

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 28/02/2019

latest unit price \$0.8854	return since inception (Oct 2017) -11.05%	return 1 month -0.34%
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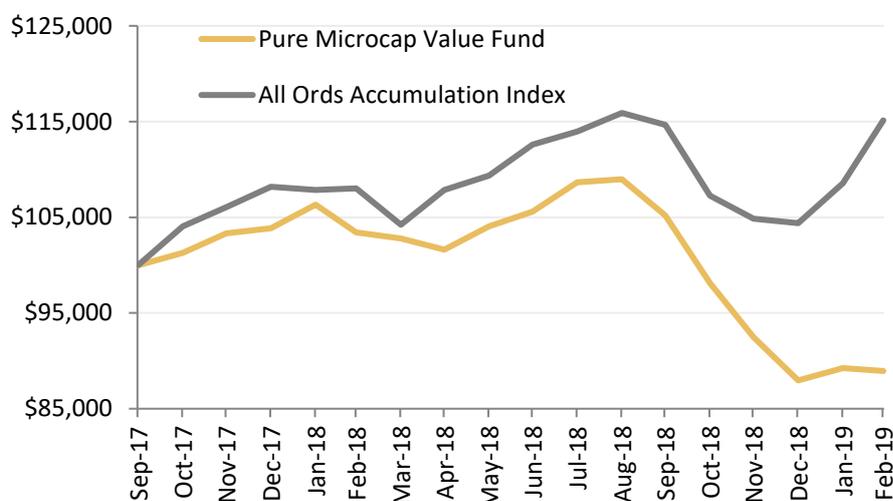
FUND OUTLINE

Fund Manager:

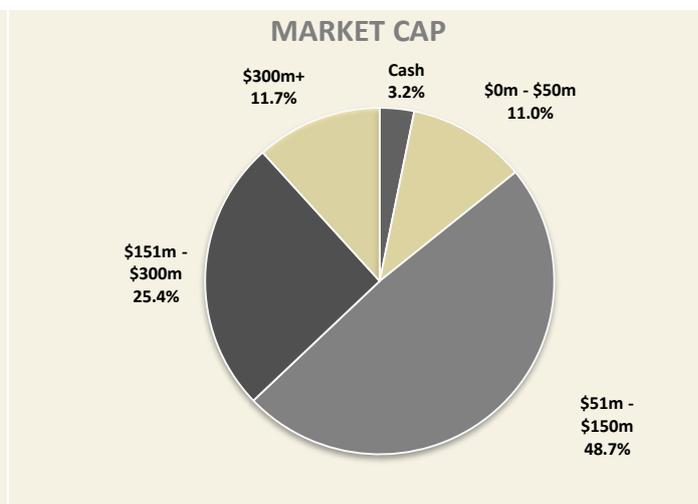
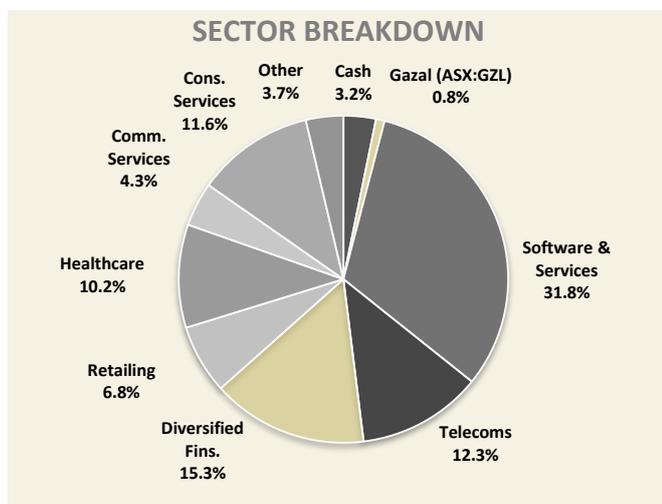
Carlos Gil (CIO)

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 > **\$88,954**



	Compound p.a. since inception	Total since inception	1 Year	6 Month	1 Month
PMVF	-7.93%	-11.05%	-13.99%	-18.37%	-0.34%



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MARKET UPDATE AND COMMENTARY

As we look at the world economic growth prospects for 2019, the overall assessment is that the pace of economic growth will moderate into 2019. Western Europe is likely to have the slowest growth outlook, with several of its economies likely to enter negative growth and others at trend pace. China's economic growth will continue to grow at relatively high levels, but nominal growth rates are expected to moderate. We still expect the US to deliver +2.4% growth which is above its long-term growth trend but likely below the 3.0% it achieved in 2018. This leaves world central banks in a conundrum. Most central banks have rates around historical lows and in accommodative bands. Under a scenario where growth is moderating, they are unlikely to pursue rate cuts, but for those economies that enter negative growth they have little, if any, monetary policy levers to pull. The likely, but far less orthodox, policy response mechanism is quantitative easing. Quantitative easing was successfully used to avert a deep financial crisis during the GFC, but it has yet to be tested as a tool to spur economic growth under much milder cyclical downturns.

Microequities Pure Microcap Value Fund returned -0.34% in February; this brings the total return net of fees to -11.05% for the Fund since inception in October 2017.

There were no changes to the number of constituent companies in the Fund for the month. The first half FY19 reporting season was a solid one for the Fund with 24 out of 31 companies that reported, meeting or exceeding our expectations. This represented 82% on a weighted basis. Those companies that missed our expectations are generally in an investment phase which has a negative impact on short term profitability. We remain comfortable with the earnings outlook of the portfolio which is forecast to generate 13.7% growth and 27.3% growth in the next one and two years respectively.

	% Weighting of companies that reported during February 2019
Above Expectations	21.6%
Met Expectations	60.0%
Below Expectations	18.4%

One of our companies, **Gazal Corporation (ASX:GZL)** received a takeover offer from PVH Corporation. Gazal is a fashion retailer and has a JV with PVH Corporation selling the Tommy Hilfilger, Calvin Klein and Van Heusen brands in Australia. The takeover price of \$6.00 plus a \$0.17 dividend represents a strong return on our average purchase price of \$2.70. Gazal accounted for 0.8% weighting in the Fund.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+13.7%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+27.3%

Number of companies	32
Top 5 Holdings % of NAV	34.7%
Top 10 Holdings % of NAV	56.5%
Top 20 Holdings % of NAV	83.7%
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.