

# MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



## MONTHLY PERFORMANCE AS AT 31/01/2020

latest unit price (exit price) <b>\$1.2075</b>	return since inception (Feb 2019) <b>26.28%</b>	return 1 month <b>-0.40%</b>
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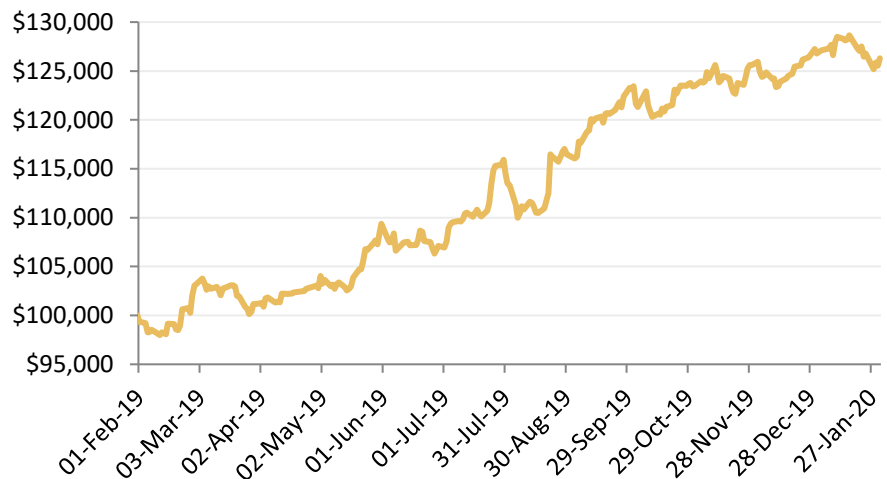


### FUND OUTLINE

Fund Manager: Carlos Gil  
(CIO)

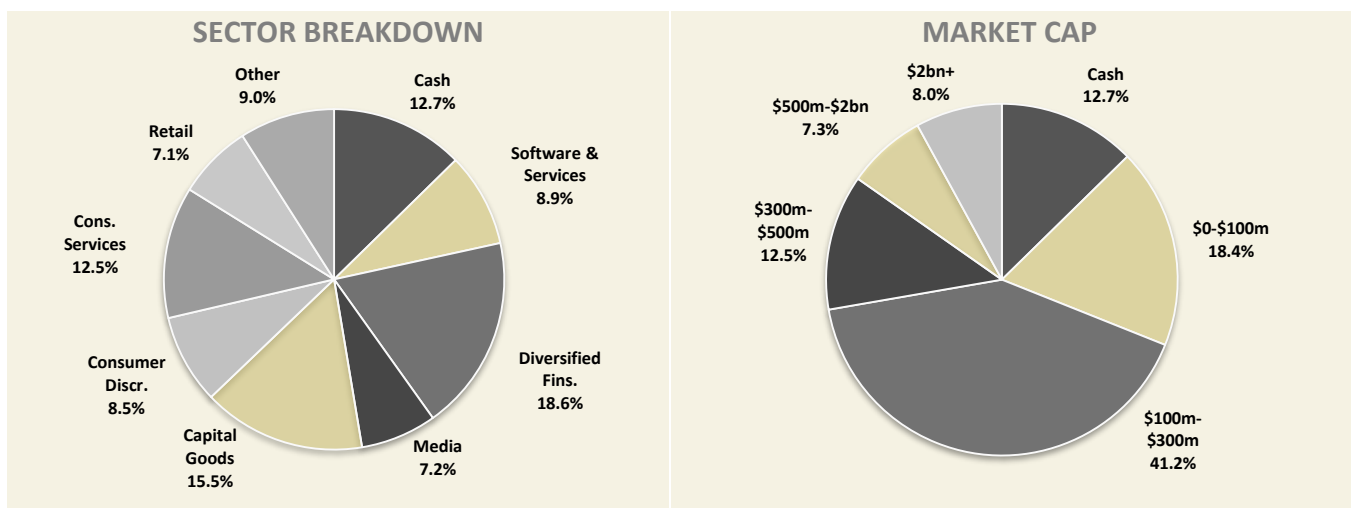
The Microequities Value Income Fund (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$126,283**



*Past performance is not a reliable indicator of future performance*

	Total since inception	1 Year	6 Month	1 Month
VIF	26.28%	26.28%	10.31%	-0.40%



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## MARKET UPDATE AND COMMENTARY

The US economy heads into 2020 at a solid pace of growth with the world's largest economy registering a GDP growth rate of +2.1%. That rate is slightly below the 2019 overall growth rate of +2.3% but a solid result in the context of a major trade dispute with the world's second largest economy, China. Robust yet unspectacular growth in personal and household income and sustained employment growth bode well for a continuation of trend like growth for the US economy into 2020.

Notwithstanding the positive outlook, we expect the second phase of US-Sino trade negotiations to come into the fore towards the end of 2020 as the US presidential elections comes to its conclusion.

The end of the month saw financial markets become increasingly focused on a new coronavirus which originated in China. Whilst we do not profess to be genome or pandemic experts, there are several factors in the virus' development that leads us to think that the overall economic impact will be mild, meaning that short term weaknesses in markets may present a window of investment opportunity.

**Microequities Value Income Fund returned -0.40% in January; this brings the total return net of fees to 26.28% for the Fund since inception in February 2019.**

During the month a number of our businesses provided earnings updates. Our investment in a national retailer provided subdued outlook for the rest of FY20 as it is exposed to a recovering housing market. Whilst disappointing, it was not unexpected and we note improvements to its end market supporting a likely rebound in earnings in FY21. Our investment in an IT services business also notes FY20 will show flat earnings. Given we have bought this business at a low valuation and high dividend yield, we remain invested and await earnings rebound over time. We added to a number of positions where the share price had fallen over the month on no news. We also added a new business in the commercial services sector. We believe this business can deliver 3-5% organic growth coupled with bolt on acquisitions. The business was purchased on a 12x sustainable PE ratio with 100% cash conversion and under geared balance sheet. A run of recent bad news means we were able to purchase at a 50% discount to the most recent share price high.

<b>Number of companies</b>	<b>32</b>
<b>Top 5 Holdings % of NAV</b>	<b>24.8%</b>
<b>Top 10 Holdings % of NAV</b>	<b>40.4%</b>
<b>Top 20 Holdings % of NAV</b>	<b>68.3%</b>
<b>Cash Position % of NAV</b>	<b>12.7%</b>

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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.