

# PURE MICROCAP

## VALUE FUND



### MONTHLY PERFORMANCE AS AT 30/09/2019

latest unit price <b>\$0.9068</b>	return since inception (Oct 2017) <b>-8.90%</b>	return 1 month <b>3.98%</b>
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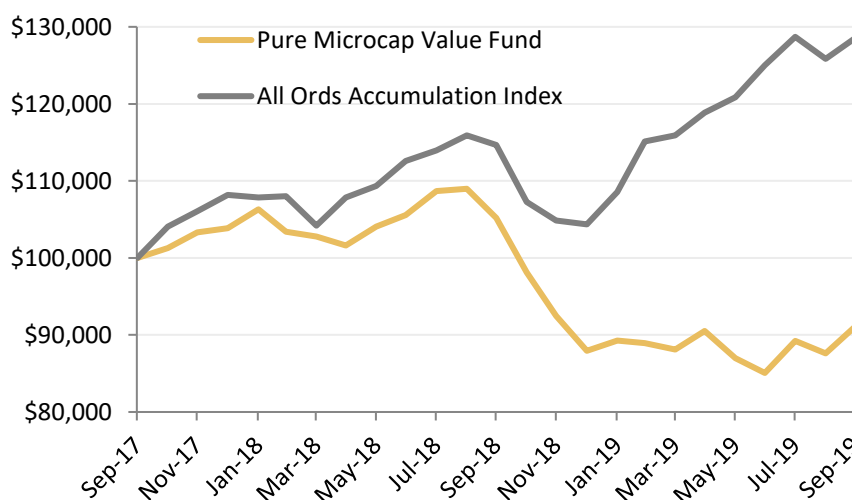
#### FUND OUTLINE

Fund Manager:

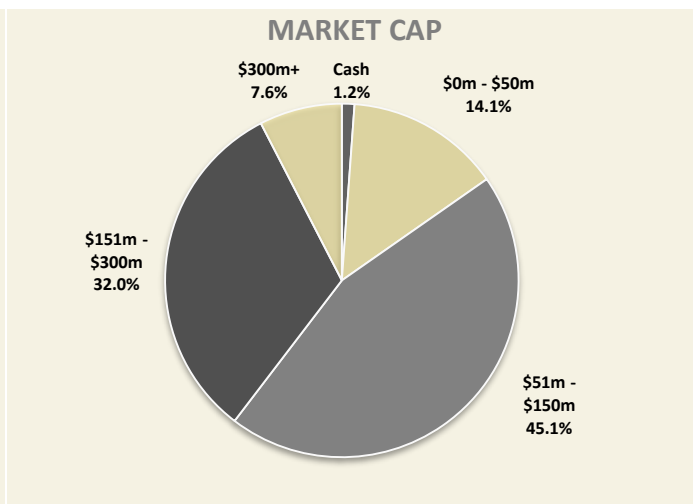
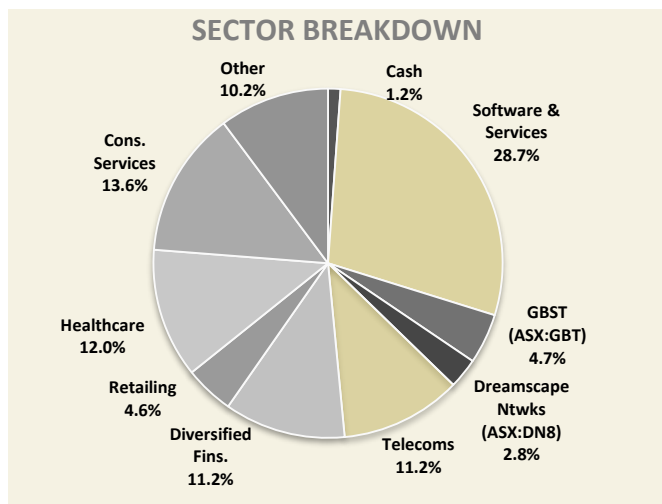
Carlos Gil (CIO)

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 > **\$91,104**



	Compound p.a. since inception	Total since inception	2 Year	1 Year	6 Month	1 Month
<b>PMVF</b>	<b>-4.55%</b>	<b>-8.90%</b>	<b>-4.55%</b>	<b>-13.40%</b>	<b>3.40%</b>	<b>3.98%</b>



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## MARKET UPDATE AND COMMENTARY

Chinese manufacturing activity rebounded in the month of September thanks to improved domestic demand despite overseas orders dropping. China's PMI (Purchasing Managers Index) rose from 49.5 in August to 49.8 in September. Notwithstanding the improvement, a PMI figure below 50 still denotes a contraction in manufacturing activity. Earlier this year, the Chinese government introduced a range of fiscal stimulus initiatives as it seeks to offset a challenging export market as a result of the US-Sino trade war. The manufacturing sector was also a primary receiver of large tax reductions. In June, the government also introduced various consumer stimulus measures for a range of important economic product categories such as electric vehicles, 5G mobile devices and home appliances. The bigger picture is to shift the balance of economic growth to a more domestic consumption led economy. This transition is already taking place; in 2018, consumption growth contributed to 76.2% of China's GDP growth. In the context of a more uncertain external export market, this is a timely transition.

**Microequities Pure Microcap Value Fund returned 3.98% in September; this brings the total return net of fees to -8.90% for the Fund since inception in October 2017.**

During the month we added two new businesses in the enterprise software and consumer services sectors. We have watched both businesses for many years since their IPOs and bought into these businesses at near record low share prices. The enterprise software business is undergoing a period of investment in product and sales and marketing resources, resulting in likely depressed earnings for the next 18 months. Despite this we are buying the business at a low recurring revenue multiple, solid balance sheet with no debt, dominant market share in its respective markets and almost 100% recurring revenue model.

The consumer services business we bought has undergone management changes after numerous downgrades and poor integration of acquisitions. We think the ship has now been steadied. The core division of this business is the dominant player in Australia and New Zealand with 70% market share in its specific industry. There is opportunity for non-core asset divestments which will further improve the balance sheet or provide capital management options.

During the month of October and November, subject to shareholder approval, we expect to receive proceeds from the takeover of **Dreamscape Networks (ASX:DN8)** and **GBST (ASX:GBT)**.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+26.4%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+22.0%</b>

<b>Number of companies</b>	<b>35</b>
<b>Top 5 Holdings</b> % of NAV	<b>33.0%</b>
<b>Top 10 Holdings</b> % of NAV	<b>51.6%</b>
<b>Top 20 Holdings</b> % of NAV	<b>79.2%</b>
<b>Cash Position</b> % of NAV	<b>1.2%</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.