

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/08/2019

| | | |
|--|---|--------------------------------|
| latest unit price \$1.4284 Cum-distribution | return since inception (March 2012) 122.91% | return 1 month 1.40% |
|--|---|--------------------------------|

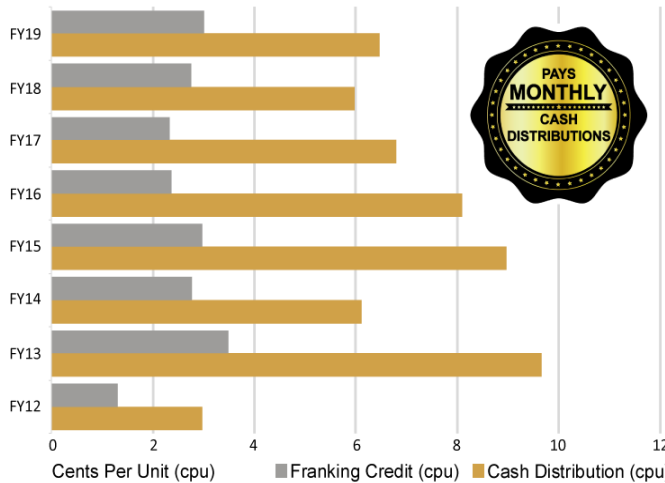


FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

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

76.04c Total Cash and Franking Credits RETURNED SINCE INCEPTION

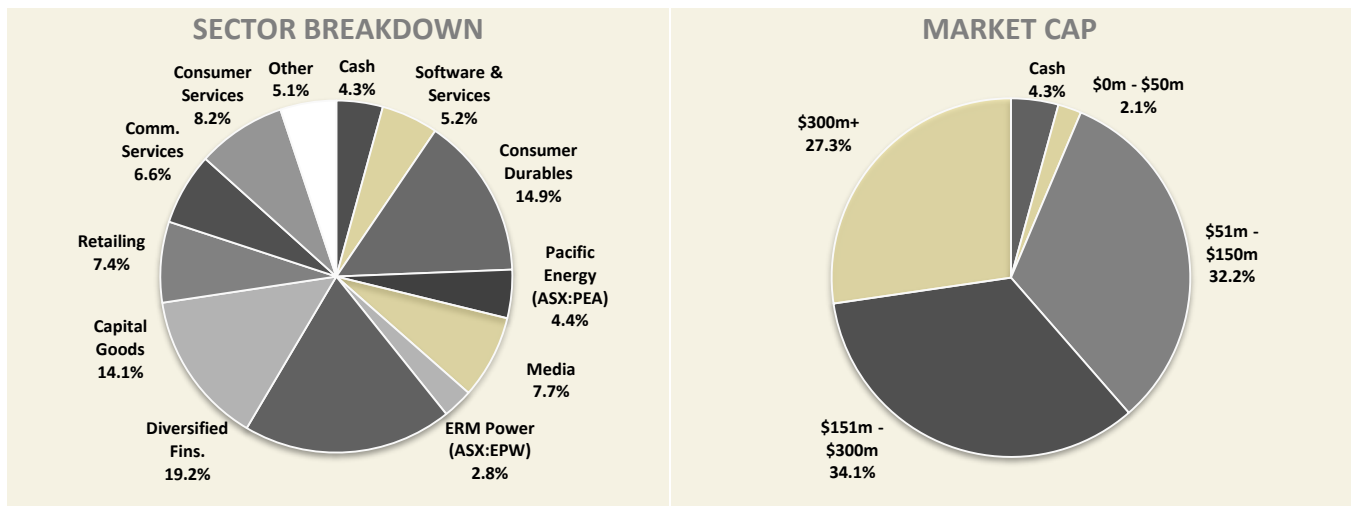


Current Forecast
Grossed Up
Dividend Yield

+7.06%**

**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 | 122.91% | 11.28% | 10.88% | 7.11% | 5.58% | 3.30% | 1.40% |



HIGH INCOME

VALUE MICROCAP FUND



MARKET UPDATE AND COMMENTARY

World equity markets continue to be focused on the escalating trade dispute between China and the US. The US imposed a 15% trade tariff on a wide range of Chinese goods worth about US\$150bn. China has so far imposed 25% tariffs on about US\$60bn worth of US goods. It is likely China will continue to enact counter-measures as the US pursues an aggressive strategy to push China into a new trade deal. The US is scheduled to roll out the 15% tariffs across the remainder of Chinese goods on 15 December. On that same day, China is scheduled to roll out their 25% tariffs across a further 3,000 US goods. Talks between trade officials on both sides are expected to take place during September. Over the long term, a trade war would hurt both the US and the Chinese economies. It is therefore in both parties' interest to secure a lasting trade deal that would reduce structural imbalances in the trade relationship. The US administration has so far taken an unorthodox approach to trade negotiations and its effectiveness remains questionable.

Microequities High Income Value Microcap Fund returned 1.40% in August; this brings the total return net of fees to 122.91% for the Fund since inception in March 2012.

It was a strong reporting season from the Fund's constituents, which delivered a weighted EPS growth performance above our expectations. The reporting season can be best categorised as one which was solid to pleasing with very few poorly performing businesses.

| | FY19 EPS Growth Weighted Average |
|---|---|
| 29 companies of the total 31 companies reported FY19 financial results in August. (The 29 companies represent 89.4% of the non-cash assets of the High Income Fund) | +13.1% |

We are also pleased to announce that during the month, ERM Power (ASX:EPW) received a friendly takeover offer at a +40% premium from Shell. At the time of the offer ERM Power represented approximately 4.8% of the assets of the Fund (2.8% of the Fund at month end). The takeover represents an excellent outcome for our investors and the investment team is pleased with the offer.

| | |
|---|----------------|
| Projected EPS Growth 1 Year Forward (on a weighted basis) | +6.00% |
| Projected EPS Growth 2 Years Forward (on a weighted basis) | +13.00% |

| | |
|------------------------------------|--------------|
| Number of companies | 31 |
| Top 5 Holdings % of NAV | 36.9% |
| Top 10 Holdings % of NAV | 57.7% |
| Top 20 Holdings % of NAV | 85.0% |
| Cash Position % of NAV | 4.3% |

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.