



**Chairman's address  
to the 2019 Annual General Meeting  
Thursday 14<sup>th</sup> of November 2019**

I'd like to welcome all shareholders to our second AGM as a publicly listed company.

FY19 will go down as both a frustrating year but one that also demonstrated the resilience of the business. Whilst most KPIs for our company provided negative year on year comparisons, the business maintained solid levels of cash flow generation, profitability and dividends.

Some of the financial highlights of the FY19 year were:

- \$3.4m Operating Profit from Recurring Revenue;
- Underlying NPAT of \$3.1m;
- Maintained a strong balance sheet with NTA as of June 30 of \$8.6m;
- The company paid two 1 cent fully franked dividends consistent with the dividend policy of the Group, which is to pay between 70% and 100% of the operating profit from investment management.

During the FY19 year we launched the Value Income Fund. This fund follows the same investment strategy as the 7-year-old High Income Value Microcap Fund. Importantly this is the first retail, PDS issued fund for the company and broadens the availability of our products beyond the wholesale and sophisticated investor market. The board and management team have high expectations for this Fund, and we will look to build upon the early success of the Fund during FY20. Pleasingly the Value Income Fund received a favorable investment rating from a leading ratings agency and its availability on wrap platforms continues to expand.

The Microequities team remains extremely focused on its two core functions; investment management and providing its clients with superb levels of service that are well beyond those of premiere investment banks. Our commitment to those two missions remains laser like. It is our genuine belief that the future growth of the business will be driven by how well we deliver on those two missions.

I would like to take this opportunity to thank all our clients for the trust they have placed in us and also thank our staff who work diligently in delivering the service our clients expect.

Thank you to all our shareholders for your continued support and we look forward to our business partnership and delivering you with positive investment outcomes and shareholder returns.

**Leslie Szekely**  
**Non-Executive Chairman**

**CEO's address  
to the 2019 Annual General Meeting  
Thursday 14<sup>th</sup> of November 2019**

I'd like to welcome all shareholders to our AGM. As our chairman noted, FY19 has in many ways been a challenging period for the company. As value investors we are used to observing large market pricing anomalies. However, during the year we experienced particularly severe bifurcated market pricing conditions in our asset class with some companies being hugely overvalued and others at near GFC like undervaluations. It is fair to say we own many of these highly undervalued businesses. This led to weak FY19 marked to market performance of our investment Funds. Concurrently, the fundamental performance of our portfolios were strong, widening the gap between marked to market pricing and intrinsic valuations. This valuation gap bodes well for our future investment performance and our Funds have begun FY20 strongly.

**Six takeovers over the last 6 months**

The significant pricing dislocation of many of our investee companies has seen heightened M&A activity within our investment Funds. Six of our Funds' investee companies became subject to takeover bids. Whilst M&A activity within our Funds is not unusual, the volume of this activity is unprecedented and provides our investors with demonstrable evidence that the gaps between the marked to market pricing of many of our investee companies and their intrinsic valuations are both real and evident to other buyers besides us.

**FY20 Strategy**

The communication challenge stemming from this market bifurcation is not to be underestimated. Investors who solely rely on short term marked to market pricing can draw erroneous conclusions with regard to investment performance. Ironically, many of the best investment opportunities come after an expansion between marked to market pricing and intrinsic valuations. The valuation gap within our portfolios is significant. Our task at hand is to effectively communicate what is a real and addressable opportunity within our products.

We believe our combined income and capital growth funds possess particularly attractive qualities in the context of structural low central bank interest rates. Many investors that have until recent years been dependant on interest income will need to shift up the risk curve. Our value income funds make a particularly attractive alternative with broad sectorial and company diversification as well as strong long-term track records of investment performance. We will be increasing our marketing activities around these funds to highlight their pertinent qualities to prospective investors.

**Financial FY20 update strong start**

I would like to update our shareholders on some of the KPIs for the first four months of FY20. Funds under management (FUM) has increased from \$340.1m at the close of FY19 to \$356.8m (as of 31 October 2019). Our open-ended funds have had a strong start to the financial year with strong absolute returns. Should this cadence of returns endure we would expect to see a continuation of the improved outflow/inflow patterns.

I'm also pleased to announce that our PDS based retail *Value Income Fund* has this month been approved for access onto the Macquarie Wrap platform thereby markedly increasing the

distribution reach of this highly relevant investment solution. A targeted sales effort will shortly follow as we continue to scale up the fund.

In closing, I would like to thank all our clients and our shareholders for their loyal and continuing support. Our portfolios have strong fundamentals with many of our investee companies presently significantly undervalued, our highly experienced investment management team is laser focused on maximising the large array of opportunities before us. Our balance sheet is strong, we are heavily co-invested with our clients and highly aligned. We feel confident about our future.

**Carlos Gil**  
**Chief Executive Officer**

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### **Microequities Asset Management Group Limited**

About Microequities (ASX:MAM): Microequities is a boutique value driven Fund manager specialised in exchange listed industrial microcaps and small caps. Established in 2005 as an investment research house, the company expanded into funds management in early 2009 by launching its flagship fund - the Deep Value Fund. Today Microequities manages five open ended investment funds and has over \$350m of funds under management. For further information visit [www.microequities.com.au](http://www.microequities.com.au)

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