

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/03/2020

latest unit price \$0.6476	return since inception (Oct 2017) -34.94%	return 1 month -31.78%
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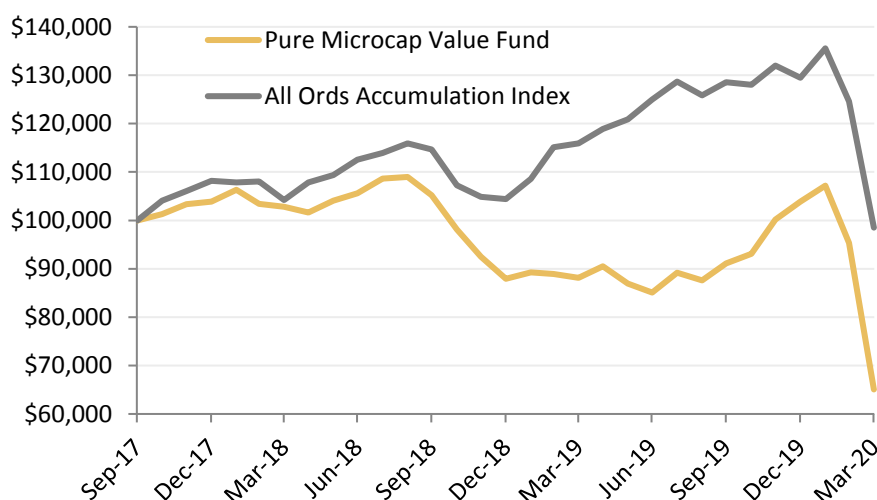
FUND OUTLINE

Fund Manager:

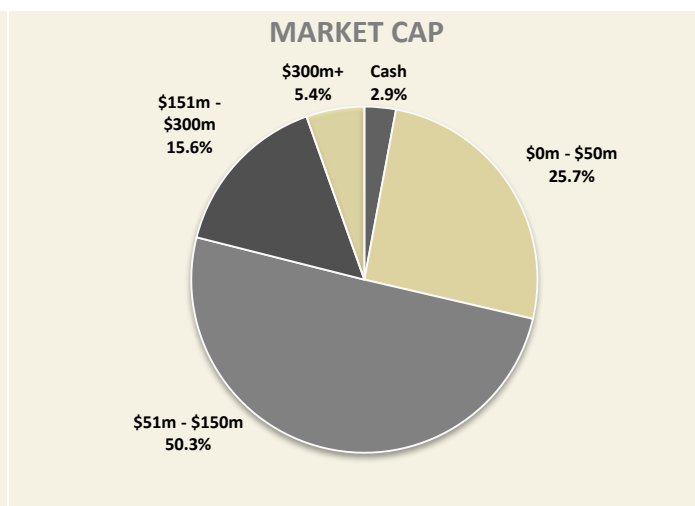
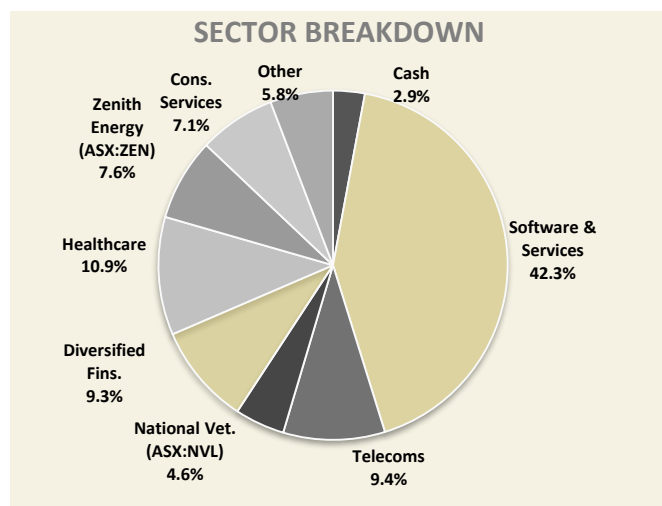
Carlos Gil (CIO)

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 > **\$65,063**



	Compound p.a. since inception	Total since inception	2 Year	1 Year	6 Month	1 Month
PMVF	-15.80%	-34.94%	-20.44%	-26.16%	-28.58%	-31.78%



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MARKET UPDATE AND COMMENTARY

March 2020 will go down as a month that saw one of the worst stock market crashes in history. The Covid-19 outbreak and the reactive social distancing measures, bans on international travel and other restrictions on economic activity saw financial markets scrambling to reassess earnings and economic implications. The consequent immediate effect on the world economy is an almost certain recession across most of the developed world, inclusive of Australia. The severity and duration of the ensuing recession will depend on two key factors; how long the draconian containment regime lasts across the developed world and the size and effectiveness of the massive fiscal stimuli being instigated by governments around the world. Investors might deem that an imminent recession has a consequent negative return relationship with equity markets, but that is not necessarily the case. In half of the recessions during the last 100 years, stock markets actually rose, with the 3 years after the end of a recession recording the strongest stock market returns. For Microequities the pricing dislocation during the March crash has opened many new investment opportunities previously not accessible to us due to valuation concerns. Our experience tells us these windows of opportunity do not stay open for long.

Microequities Pure Microcap Value Fund returned -31.78% in March; this brings the total return net of fees to -34.94% for the Fund since inception in October 2017.

During the month, the investment management team analysed the numerous trading updates from our investee companies and spent time speaking to them to understand the impact of Covid-19 and the economic slowdown on their respective businesses. The main focus of our conversations was not so much on the near-term earnings but rather on the ability of the businesses to weather the economic downturn and the enforced shutdowns of some of their operations as a result of Covid-19. Discussions centred around balance sheets, debt covenants, near term cash flows and near-term cost reductions. Earnings will be significantly disrupted in the next 6-12 months but investors should take comfort that we have assessed the ongoing survival abilities of our investee companies and note that approximately 38% of our companies by weighting have no net debt, 12% of the portfolio in takeovers situations (ASX:NVL and ASX:ZEN) and the remaining 50% with very low net debt levels and in sectors with economic resilience such as telecommunications, healthcare and mission critical software for government and defence. Our cash weighting will increase with the proceeds of National Veterinary (ASX:NVL) to be received in early April at which time we will add selectively to existing and new ideas already on our wish list that have fallen to much more reasonable valuations.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+3.7%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+13.7%

Number of companies	34
Top 5 Holdings % of NAV	37.8%
Top 10 Holdings % of NAV	61.7%
Top 20 Holdings % of NAV	84.9%
Cash Position % of NAV	2.9%

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.