

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/05/2019

latest unit price \$0.8657	return since inception (Oct 2017) -13.02%	return 1 month -3.90%
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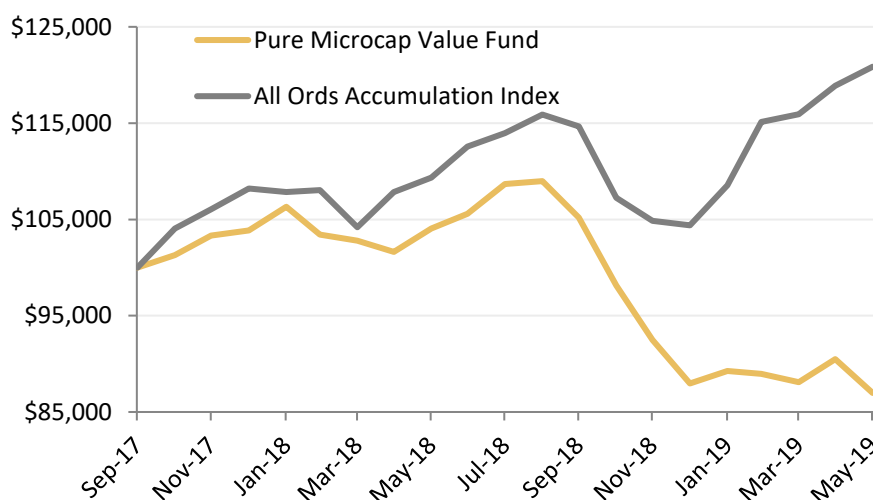
FUND OUTLINE

Fund Manager:

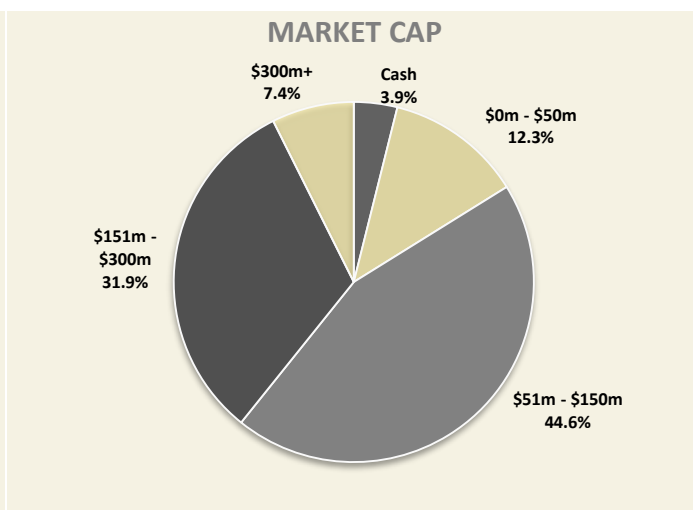
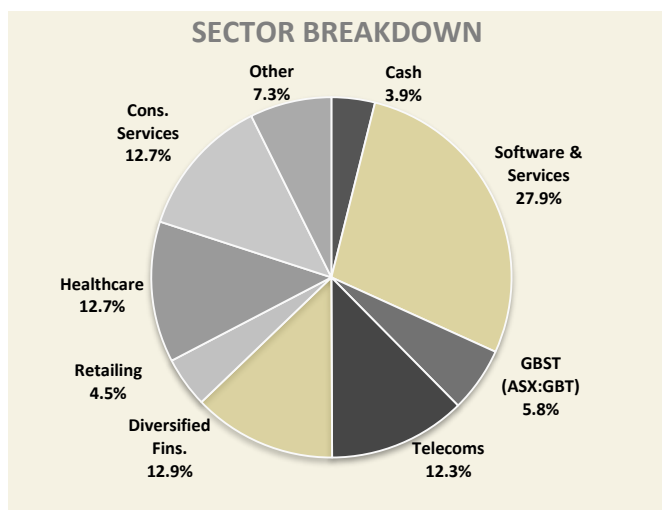
Carlos Gil (CIO)

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 > **\$86,975**



	Compound p.a. since inception	Total since inception	1 Year	6 Month	1 Month
PMVF	-8.03%	-13.02%	-16.41%	-5.94%	-3.90%



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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 Pure Microcap Value Fund returned -3.90% in May; this brings the total return net of fees to -13.02% for the Fund since inception in October 2017.

During the month, the Fund received the scheme consideration from the **Gazal Corporation (ASX:GZL)** takeover. Several companies did release noteworthy announcements. We received a negative trading update from **Citadel Group (ASX:CGL)**. We believe Citadel was adversely impacted by the Federal government budget freeze during the election period. Contracts that was expected to be delivered on in 2H19 have now slipped into 1H20. Whilst the earnings downgrade from Citadel was particularly disappointing, we remain positive on the long-term growth outlook. Our investment in another IT services business unfortunately did not retain a major contract that was up for renewal. As a result, with some cost reductions to offset this impact, we think the company will deliver a flat year of earnings in FY20.

On the positive side, our investee company in a consumer services business conducted an investor site visit and re-confirmed full year earnings guidance. Since the start of the year, revenue growth has been positive and costs well controlled. We added to our investment and at month end, it accounted for 6.1% of the Fund. Lastly, our holding in an Australasian payments business reported FY19 results with the Australian business now on a \$7m+ annualised revenue run-rate compared to circa \$3m only 6 months ago.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+15.4%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+24.4%

Number of companies	32
Top 5 Holdings % of NAV	37.8%
Top 10 Holdings % of NAV	58.4%
Top 20 Holdings % of NAV	83.8%
Cash Position % of NAV	3.9%

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.