Microequities Value Income Fund

ARSN 629 674 175

Annual report

For the period November 9, 2018 to June 30, 2019

Microequities Value Income Fund
ARSN 629 674 175
Annual report
For the period November 9, 2018 to June 30, 2019

Contents **Page**

These financial statements cover Microequities Value Income Fund as an individual entity. The Responsible Entity of Microequities Value Income Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150). The Responsible Entity's registered office is:

Level 18 Angel Place
123 Pitt Street
Sydney NSW 2000

Directors' Report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of Microequities Value Income Fund (the "Fund"). The Directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the period November 9, 2018 to June 30, 2019.

Principal Activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund invests primarily in ASX listed securities, which at the time of initial investment are generally outside the ASX200 index.

The Fund was constituted on November 9, 2018 and commenced operations on January 31, 2019.

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's activities during the period.

Directors

The Directors of The Trust Company (RE Services) Limited during the period and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name	Date of appointment/resignation
Glenn Foster	
Christopher Green	Resigned as Director on October 17, 2018
Michael Vainauskas	
Richard McCarthy	Appointed as a Director on October 17, 2018
Andrew McIver	Appointed as Alternate Director for Glenn Foster on September 2, 2019 Resigned as Alternate Director for Michael Vainauskas on September 2, 2019
Vicki Riggio	
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on October 12, 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on July 6, 2018 Resigned as Alternate Director for Christopher Green on October 17, 2018

Review and results of operations

During the period, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	For the period November 9, 2018 to June 30, 2019
Profit/(loss) for the period ($)	**96,642**
Distributions paid and payable ($)	**42,341**
Distributions (cents per unit)	**3.15**

Directors' Report (continued)

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Fund that occurred during the period.

Matters subsequent to the end of the financial period

On September 2, Andrew Mclever resigned as Alternate Director for Michael Vainauskas and was appointed an Alternate Director for Glenn Foster.

Other than the matter noted above or circumstance has arisen since June 30, 2019 that has significantly affected, or may significantly affect:

(i) the operations of the Fund in future financial years, or
(ii) the results of those operations in future financial years, or
(iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001,* the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund's property during the period are disclosed in Note 12 of the financial statements.

No fees were paid out of the Fund's property to the Directors of the Responsible Entity during the period.

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 12 of the financial statements.

Units in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 7 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 2 of the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Directors' Report (continued)

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

Director
The Trust Company (RE Services) Limited

Sydney
September 20, 2019

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited as Responsible Entity for Microequities Value Income Fund

As lead auditor for the audit of the financial report of Microequities Value Income Fund for the period 9 November 2018 to 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
20 September 2019

Statement of comprehensive income

	Notes	For the period November 9, 2018 to June 30, 2019 $
Investment income		
Interest income from financial assets at amortised cost		**180**
Dividend income		**34,742**
Net gains/(losses) on financial instruments at fair value through profit or loss	5	**68,846**
Total investment income		**103,768**
Expenses		
Management fees	12	**7,126**
Total operating expenses		**7,126**
Profit/(loss) for the period		**96,642**
Other comprehensive income		**-**
Total comprehensive income for the period		**96,642**

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at June 30, 2019 $
Assets		
Cash and cash equivalents	9	**69,814**
GST receivable		**430**
Financial assets at fair value through profit or loss	6	**1,376,946**
Total assets		**1,447,190**
Liabilities		
Distributions payable	8	**42,341**
Management fees payable		**1,548**
Total liabilities		**43,889**
Net assets attributable to unitholders – equity	7	**1,403,301**

The above Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Notes	For the period November 9, 2018 to June 30, 2019 $
Total equity at the beginning of the financial period		**-**
Comprehensive income for the period		
Profit/(loss) for the period		**96,642**
Other comprehensive income		**-**
Total comprehensive income		**96,642**
Transactions with unitholders		
Applications	7	**1,349,000**
Distributions paid and payable	7, 8	**(42,341)**
Total transactions with unitholders		**1,306,659**
Total equity at the end of the financial period		**1,403,301**

