

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 31/03/2020

| | | |
|---|---|----------------------------------|
| latest unit price (exit price) \$0.7705 | return since inception (Feb 2019) -19.42% | return 1 month -29.49% |
|---|---|----------------------------------|

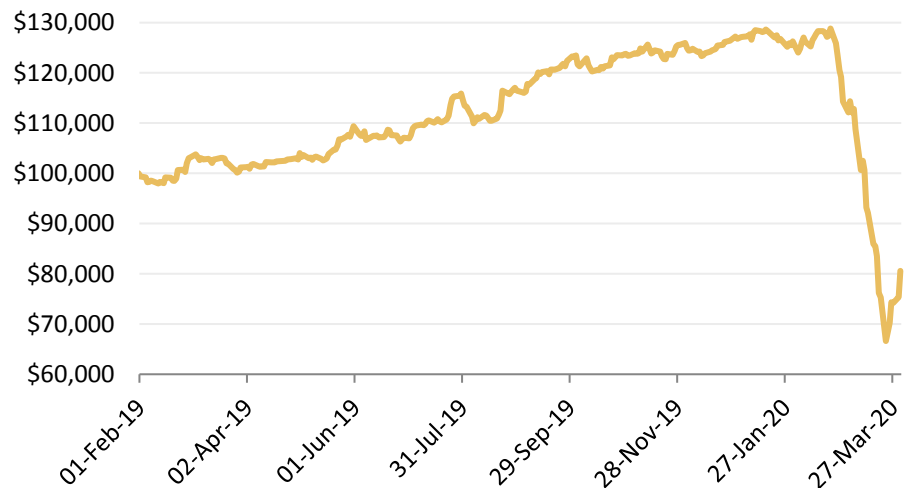


FUND OUTLINE

Fund Manager: Carlos Gil
(CIO)

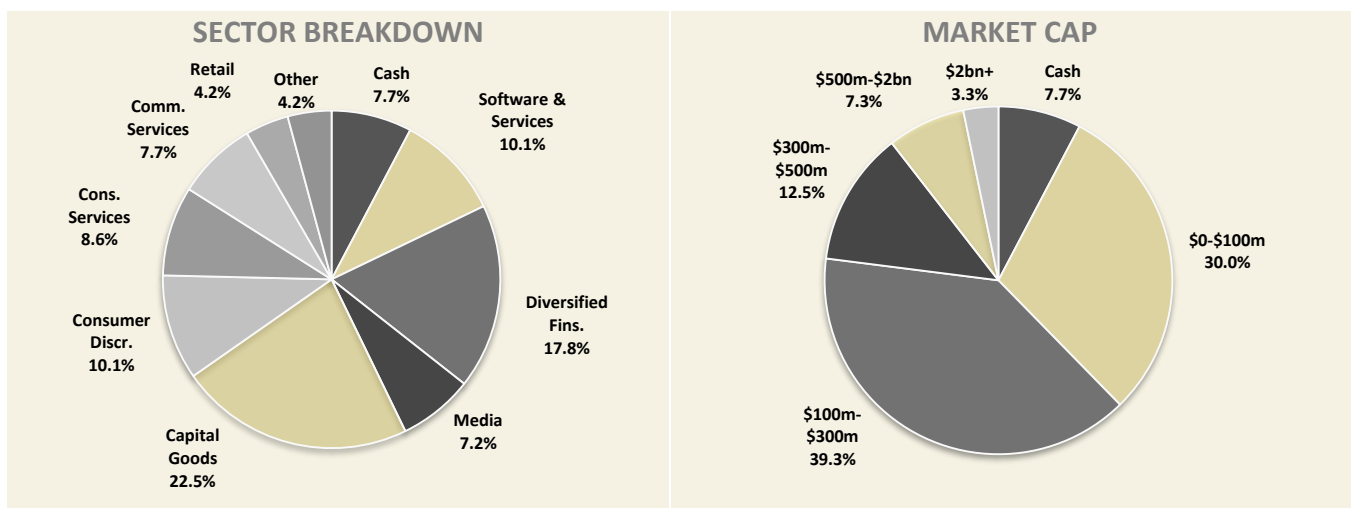
The Microequities Value Income Fund (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$80,581**



Past performance is not a reliable indicator of future performance

| | Total since inception | 1 Year | 6 Month | 1 Month |
|-----|-----------------------|--------|---------|---------|
| VIF | -19.42% | 20.34% | -34.63% | -29.49% |



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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 Value Income Fund returned -29.49% in March; this brings the total return net of fees to -19.42% for the Fund since inception in February 2019.

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 35% of our companies by weighting have no net debt, and the remaining 65% with very low net debt levels and in sectors with economic resilience such as consumer staples, niche financial service businesses that actually benefit from economic stress and mission critical software. The investment management team will look to add to positions that have sustainable dividend streams and resilient earnings.

| | |
|---------------------------------|--------------|
| Number of companies | 32 |
| Top 5 Holdings % of NAV | 33.9% |
| Top 10 Holdings % of NAV | 51.7% |
| Top 20 Holdings % of NAV | 77.3% |
| Cash Position % of NAV | 7.7% |

Disclaimer: This communication has been issued by Microequities Asset Management Pty Ltd ABN 96 134 984 768 AFS Licence No 287 526, as investment manager of the Microequities Value Income Fund ARSN 629 674 175. The Trust Company (RE Services) Limited (ACN 003 278 831) (AFSL 235150) is the responsible entity.

This communication contains general information only and does not take into account investment objectives, financial situation or needs of any particular individual or entity. It does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to subscribe or purchase a unit in the Fund or any other financial product. Before acting on any information contained in this communication, you should consider whether it's appropriate to you, in light of your objectives, financial situation or needs.

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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.