

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 29/02/2020

latest unit price \$0.9493	return since inception (Oct 2017) -4.63%	return 1 month -11.04%
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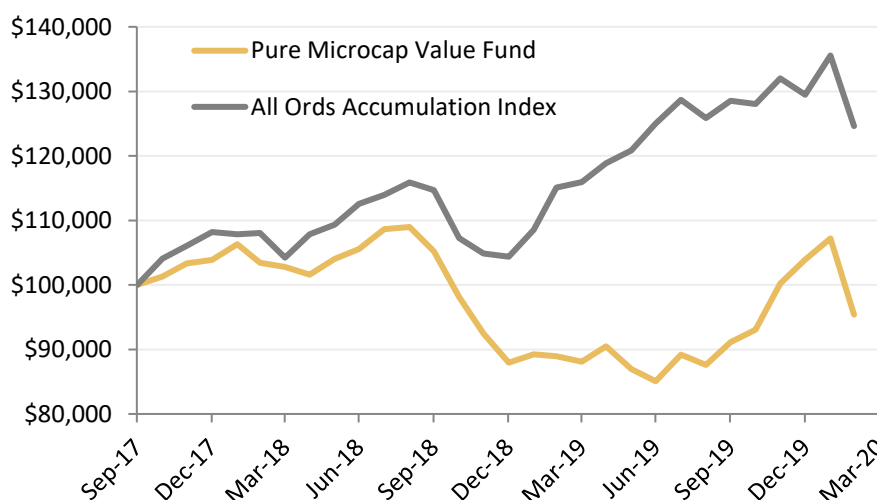
FUND OUTLINE

Fund Manager:

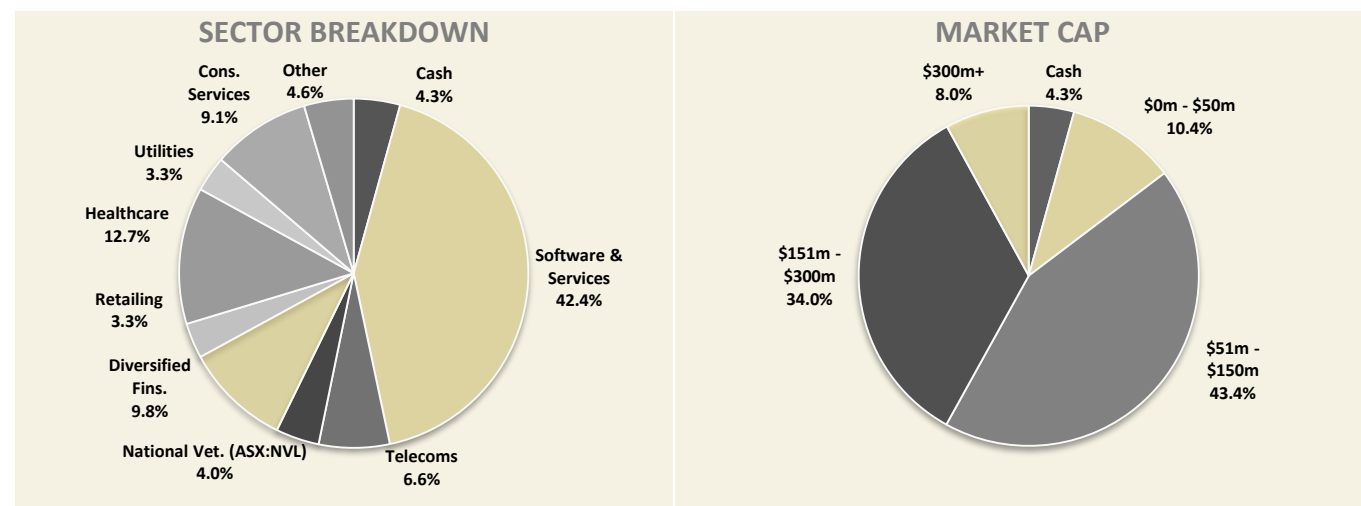
Carlos Gil (CIO)

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 > **\$95,374**



	Compound p.a. since inception	Total since inception	2 Year	1 Year	6 Month	1 Month
PMVF	-1.94%	-4.63%	-3.97%	7.22%	8.85%	-11.04%



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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 Pure Microcap Value Fund returned -11.04% in February; this brings the total return net of fees to -4.63% for the Fund since inception in October 2017.

During the month, 32 companies in the Fund reported their financial results. On a weighted basis, 72% of these companies met or exceeded our expectations, with 28% producing earnings below our expectations.

	% Weighting of companies that reported during February 2020
Above Expectations	21.8%
Met Expectations	50.4%
Below Expectations	27.8%

Companies that reported below expectations can be grouped into two main categories, those that faced external headwinds from recent bushfires, changes in regulatory environment and emerging supply chain impacts of the coronavirus on the near term earnings outlook. Other companies faced internal business factors such as costs of onboarding new customers, contracts slipping into the next half or companies going through a transition year of restructure where the reported earnings optically look bad against a prior year comparison. 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 assess companies on their ability to grow earnings in the long term.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+20.6%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+23.1%

Number of companies	33
Top 5 Holdings % of NAV	36.3%
Top 10 Holdings % of NAV	55.8%
Top 20 Holdings % of NAV	82.1%
Cash Position % of NAV	4.3%

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.