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	For the period November 9, 2018 to June 30, 2019 $
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss		**332,324**
Purchase of financial instruments at fair value through profit or loss		**(1,640,424)**
Dividends received		**34,742**
Interest received		**180**
Management fees paid		**(5,577)**
Administration and custody fees paid		**-**
Other expenses paid		**(431)**
Net cash inflow/(outflow) from operating activities	10(a)	**(1,279,186)**
Cash flows from financing activities		
Proceeds from applications by unitholders		**1,349,000**
Net cash inflow/(outflow) from financing activities		**1,349,000**
Net increase/(decrease) in cash and cash equivalents		**69,814**
Cash and cash equivalents at the beginning of the period		**-**
Cash and cash equivalents at the end of the period	9	**69,814**

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

Contents **Page**

1 Organisation and business

These financial statements cover Microequities Value Income Fund (the “Fund”) as an individual entity. The Fund was constituted on November 9, 2018 and commenced operations on January 31, 2019. The Fund will terminate in accordance with the provisions of the Fund's Constitution.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity’s registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The Responsible Entity is incorporated and domiciled in Australia.

The investment manager of the Fund is Microequities Asset Management Pty Ltd (the "Investment Manager").

The Fund invests primarily in ASX listed securities, which at the time of initial investment are generally outside the ASX200 index.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on September 20, 2019. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and financial liabilities.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at period end.

(i) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(b) Financial instruments

(i) Classification

The Fund’s investments are classified at fair value through profit or loss. They comprise:

- Assets:

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund’s documented investment strategy. The Fund’s policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Classification (continued)

- Assets: (continued)

For equity securities, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

(ii) Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the year in which they arise.

Further details on how the fair value of financial instruments are determined are disclosed in Note 4.

(iv) Impairment

At each reporting date, the Fund shall measure the loss allowance on financial assets at amortised cost (cash, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the amortised cost. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(v) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation:*

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

The Fund's units have been classified as equity as they satisfied all the above criteria.

2 Summary of significant accounting policies (continued)

(d) Cash and cash equivalents

Cash comprises deposits held at custodian bank(s). Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income from financial assets at amortised cost is recognised on an accrual basis using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established.

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(f) Expenses

All expenses, including management fees, Responsible Entity's fees, administration fees and custody fees, are recognised in the Statement of comprehensive income on an accrual basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

(h) Distributions

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

(i) Receivables

Receivables may include amounts for interest. Interest is accrued at each dealing date in accordance with policy set out in Note 2(e) above.

Receivables also include such items as Reduced Input Tax Credit (RITC).

Receivables are recognised at amortised cost using the effective interest method, less any allowance for expected credit losses. The Fund has applied a simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, receivables have been grouped based on days overdue.

The amount of the impairment loss, if any, is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against impairment loss in other expenses in the Statement of comprehensive income.

2 Summary of significant accounting policies (continued)

(j) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting period.

Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(k) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

(l) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodian services and management fees have been passed onto the Fund. The Fund qualifies for RITC, hence Management fees, Administration and custody fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

(m) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. For more information on how fair value is calculated, please refer to Note 4 to the financial statements.

For certain other balances reported on statement of financial position, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(n) Comparative period

The Fund was constituted on November 9, 2018 and commenced operations on January 31, 2019. The reporting period covers the period November 9, 2018 to June 30, 2019, hence there is no comparative information.

3 Financial risk management

(a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;

- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund;

- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

3 Financial risk management (continued)

(a) Overview (continued)

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

(b) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

The Fund is exposed to equity securities listed or quoted on recognised securities exchanges price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the Statement of Financial Position as financial assets at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

All securities investments present a risk of loss of capital. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

As at period end, the overall market exposures were as follows:

As at June 30, 2019	Fair value $	% of net asset attributable to unitholders
Financial assets at fair value through profit or loss		
Listed Equities	**1,376,946**	**98.12**

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Fund's exposure to interest rate risk.

June 30, 2019	Floating interest rate $	Fixed interest rate $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents	**69,814**	**-**	**-**	**69,814**
GST receivable	**-**	**-**	**430**	**430**
Financial assets at fair value through profit or loss	**-**	**-**	**1,376,946**	**1,376,946**
Total financial assets	**69,814**	**-**	**1,377,376**	**1,447,190**
Financial liabilities				
Distributions payable	**-**	**-**	**42,341**	**42,341**
Management fees payable	**-**	**-**	**1,548**	**1,548**
Total financial liabilities	**-**	**-**	**43,889**	**43,889**
Net exposure	**69,814**	**-**	**1,333,487**	**1,403,301**

The table in Note 3(c) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit and net assets attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% from the year end prices with all other variables held constant.

