

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/08/2020

latest unit price \$1.0294	return since inception (Oct 2017) 3.78%	return 1 month 12.18%
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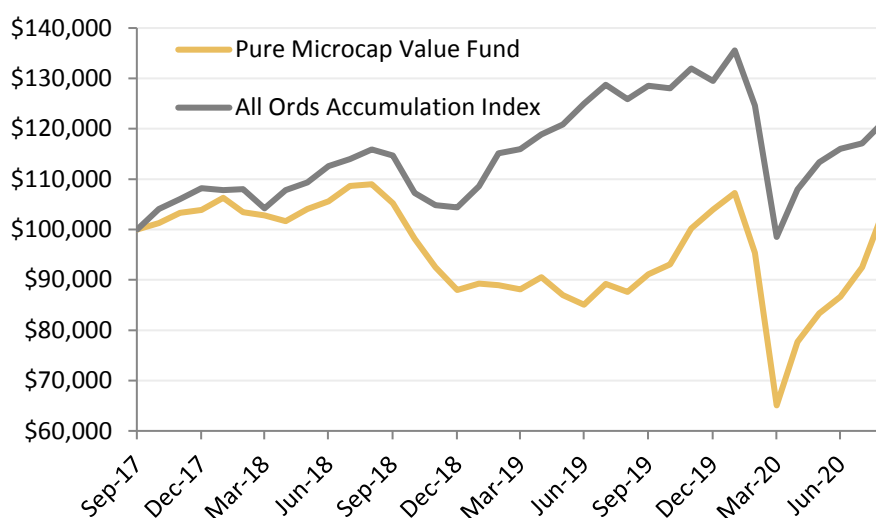
FUND OUTLINE

Fund Manager:

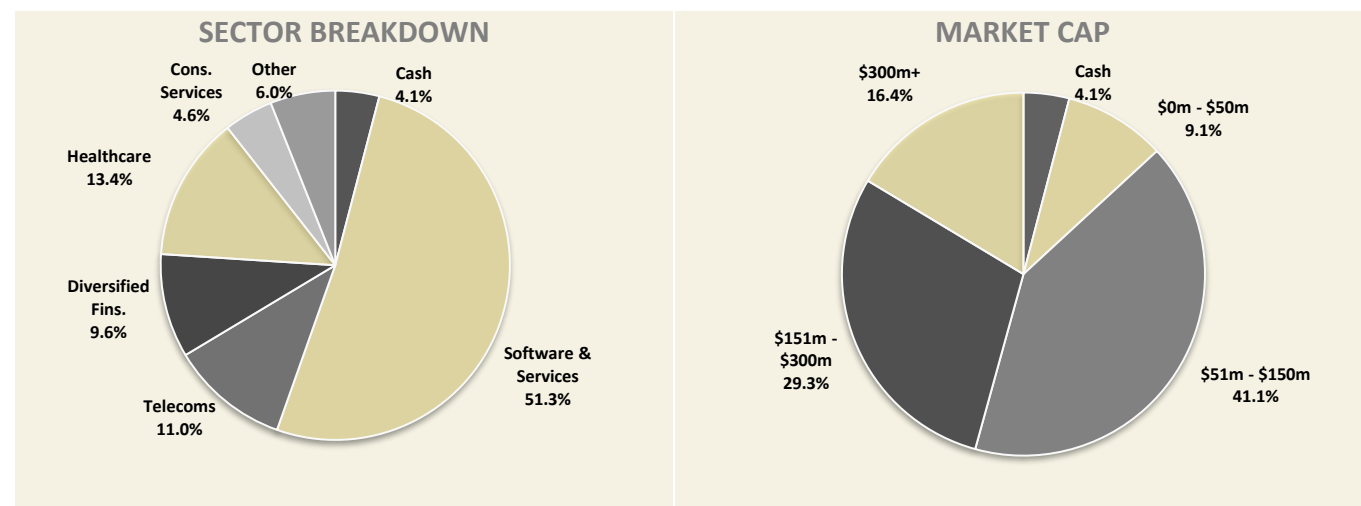
Carlos Gil (CIO)

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 > **\$103,783**



	Compound p.a. since inception	Total since inception	2 Year	1 Year	6 Month	1 Month
PMVF	1.28%	3.78%	-2.41%	18.45%	8.82%	12.18%



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MARKET UPDATE AND COMMENTARY

The Chinese economy is recovering quickly from the effects of the Covid-19 pandemic. In data published last week, domestic air travel bookings are at 98% of the level of 2019, marking the first domestic aviation market anywhere in the world that is back to normal pre-Covid levels. The aviation data is coherent with the recovery seen across the overall Chinese economy which expanded by +3.2% in the second quarter of 2020. Interestingly some major luxury brands across fashion to car manufacturing have reported double digit revenue growth in China over the second quarter. The Chinese economy was of course the first economy to feel the brunt of the effects of the Covid-19 so its recovery will be an indicator of the potential speed of recovery in other economies that manage to contain Covid-19.

Microequities Pure Microcap Value Fund returned 12.18% in August; this brings the total return net of fees to 3.78% for the Fund since inception in October 2017.

In August, 31 out of 34 companies in the Fund (96% by weighting) reported their full year 2020 financial results. The weighted average earnings per share growth was 5.8%. The portfolio is set up to deliver substantial EPS growth over the coming years.

	FY20 EPS Growth Weighted Average
31 companies of the total 34 companies reported FY20 financial results in August	+5.8%

Some of the notable FY20 results in the Fund included:

1. Our investment in a mission critical enterprise software business recorded 19% revenue and 21% EBITDA growth. The company expects to grow revenue by mid teen percentage and low teen EBITDA growth in FY21. This remains one of our highest conviction positions.
2. Business telecommunications company reported relatively flat earnings but made a very accretive acquisition of an 13/1800 inbound telco business that will add 30% to EBITDA in FY21.
3. Super fund administration software business reported 15% revenue and 1% EBITDA growth. It also made its second acquisition this year which expands its addressable market by 25%. We think this company has reached an inflection point of earnings growth and will be rerated by the market as they deliver on their guidance.
4. We added two new businesses, one in telecommunications that has divested one of its underperforming divisions. We also added an IT services business that has now delivered a second year of record profits.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+19.8%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+20.2%

Number of companies	34
Top 5 Holdings % of NAV	41.6%
Top 10 Holdings % of NAV	63.4%
Top 20 Holdings % of NAV	83.7%
Cash Position % of NAV	4.1%

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.