

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/05/2019

latest unit price \$1.3908	return since inception (March 2012) 110.28%	return 1 month 5.35%
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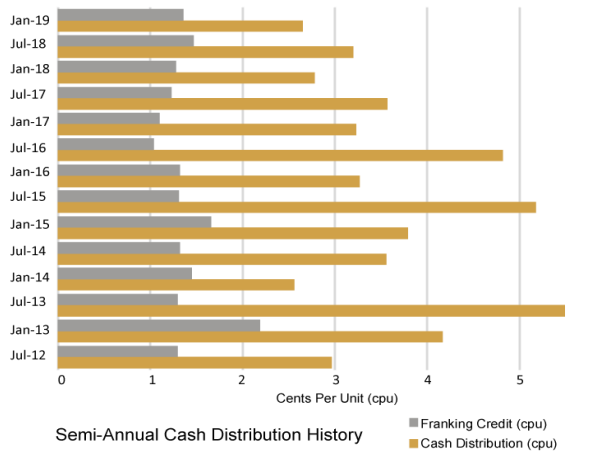


FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

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

70.57c Total Cash and Franking Credits RETURNED SINCE INCEPTION

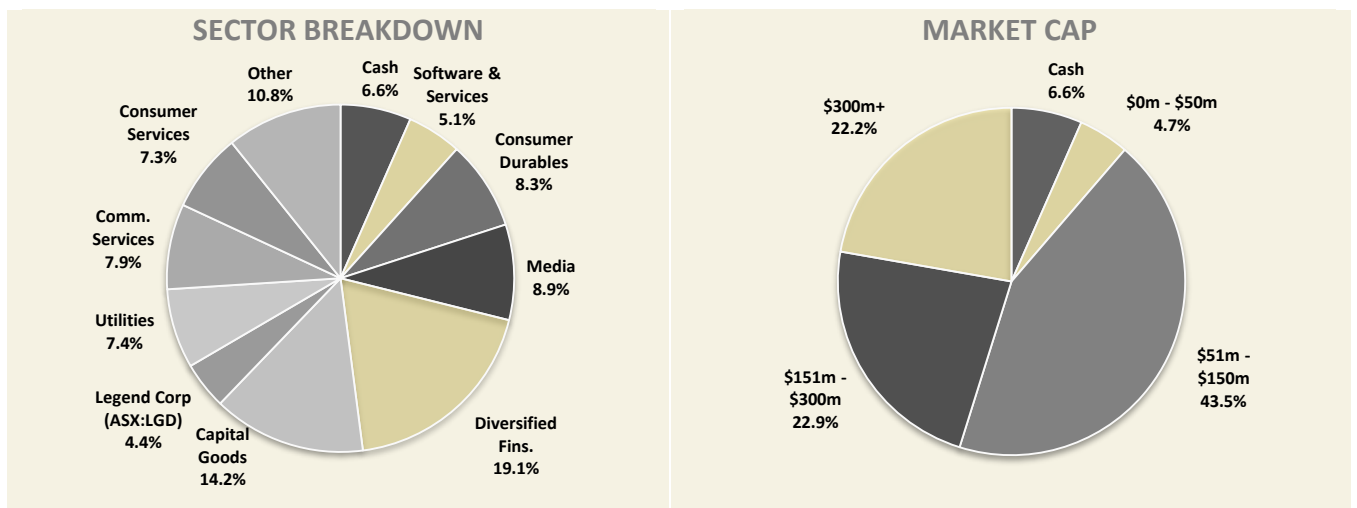


**Current Forecast
Grossed Up
Dividend Yield**

+7.01%**

**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	7 Year	5 Year	3 Year	1 Year	1 Month
HIMF	110.28%	10.80%	11.16%	8.20%	6.86%	-0.99%	5.35%



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MARKET UPDATE AND COMMENTARY

Escalating tensions pertaining to the Sino-US trade war is currently front of mind for investors. Unlike other equity market preoccupations, the economic fallout from this will be very real. So far, trade tariffs from both sides will affect products worth over \$300b in trade. The US has already announced measures to widen the tariff net, a measure that will inevitably be countered by China. Whilst most US businesses initially supported the Trump administration's heavy handed approach to China trade policy, that support will likely weaken as the tariffs begin to bite at consumer demand. Whilst the rhetoric has hardened on both sides, we still believe a trade deal is the more likely outcome, for the simple fact that it remains in both sides' interest to strike one. Rational behaviour does not guarantee an outcome but does make it the most probable. Domestically, the Coalition victory at the federal election was the best possible outcome to restore consumer confidence and stabilise a weakening property market. One word defines the prevailing mood around Australian businesses, relief.

Microequities High Income Value Microcap Fund returned 5.35% in May; this brings the total return net of fees to 110.28% for the Fund since inception in March 2012.

During the month the Fund received a takeover offer for investee company, **Legend Corporation (ASX:LGD)**. **The takeover offer was a +22.7% premium to the market price.** Legend Corporation currently represents 4.4% of the Fund's assets and is a significant top 10 investment.

Other than the takeover bid for Legend Corporation, the most important activity during the month was increased investment into an existing consumer services business already owned by the Fund. This business has a defensive service offering, strong medium and long-term growth outlook coupled with an attractive valuation. We added to our position during the month, taking the weighting of this business to 7.3% of the Fund's assets, representing the single largest investment currently. Should the price of this business remain at current or lower levels we will look to augment our investment further with an intended weighting in excess of 10%.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+8.30%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+11.5%

Number of companies	30
Top 5 Holdings % of NAV	32.1%
Top 10 Holdings % of NAV	54.5%
Top 20 Holdings % of NAV	83.0%
Cash Position % of NAV	6.6%

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.