3 Financial risk management (continued)

(c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/net assets attribute to unitholders			
	Price risk		Interest rate risk	
	+10%	-10%	+0.1%	-0.1%
	$	$	$	$
As at June 30, 2019	**137,695**	**(137,695)**	**70**	**(70)**

(d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets.

(i) Bank deposits and assets held with the custodian

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, assets held with the custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

The table below summarises these assets at June 30, 2019.

As at June 30, 2019

	$	Credit rating	Source of credit rating
Banks and Custodian			
JP Morgan	**69,814**	A-1	Standard & Poor's

The custody balance with JP Morgan includes investments in equities totalling $1,376,946.

The Fund minimises counterparty credit risk through credit limits and approvals, credit monitoring procedures, executing master netting arrangements and managing margin and collateral requirements, as appropriate.

The Fund may record counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty. These adjustments are recorded on the market quotes received from counterparties or other market participants since these quotes may not fully reflect the credit risk of the counterparties to the derivative instruments. The Fund has not recorded any counterparty credit risk valuation adjustments for the period ended June 30, 2019.

The Fund also limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Investment Manager considers to be well established.

In the normal course of business, the Fund may enter into agreements with certain counterparties for OTC derivative transactions. A number of the Funds' derivative agreements contain provisions that require the Fund to maintain a predetermined level of capital, and/or provide limits regarding the decline of the Funds' capital over specified time periods. If the Fund were to violate such provisions, the counterparties to the derivative instruments could request immediate payment or demand immediate collateralisation on derivative instruments in net liability positions. If such events are not cured by the Fund or waived by the counterparties, they may decide to curtail or limit extension of credit, and the Fund may be forced to unwind its derivative positions which may result in material losses.

3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due and can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The table below analyses the Fund's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the reporting period end. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2019	**Less than 1 month $**	**1-6 months $**	**6-12 months $**	**Over 12 months $**	**No stated maturity $**
Distributions payable	**42,341**	-	-	-	-
Management fees payable	**1,548**	-	-	-	-
Total financial liabilities	**43,889**	-	-	-	-

4 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis.

- Financial assets at fair value through profit or loss (FVTPL) (see Note 6)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting year without any deduction for estimated future selling costs.

The Fund values its investments and derivatives in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of investments, information provided by independent pricing services is relied upon for valuation of investments.

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the last-traded prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

4 Fair value measurement (continued)

Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at June 30, 2019.

As at June 30, 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets at fair value through profit or loss				
Listed equities	1,376,946	-	-	1,376,946
Total financial assets at fair value through profit or loss	1,376,946	-	-	1,376,946

(i) Transfers between levels

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between the levels in the fair value hierarchy for the period November 11, 2018 to June 30, 2019.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the period ended June 30, 2019.

(iii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting year.

(iv) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

5 Net gains/(losses) on financial instruments at fair value through profit or loss

	For the period November 9, 2018 to June 30, 2019 $
Financial assets	
Net realised gain/(loss) on financial assets at fair value through profit or loss	14,546
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	54,300
Total net gains/(losses) on financial instruments at fair value through profit or loss	68,846

6 Financial assets at fair value through profit or loss

	As at June 30, 2019 $
Financial assets at fair value through profit or loss	
Listed equities	1,376,946
Total financial assets at fair value through profit or loss	1,376,946

An overview of the risk exposure relating to financial assets at fair value through profit or loss is included in Note 3.

7 Net assets attributable to unitholders

Under AASB 132 *Financial instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund has elected into AMIT since constitution. The Fund does not have a contractual obligation to pay distributions to unitholders. Therefore, the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity.

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	For the period November 9, 2018 to June 30, 2019	
	No. of units	**$**
Opening balance	-	-
Applications	1,342,950	1,349,000
Distributions paid and payable	-	(42,341)
Profit/(loss) for the period	-	96,642
Closing balance	**1,342,950**	**1,403,301**

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund classifies its net assets attributable to unitholders as equity. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders.

8 Distributions to unitholders

Distributions are payable at the end of each financial period. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions for the period were as follows:

	For the period November 9, 2018 to June 30, 2019	
	$	**CPU***
Distributions payable (June)	42,341	3.15
Total distributions	**42,341**	**3.15**

* Distribution is expressed as cents per unit amount in Australian Dollars.

