

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/12/2018

latest unit price \$0.8755	return since inception (Oct 2017) -12.04%	return 1 month -4.88%
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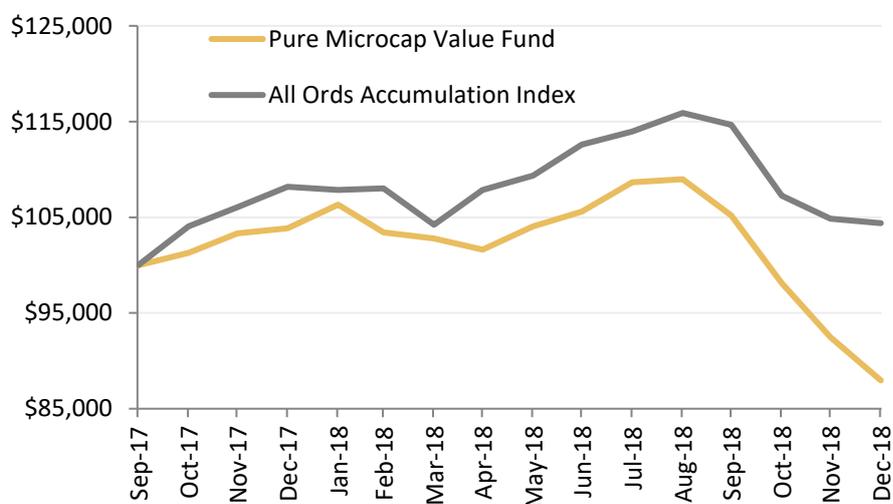
FUND OUTLINE

Fund Manager:

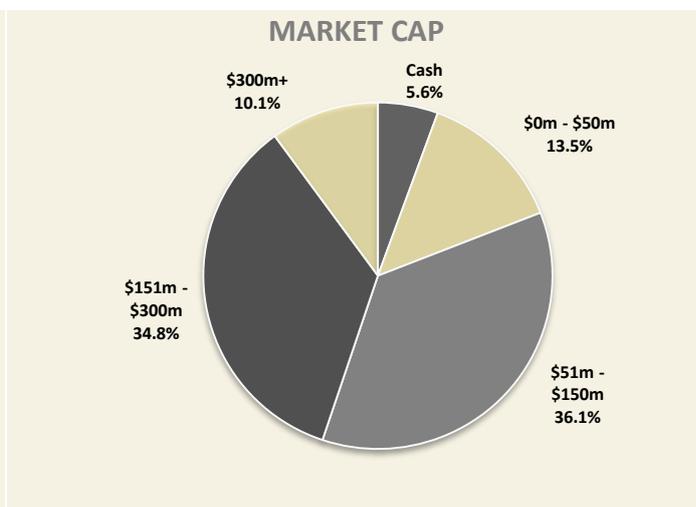
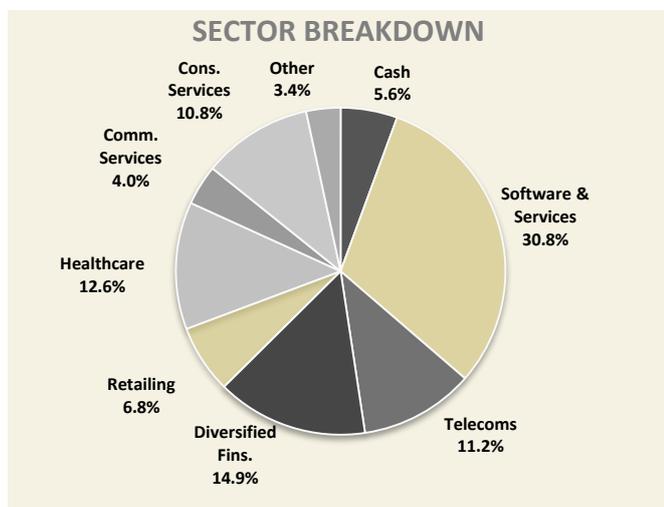
Carlos Gil (CIO)

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 > **\$87,960**



	Compound p.a. since inception	Total since inception	1 Year	6 Month	1 Month
PMVF	-9.75%	-12.04%	-15.31%	-16.69%	-4.88%



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MARKET UPDATE AND COMMENTARY

Chinese manufacturing contracted for the first time since 2016. The Purchasing Managers Index (PMI) for December came in at 49.4 (a reading below 50 signals a contraction in activity). Whilst a 49.4 reading doesn't signal a particularly strong contraction, it is the contextual setting around the number that might be significant. It is the first contraction since November 2016 and comes after seven consecutive months of falling export orders. The PMI encompasses both export and domestic manufacturing activity and therefore better captures economic activity levels in China. December is not a seasonally weak month for China, so it raises questions about China's short-term economic momentum. The geopolitical ramifications of Donald Trump's war may be having an effect, not only on China's exports, but also domestic economic confidence. Capital markets in China have not enjoyed a good 2018, with the Shanghai Composite Index declining by over 25% for the year. Against this backdrop, China's economic policy response has so far been muted, monetary policy has been maintained, no new stimulus packages have been announced and the strong deleveraging process which China began in November 2017 remains, though with increasing calls to turn the credit tap back on. How these developments will affect forthcoming China-US trade negotiations remains a pressing question.

Microequities Pure Microcap Value Fund returned -4.88% in December; this brings the total return net of fees to -12.04% for the Fund since inception in October 2017.

This month, the Fund received the cash proceeds from the **Zenitas Healthcare (ASX:ZNT)** takeover which has boosted cash holdings to 5.6%. We have also been gradually selling down two small holdings in businesses which we believe no longer meet our investment criteria. In total, these two businesses account for only 0.9% of the Fund assets at month end.

We have added one new business in the financial services/technology sector. We have watched this business for several years and monitored its business fundamentals. Until more recently, it had never reached a valuation that we felt was compelling enough. A series of recent value accretive transactions has meant that the business is now cashed up and ready to take advantage of acquisition opportunities at a time when asset prices have pulled back.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+16.2%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+24.9%

Number of companies	33
Top 5 Holdings % of NAV	34.9%
Top 10 Holdings % of NAV	54.9%
Top 20 Holdings % of NAV	81.0%
Cash Position % of NAV	5.6%

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.