

# PURE MICROCAP

## VALUE FUND



### MONTHLY PERFORMANCE AS AT 31/08/2019

latest unit price <b>\$0.8721</b>	return since inception (Oct 2017) <b>-12.38%</b>	return 1 month <b>-1.79%</b>
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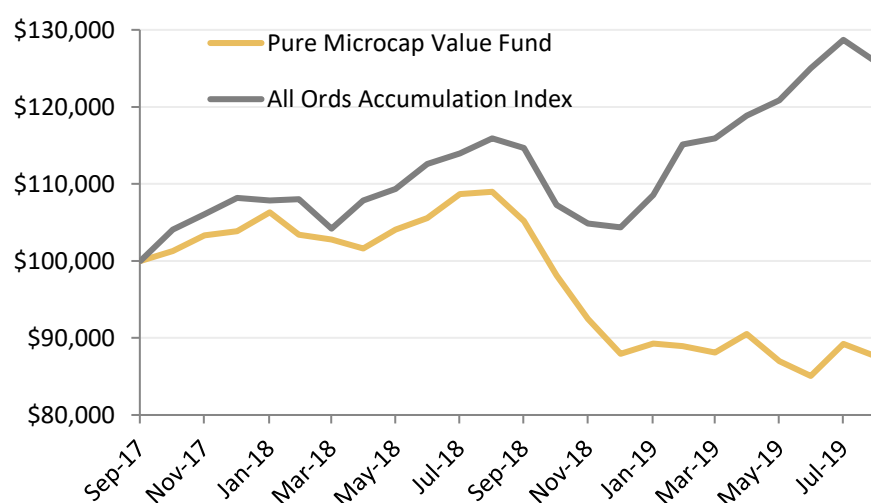
#### FUND OUTLINE

Fund Manager:

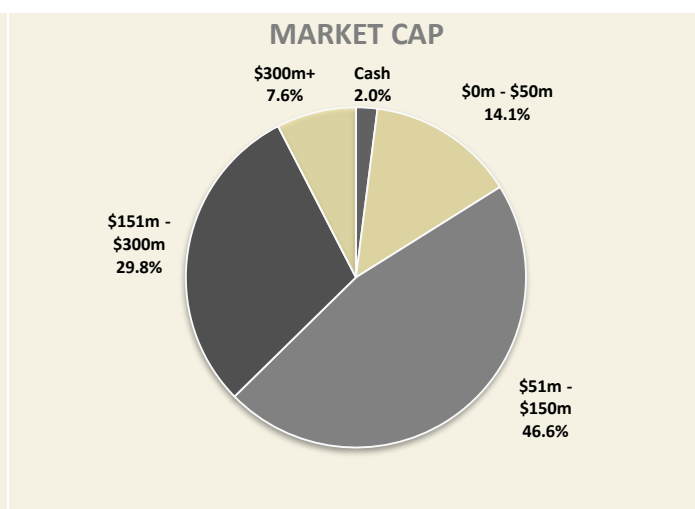
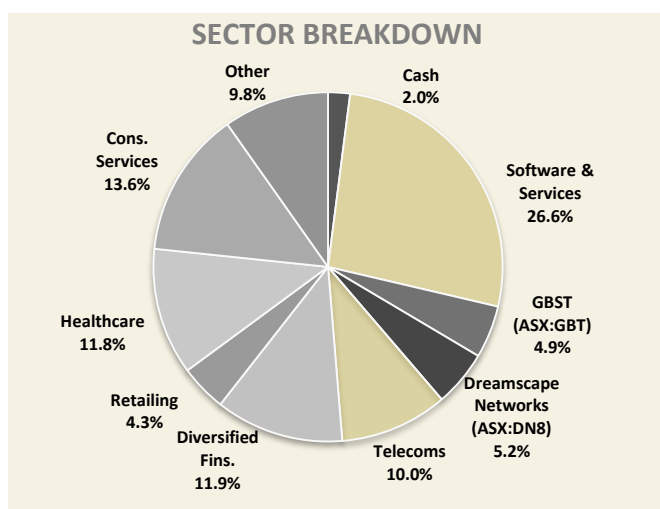
Carlos Gil (CIO)

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 > **\$87,618**



	Compound p.a. since inception	Total since inception	1 Year	6 Month	1 Month
PMVF	-6.66%	-12.38%	-19.60%	-1.50%	-1.79%



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## 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 Pure Microcap Value Fund returned -1.79% in August; this brings the total return net of fees to -12.38% for the Fund since inception in October 2017.**

During August, 29 out of 33 companies in the Fund reported full year 2019 financial results. On a weighted basis, the average earnings per share growth was 19.5%. The portfolio is setup to deliver substantial EPS growth over the coming years and we have selectively added to some of our holdings.

During the month the most standout results in the portfolio were reported by **Integral Diagnostics (ASX:IDX)** and **both of our retailing businesses**. Integral Diagnostics operates a network of diagnostic imaging businesses. The business reported 23% revenue growth and 30% EPS growth. The company also announced a capital raising and acquisition of Imaging Queensland which we believe is another quality acquisition at a reasonable price. One of our retailing business delivered 4% EPS growth and the other delivered 20%+ EBITDA growth. Both companies are expected to grow earnings in FY20 and trade on single digit multiples and high sustainable dividend yields. We had one disappointing result to note. This business delivered EPS growth of circa 18% which whilst strong, was behind our expectations. The shares fell over 12% during the month and contributed to the negative monthly return of the Fund. This business remains a core holding of the Fund as we think it can continue to deliver double digit EPS growth.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+26.7%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+22.1%</b>

<b>Number of companies</b>	<b>33</b>
<b>Top 5 Holdings</b> % of NAV	<b>32.4%</b>
<b>Top 10 Holdings</b> % of NAV	<b>52.8%</b>
<b>Top 20 Holdings</b> % of NAV	<b>80.9%</b>
<b>Cash Position</b> % of NAV	<b>2.0%</b>

**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.