

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 29/02/2020

latest unit price <b>\$1.3791</b> Cum-distribution	return since inception (March 2012) <b>118.98%</b>	return 1 month <b>-9.41%</b>
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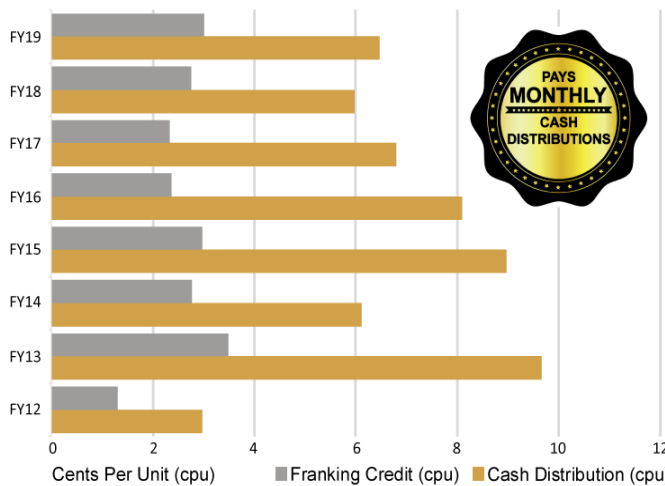


#### FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

The High Income Value Microcap Fund is a wholesale fund investing in high dividend paying, undervalued, ASX microcap companies.

**76.04c** Total Cash and Franking Credits RETURNED SINCE INCEPTION

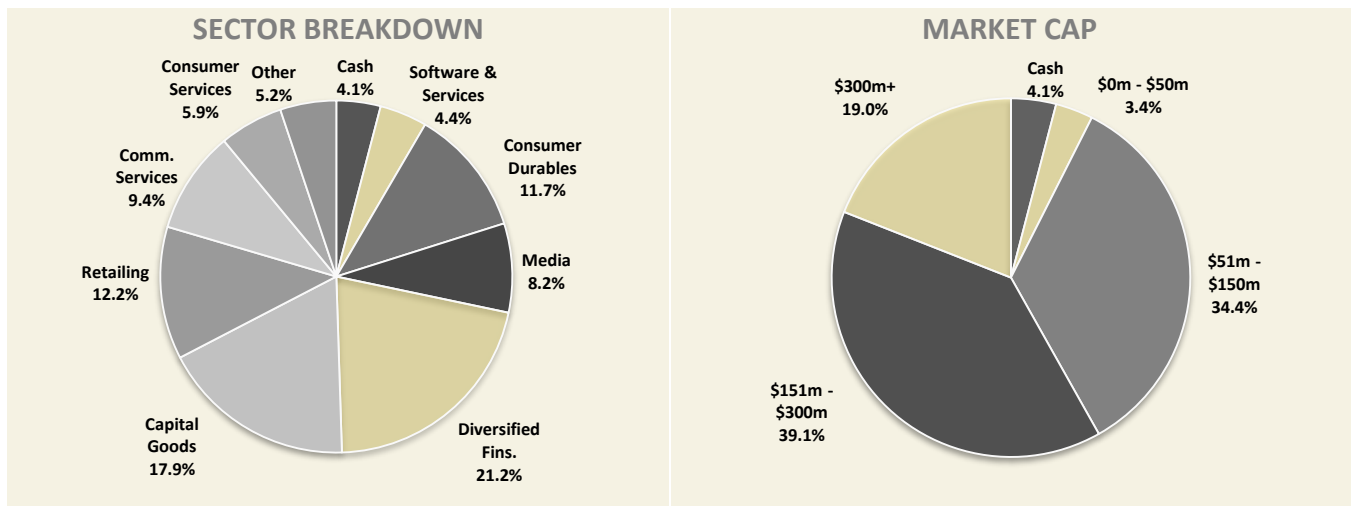


Current Forecast  
Grossed Up  
Dividend Yield

**+7.87%\*\***

\*\*Represents the annual dividend yield of the companies in the portfolio grossed up for franking credits. It is based on internal forecasts and actual results may vary. It is not a forecast distribution as distributions will depend on actual dividend income received, expenses of the fund and actual number of units on issue at the time a distribution is made.

	Total since inception	Compound p.a. since inception	7 Year	5 Year	3 Year	1 Year	1 Month
HIMF	118.98%	10.29%	7.92%	6.40%	3.98%	10.40%	-9.41%



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### MARKET UPDATE AND COMMENTARY

February in Australia marks the first half reporting season for most ASX companies. However, as the month progressed the focus of equity markets shifted to developments surrounding the spread of a novel coronavirus, Covid-19. Earnings reports of companies took a back seat as financial markets attempted to grasp the economic impact of Covid-19 and its potential disruptive effects to societies and economies. By the end of the month markets shifted significantly down as concerns increased about Covid-19's potential to disrupt economies. The situation continues to be fluid. The likelihood is Covid-19 will stay front of mind of markets for some time. We expect the number of cases outside of China to continue to rise over coming months. There is likely to be strong state responses to attempt to contain the spread. While these measures are contextually understandable, ultimately the virus does not pose a serious threat to civilisation, though the duration of its disruption is uncertain. As in all market shocks, market pricing reactions for some companies will be unruly and disproportionate. Successful equity investing requires a long-term focus of buying quality businesses with strong fundamentals that can compound earnings throughout the peaks and troughs of markets cycles. The troughs inevitably open windows of immense opportunity for the patient investors like ourselves.

**Microequities High Income Value Microcap Fund returned -9.41% in February; this brings the total return net of fees to 118.98% for the Fund since inception in March 2012.**

The High-Income Value Microcap Fund enjoyed a 1H20 reporting season that was as solid as we have seen in 8 years of managing the Fund. Only 2.84% of the weighted assets of the Fund's investee companies reported below the investment team's expectations. Put it another way, 97.16% of the weighted assets of the fund's investee companies either met or surpassed the investment team's expectations.

	<b>% Weighting of companies that reported during February 2020</b>
<b>Above Expectations</b>	27.12%
<b>Met Expectations</b>	70.04%
<b>Below Expectations</b>	2.84%

The investment team is cognisant of external factors facing our businesses and expect impacts on their near term earnings. We will look through this short term noise and continue to assess companies on their ability to grow earnings in the long term.

<b>Projected EPS Growth</b> 1 Year Forward (on a weighted basis)	<b>+7.84%</b>
<b>Projected EPS Growth</b> 2 Years Forward (on a weighted basis)	<b>+11.71%</b>

<b>Number of companies</b>	<b>32</b>
<b>Top 5 Holdings</b> % of NAV	<b>39.4%</b>
<b>Top 10 Holdings</b> % of NAV	<b>59.4%</b>
<b>Top 20 Holdings</b> % of NAV	<b>84.7%</b>
<b>Cash Position</b> % of NAV	<b>4.1%</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.