

# PURE MICROCAP

## VALUE FUND



### MONTHLY PERFORMANCE AS AT 30/11/2019

|                                      |   |                                |
|--------------------------------------|---|--------------------------------|
| latest unit price<br><b>\$0.9972</b> | return since inception (Oct 2017)<br><b>0.19%</b> | return 1 month<br><b>7.63%</b> |
|--------------------------------------|---|--------------------------------|



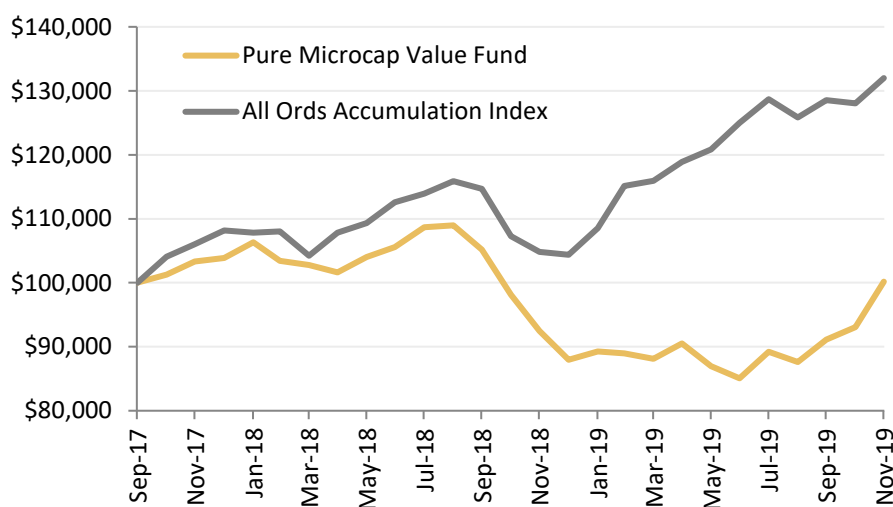
#### FUND OUTLINE

Fund Manager:

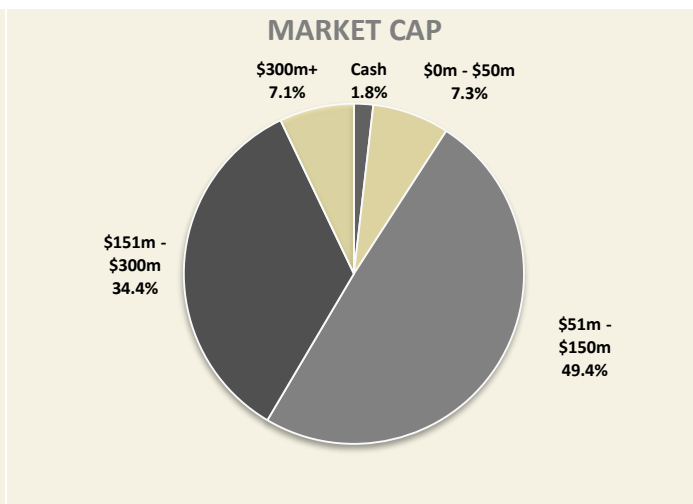
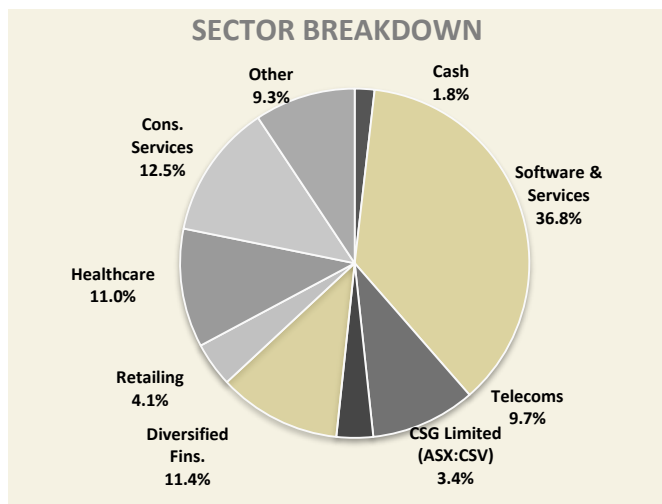
Carlos Gil (CIO)

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 > **\$100,186**



|             | Compound p.a. since inception | Total since inception | 2 Year        | 1 Year       | 6 Month       | 1 Month      |
|-------------|-------------------------------|-----------------------|---------------|--------------|---------------|--------------|
| <b>PMVF</b> | <b>0.09%</b>                  | <b>0.19%</b>          | <b>-1.53%</b> | <b>8.34%</b> | <b>15.19%</b> | <b>7.63%</b> |



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## MARKET UPDATE AND COMMENTARY

December looks set to be an important month with two world events relevant to markets and with significant economic implications edging closer to a conclusion. In the UK, Britons will go to the polls as the Tories look to break through the Brexit stalemate. A Labour victory in the UK could lead to the most radical anti-free market reforms seen since the Second World War. Elsewhere, the Sino-US trade negotiations might edge closer to a first phase deal after the Chinese agreed to important US demands on intellectual property protection. Whilst a first phase would be welcomed by markets and likely improve economic sentiment within the major world economies, key issues such as Chinese industrial subsidies and others forms of protectionism will not be addressed. Thus, a first phase deal will not defuse the trade war, merely lessen tensions and lower points of conflict.

Domestically, Australian equities markets look set to continue to enjoy very low central bank rates, with the RBA rhetoric implying more headroom to cut rates further before it considers quantitative easing policy measures.

**Microequities Pure Microcap Value Fund returned 7.63% in November; this brings the total return net of fees to 0.19% for the Fund since inception in October 2017.**

During the month, the investment management team attended several annual general meetings (AGMs) of our investee companies. One notable AGM was a retailer that reiterated earnings guidance for FY20 and made a low risk acquisition. We expect significant dividend per share growth from this company in FY20 and beyond as earnings benefit from cost reduction strategies and online sales growth. Our investment in a financial services business also reiterated earnings growth and dividend guidance despite having undergone one of the toughest operating environments since inception of the business. This business also announced a share buyback reflecting current undervaluation of its shares.

This month **Smartpay Holdings Ltd (ASX:SMP)** announced a conditional agreement to **sell its NZ business to Verifone for NZ\$70m**. The deal will see Smartpay retain its fast-growing Australian EFTPOS business. **To put the deal into context, one month ago, the entire enterprise value of Smartpay was approximately A\$60m**. The deal provides yet another data point of how poorly the marked to market pricing has captured the true underlying value of constituent companies in the Fund. The investment management team continues to see significant pricing anomalies within other businesses in the Fund and consider further M&A activity is likely over the next 12 months.

|  |               |
|--|---------------|
| <b>Projected EPS Growth</b>              |               |
| 1 Year Forward<br>(on a weighted basis)  | <b>+26.3%</b> |
| <b>Projected EPS Growth</b>              |               |
| 2 Years Forward<br>(on a weighted basis) | <b>+22.7%</b> |

|                                    |              |
|------------------------------------|--------------|
| <b>Number of companies</b>         | <b>33</b>    |
| <b>Top 5 Holdings</b><br>% of NAV  | <b>35.3%</b> |
| <b>Top 10 Holdings</b><br>% of NAV | <b>55.9%</b> |
| <b>Top 20 Holdings</b><br>% of NAV | <b>83.1%</b> |
| <b>Cash Position</b><br>% of NAV   | <b>1.8%</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.

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