NAV | 55.5% |
| Top 20 Holdings % of NAV | 81.7% |
| Cash Position % of NAV | 2.7% |

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.