9 Cash and cash equivalents

	As at June 30, 2019 $
Cash at bank	69,814
Total cash and cash equivalents	**69,814**

10 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	For the period November 9, 2018 to June 30, 2019 $
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	96,642
Proceeds from sale of financial instruments at fair value through profit or loss	332,324
Purchase of financial instruments at fair value through profit or loss	(1,640,424)
Net (gains)/losses on financial instruments at fair value through profit or loss	(68,846)
Net change in receivables	(430)
Net change in payables	1,548
Net cash inflow/(outflow) from operating activities	**(1,279,186)**

11 Auditor's remuneration

During the period the following fees were paid or payable for services provided by the auditor of the Fund:

	For the period November 9, 2018 to June 30, 2019 $
Ernst & Young	
Audit and other assurance services	
Audit of financial statements	9,000
Total remuneration for audit and other assurance services	9,000
Taxation services	6,500
Taxation services	6,500
Total remuneration of Ernst & Young	**15,500**
PricewaterhouseCoopers	
Audit and other assurance services	
Audit of compliance plan	2,475
Total remuneration for taxation services	2,475
Total remuneration of PricewaterhouseCoopers	**2,475**

The Auditor's remuneration has been borne by the Investment Manager, refer to Note 12 for futher details. Fees are stated exclusive of GST.

12 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

Responsible Entity

The Responsible Entity of Microequities Value Income Fund is The Trust Company (RE Services) Limited. The Investment Manager of the Fund is Microequities Asset Management Pty Ltd.

(a) Directors

Key management personnel includes persons who were Directors of the Responsible Entity at any time during the financial period as follows:

Name	**Date of appointment/resignation**
Glenn Foster	
Christopher Green	Resigned as Director on October 17, 2018
Michael Vainauskas	
Richard McCarthy	Appointed as Director on October 17, 2018
Andrew McIver	Appointed as Alternate Director for Glenn Foster on September 2, 2019 Resigned as Alternate Director for Michael Vainauskas on September 2, 2019
Vicki Riggio	
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on October 12, 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on July 6, 2018 Resigned as Alternate Director for Christopher Green on October 17, 2018

(b) Other key management personnel

There were no other persons responsible for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial period.

Key management personnel unit holdings

During or since the end of the period, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the period.

Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related entity of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

12 Related party transactions (continued)

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving Director's interests existing at period end.

Responsible Entity's/Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a fee of up to 3% (exclusive of GST) per annum of the gross asset value of the Fund. The Investment Manager is entitled to receive a management and performance fee at the rates stipulated in the Fund's governing documents.

In accordance with the Product Disclosure Statement, the management fee covers all investment manager fees, all operating expenses of the Fund including Responsible Entity fees, custody fees, audit fees, accounting fees, legal and regulatory fees and all other normal costs (other than transaction costs). The management fee is 1.3% per annum and any fees in excess of this are incurred by the Investment Manager.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Fund and the Responsible Entity were as follows:

	For the period November 9, 2018 to June 30, 2019 $
Management fees for the period paid and payable by the Fund to the Investment Manager	**7,126**
Aggregate amounts payable to the Investment Manager at reporting date	**1,548**

Related party unitholdings

Parties related to the Fund (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited, hold no units in the Fund.

Investments

The Fund did not hold any investments in The Trust Company (RE Services) Limited or of its affiliates or funds managed by Microequities Asset Management Group Limited during the period.

13 Significant events during the period

There were no significant events during the period.

14 Subsequent events

On September 2, 2019, Andrew McIver resigned as the Alternate Director for Michael Vainauskas and appointed as the Alternate Director for Glen Foster.

The Directors are not aware of any other event or circumstance since the end of the financial period not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

15 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at June 30, 2019.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 22 are in accordance with the *Corporations Act 2001,* including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Fund's financial position as at June 30, 2019 and of its performance, for the financial period ended on that date,

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;

(c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

Director
The Trust Company (RE Services) Limited

Sydney
September 20, 2019

Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Unitholders of Microequities Value Income Fund

Opinion

We have audited the financial report of Microequities Value Income Fund (the Fund), which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 9 November 2018 to 30 June 2019, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the period 9 November 2018 to 30 June 2019; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors of the Responsible Entity are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Responsible Entity for the Financial Report

The directors of the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Responsible Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Responsible Entity.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
20 September 2019