

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/12/2019

latest unit price \$1.0342	return since inception (Oct 2017) 3.90%	return 1 month 3.71%
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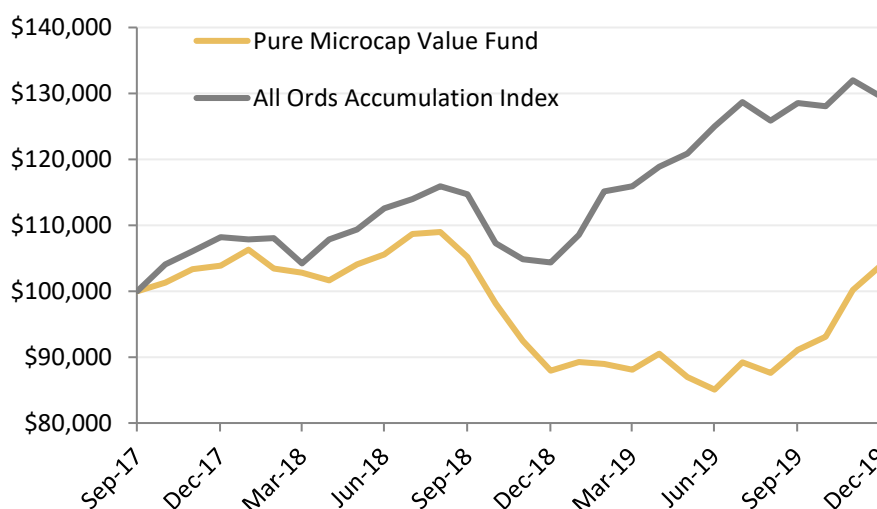
FUND OUTLINE

Fund Manager:

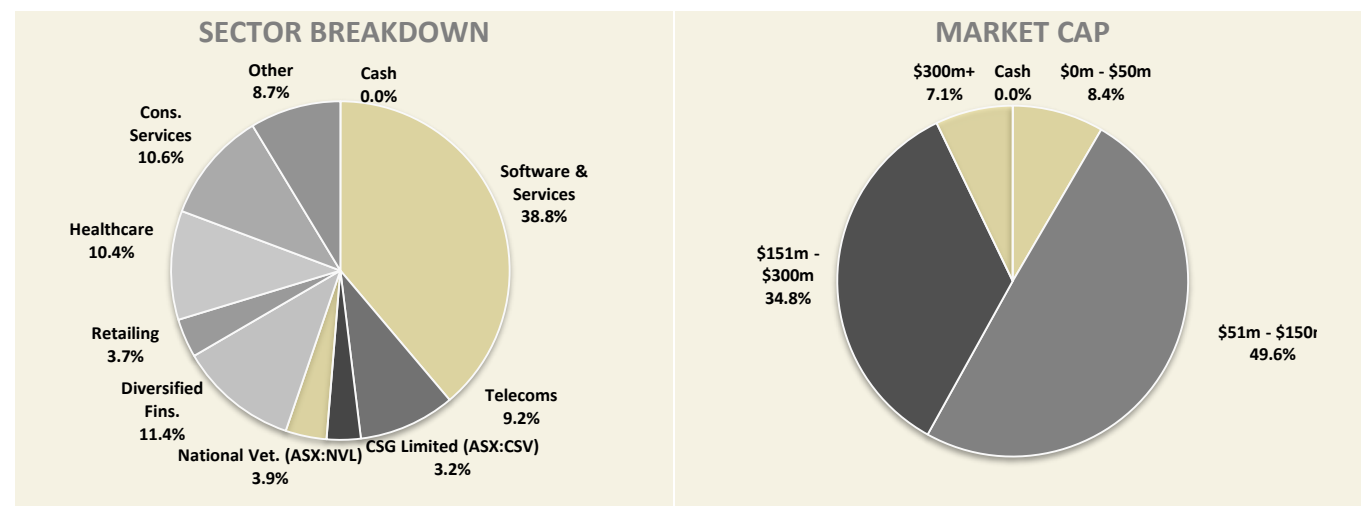
Carlos Gil (CIO)

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 > **\$103,904**



	Compound p.a. since inception	Total since inception	2 Year	1 Year	6 Month	1 Month
PMVF	1.72%	3.90%	0.02%	18.13%	22.14%	3.71%



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MARKET UPDATE AND COMMENTARY

December provided financial markets with two important positives; an in-principle phase one Sino-US trade agreement and a UK election result that provides a clear Brexit mandate. The in-principle phase one trade deal winds back some of the US imposed tariffs on Chinese goods to 7.5% whilst also suspending new planned tariffs on a range of goods. It also includes some intellectual property protection measures sought by the US and solidifies the enforcement regime with a framework similar to what the US has with other trading partners. The agreement is more substantive than previously thought but leaves out contentious issues such as state subsidies, digital trade, manufacturing sector imbalances and data localisation restrictions. The second event, the British election was a de facto second referendum on Brexit and removed a significant nascent economic risk to the world economy; the possibility of radical anti-free market policies being enacted upon the British economy. Had the Labor Party won government a series of radical anti-free market economic policies would have been enacted including moving to a 32-hour week, the nationalisation of UK utilities, giving 10% of shares of companies to workers and massively growing the size of government. The British electorate voted in favour of common sense and rejected the Labor Party's manifesto.

Microequities Pure Microcap Value Fund returned 3.71% in December; this brings the total return net of fees to 3.90% for the Fund since inception in October 2017.

Last month we discussed that further merger and acquisition activity was likely to occur in some of our holdings. This month private equity backed Vet Partners made a takeover offer for **National Veterinary Care (ASX:NVL)**. The cash offer of \$3.70 was a 56% premium to the pre-offer price. The price offered is strong, at a forecast FY21 PE of 20x and EV/EBITDA of 13x, well above similar transactions in the industry. National Veterinary is well managed by a strong management team who have built a network of 100+ clinics in only 4 years. There continues to be mid-single digit organic growth, margin improvement and clinic acquisitions. Had it not been for this offer, we would have been happy to continue to own this business. NVL accounted for 3.9% of the Fund assets at month end.

During the month, our investment in a tourism business announced the divestment of some non-core divisions. This refocuses the business on its stronger core business. We continued to add to our investment in a niche software business which has undergone management change and there has been a focus to reduce operating costs. We think this business is very cheap, trading at just 1.5x recurring revenue multiple.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+27.5%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+22.9%

Number of companies	33
Top 5 Holdings % of NAV	36.1%
Top 10 Holdings % of NAV	57.0%
Top 20 Holdings % of NAV	84.4%
Cash Position % of NAV	0.0%

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.