

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/05/2020

latest unit price \$0.8294	return since inception (Oct 2017) -16.67%	return 1 month 7.27%
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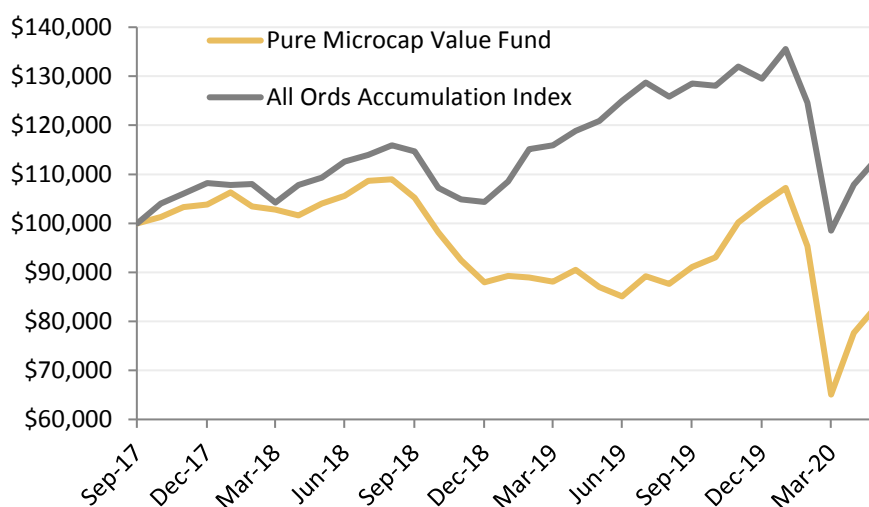
FUND OUTLINE

Fund Manager:

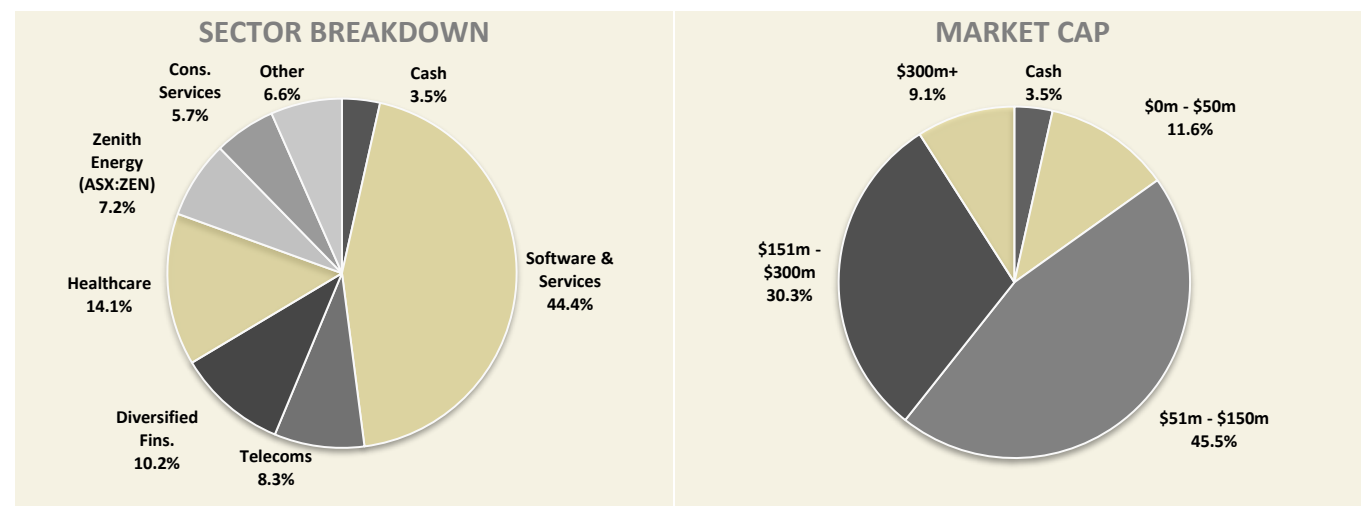
Carlos Gil (CIO)

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 > **\$83,328**



	Compound p.a. since inception	Total since inception	2 Year	1 Year	6 Month	1 Month
PMVF	-6.61%	-16.67%	-10.51%	-4.19%	-16.83%	7.27%



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MARKET UPDATE AND COMMENTARY

World equity markets continued their ascendancy during the month of May, buoyed by optimistic news flow regarding the phasing out of restrictions around some European countries and the semblance of some normality returning. Domestically, the effectiveness of the draconian control measures instigated by Federal and State governments have paid dividends. Australia is now facing a “best case scenario” with the number of active Covid-19 cases and contagion levels falling dramatically. In response to this positive evolution, state governments around the country have begun to implement loosening of restrictions, which will aid the economic recovery. Just how rapid and enduring the economic recovery will be, is still subject to a high level of uncertainty. We are however in a better place than eight weeks ago. Some sectors like tourism and education will still face enormous challenges until cross border travel restrictions are lifted. Encouragingly, the Federal government is looking to undertake economic reform aimed at removing red tape, including industrial and tax reform. An opportunity for Australia to come out of Covid-19 with a more competitive framework for sustainable economic growth is within our grasp.

Microequities Pure Microcap Value Fund returned 7.27% in May; this brings the total return net of fees to -16.67% for the Fund since inception in October 2017.

During the month, the Fund added one new business in the diversified financial sector. This business over the years made a series of value destroying acquisitions that were loosely related to the core business. A change in management refocused the business on its core business that services large corporate and government customers. Most of the non-core divisions have now been divested with the balance sheet also slowly being deleveraged. This business trades at below 10x earnings just for the core business which has remained resilient during Covid-19 due to its quality customer base, high recurring revenue base and cost out program. We think the market will continue to re-rate the shares as management executes on the turnaround or it will be susceptible to M&A activity in the industry. There were some other notable announcements in the portfolio. Our investment in a specialist retailer announced a positive trading update. Whilst its bricks and mortar store sales performance was impacted severely by the lockdowns, online sales grew at over 300% and total sales growth accelerated during the lockdown. Shares rose over 50% and we took the opportunity to take some profits. We continued to add to a couple of holdings in the software and services and healthcare sectors. One of the businesses is largely unaffected by Covid-19 yet its share price remains 30% below February levels.

Projected EPS Growth 1 Year Forward (on a weighted basis)	-0.2%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+19.3%

Number of companies	34
Top 5 Holdings % of NAV	39.3%
Top 10 Holdings % of NAV	62.9%
Top 20 Holdings % of NAV	84.4%
Cash Position % of NAV	3.5%

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.