

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 30/09/2019

latest unit price (exit price) \$1.1966	return since inception (Feb 2019) 23.27%	return 1 month 5.83%
---	--	--------------------------------



FUND OUTLINE

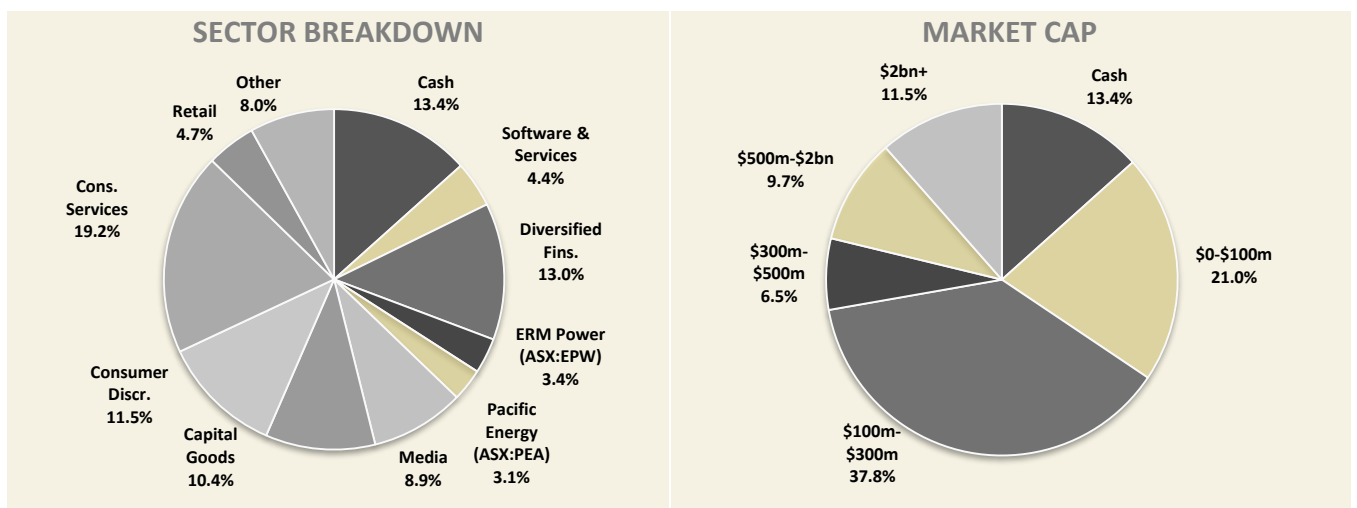
Fund Manager: Carlos Gil
(CIO)

The Microequities Value Income Fund (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$123,269**



	Total since inception	1 Year	6 Month	1 Month
VIF	23.27%	-%	21.85%	5.83%



MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



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 Value Income Fund returned 5.83% in September; this brings the total return net of fees to 23.27% for the Fund since inception in February 2019.

During the month, there were no changes to the portfolio. We made some purchases in a retailing business which is positively exposed to the improving east coast housing market. We added to a media business which is trading at all time low share prices and a single digit PE ratio on depressed FY19 earnings. The business is highly leveraged to any turnaround in the media advertising market. We have sold some of our holding in a consumer products business which sells its products globally. The business has strong growth potential in its emerging US business but requires another round of investment in sales and marketing. Combined with perennial issues in its domestic businesses, exposure to volatile FX and commodity input costs, we feel there is limited earnings growth visibility in the medium term. We believe we can find other investments with stronger dividend and capital growth upside.

Our investment in **Pacific Energy (ASX:PEA)** received a competing takeover offer from private equity OPTrust/ICG. The total offer of \$1.085 cash was 11% higher than the \$0.975 cash offered by QIC. QIC responded by matching the offer. The share price currently trades above the latest offer indicating an expectation that we may not have heard the last from OPTrust/ICG.

Number of companies	28
Top 5 Holdings % of NAV	31.0%
Top 10 Holdings % of NAV	49.1%
Top 20 Holdings % of NAV	77.3%
Cash Position % of NAV	13.4%

Disclaimer: This communication has been issued by Microequities Asset Management Pty Ltd ABN 96 134 984 768 AFS Licence No 287 526, as investment manager of the Microequities Value Income Fund ARSN 629 674 175. The Trust Company (RE Services) Limited (ACN 003 278 831) (AFSL 235150) is the responsible entity.

This communication contains general information only and does not take into account investment objectives, financial situation or needs of any particular individual or entity. It does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to subscribe or purchase a unit in the Fund or any other financial product. Before acting on any information contained in this communication, you should consider whether it's appropriate to you, in light of your objectives, financial situation or needs.

While every effort has been made to ensure the information in this communication is accurate; its accuracy, reliability or completeness is not guaranteed and none of The Trust Company (RE Services) Limited (ACN 003 278 831), Microequities Asset Management Pty Ltd or any of their related entities or their respective directors or officers are liable to you in respect of this communication. A Product Disclosure Statement (PDS) issued in January 2019 is available for the Fund on the following website: <http://microequities.com.au/valueincomefund>

You should obtain the PDS for the Fund and consider the risks and disclosures for your circumstances before deciding whether to acquire, or continue to hold, an interest in the Fund. Initial Applications for units in the Fund can only be made pursuant to the application form attached to the PDS. Past performance is not a reliable indicator of future performance.