



13th February 2020

Key Financial Highlights

	31 December 2019	31 December 2018	% Change
Funds Under Management (\$m)	386.4	369.0	+5%
Client Numbers	745	818	-9%
Recurring Revenue ⁽¹⁾	\$3,040.7	3,418.9	-11%
Ongoing Operating Expenses	\$1,427.8	\$1,590.8	+10%
Operating Profit from Recurring Revenue	\$1,612.9	\$1,828.1	-12%
Performance Fee Income	\$750.5	\$591.1	+27%
Other Revenue	\$801.6	-\$91.0	+981%
Underlying NPAT⁽²⁾	\$1,730.2	\$1,526.7	+13%
Statutory NPAT	\$1,991.5	\$1,084.3	+84%

⁽¹⁾ Represents management fees

⁽²⁾ Underlying NPAT excludes the after tax cost related to the employee share-based payment expense

Review of 1H20 Result, underlying NPAT +13%

The unsustainability between the marked to market pricing of some of our investee companies and their intrinsic valuations that we outlined in the FY19 report was subsequently followed with unprecedented merger and acquisition activity (M&A) within our investment funds. This M&A activity helped deliver strong marked to market performance for our investment funds. Our FUM has risen from \$340.1m as at the close of FY19 (June 30th 2019) to \$386.4m as at 31st of December 2019. Our underlying NPAT (excluding the after-tax employee share-based payment expense) increased by +13% year on year.

Outside of those investee companies that became subject to takeover activity many other companies within our portfolios remain significantly undervalued and present compelling investment opportunities for our clients. Those opportunities will lay the foundation for future investment performance. On the back of our strong marked to market investment performance FUM inflow/outflow patterns have continued to improve and we enter the 2H20 with notable business momentum.

Industry dynamics

Structurally, we believe the Australian Smallcap and Microcap asset class has become more pricing inefficient over the last 24 months. This is due to passive and quantitative funds increasing their ownership share of the asset class and many active managers either shutting down product lines or closing their business. We have also observed less sell side research production and coverage scope. These structural changes are a long term positive for our business given value investing is at the epicentre of our capital allocation process and will provide a deep well of investment opportunities for our funds and clients over the long term.

January 2020 trading and balance sheet

We are pleased to report that January trading was strong and delivered the strongest monthly profit for the financial year to date with an unaudited, unreviewed profit before tax of close to \$1m (based on management accounts). This figure includes income from performance fees which are volatile and unpredictable in nature. Our balance sheet remains extremely solid and net assets grew from \$8.6m FY19 to \$9.5m HY20. The investment management team has identified \$22m worth of investment opportunities inside our funds and we are actively seeking new fund inflows to capitalise on those opportunities. Given the attractiveness of these investment opportunities we will look to deploy balance sheet capital alongside our investors to capture these opportunities.

Dividends

The board of Microequities Asset Management Group Limited is pleased to declare a one cent per share fully franked dividend. The dividend payment is consistent with the dividend policy of the company, which is to pay between 70% to 100% of the cash operating profit from the investment management operations.

Outlook for the rest of FY20

With a strong start to the second half of FY20, increasing business momentum and a significant array of investment opportunities before us we believe the business is well positioned to add value to both our clients and shareholders.

Carlos Gil

Chief Executive Officer, Chief Investment Officer

Microequities Asset Management Group Limited

This announcement has been authorised for release by the Board

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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 investment funds and has over \$350m of funds under management. For further information visit www.microequities.com.au