

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 30/09/2020

latest unit price \$1.4109 Cum-distribution	return since inception (March 2012) 129.46%	return 1 month -1.20%
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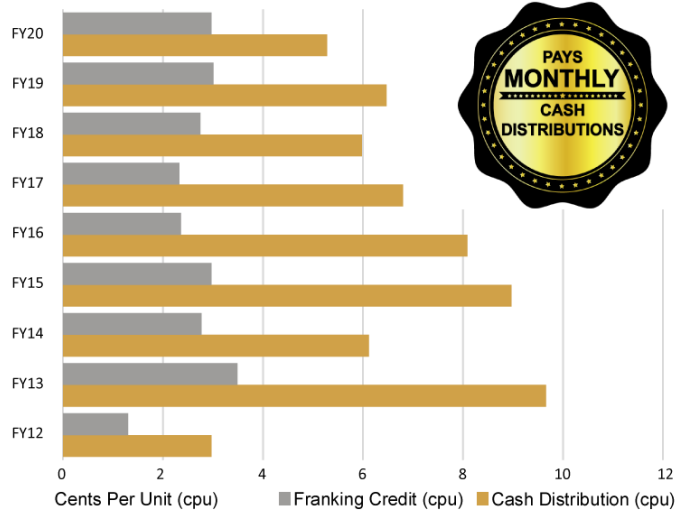


FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

The High Income Value Microcap Fund is a wholesale fund investing in high dividend paying, undervalued, ASX microcap companies.

84.29c Total Cash and Franking Credits RETURNED SINCE INCEPTION

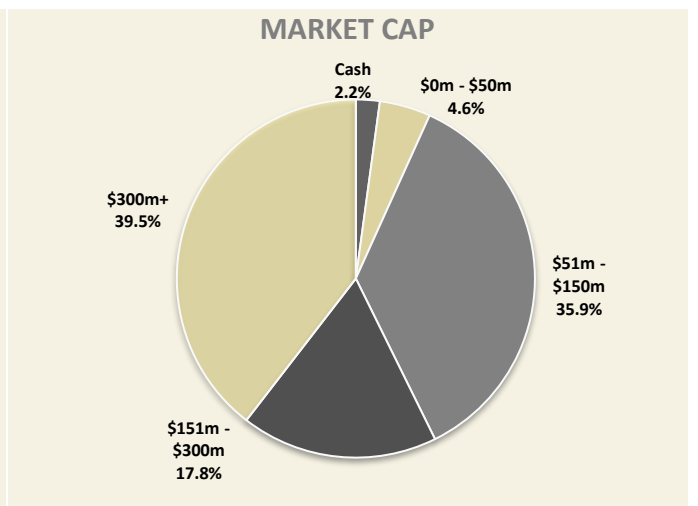
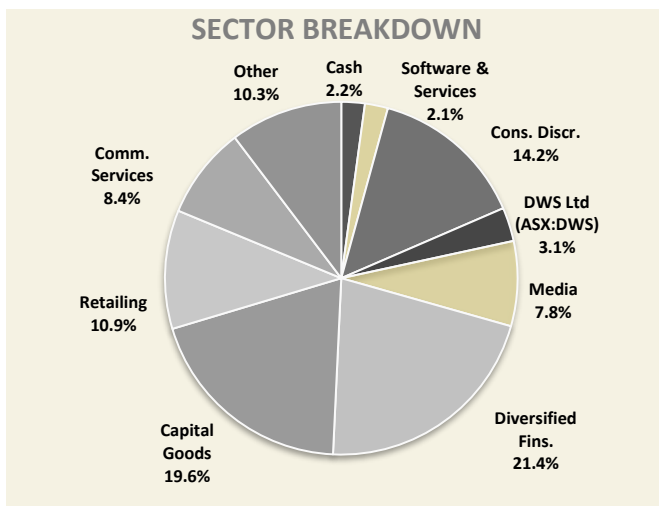


Current Forecast Grossed Up Dividend Yield

+5.79%**

**Represents the annual dividend yield of the companies in the portfolio grossed up for franking credits. It is based on internal forecasts and actual results may vary. It is not a forecast distribution as distributions will depend on actual dividend income received, expenses of the fund and actual number of units on issue at the time a distribution is made.

	Total since inception	Compound p.a. since inception	7 Year	5 Year	3 Year	1 Year	1 Month
HIMF	129.46%	10.16%	7.02%	7.45%	2.79%	-1.48%	-1.20%



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MARKET UPDATE AND COMMENTARY

Following on from our commentary last month, new data points out of China during September indicate continued evidence of its economic recovery. Electricity generation rose strongly during August and subway passenger volume is now just 10% off pre-Covid levels. The Chinese economy is likely to have expanded in the mid-single digits during the third quarter of 2020, leaving China as the only G20 member that is likely to post positive growth during 2020. However, the recovery mirrors the unbalanced Chinese economy which still has consumer consumption at 39% of GDP compared to +60% for most developed economies. The resurgence in Chinese consumer spending has been slow and it is industrial production and construction that have driven economic activity in recent months. There are however some green shoots opening in consumer consumption with retail figures rising +0.5% in August versus a year ago, the first register of growth in the Covid impacted 2020 year. Domestically, the Federal government will be placing fiscal discipline as a distance secondary consideration as it seeks to prioritise economic growth and boost economic spending by way of government spending and running large deficits. This is likely to have a positive impact for several of our investee companies.

Microequities High Income Value Microcap Fund returned -1.20% in September; this brings the total return net of fees to 129.46% for the Fund since inception in March 2012.

Our investment in **DWS Limited (ASX:DWS)** which currently represents 3.1% of the total assets of the High Income Value Microcap Fund received a friendly takeover offer from Indian IT services provider HCL Technologies Ltd. The takeover offer comes at +33.3% premium to the last traded price of DWS and is an all cash offer. **The expected sale of DWS will boost the cash reserves of the Fund at a time when the investment management team has several new potential opportunities to invest in.**

We undertook the sale of a remnant stake in a media business owned by the Fund. The business had stopped paying dividends since 2017 and the team believes there are better investment opportunities elsewhere. The proceeds from the sale was redeployed in a new opportunity which is a business in the financial services sector. The switch undertaken will improve the quality of assets of the Fund as well as the forward dividend yield. This business has a solid growth outlook and is paying a high sustainable dividend yield.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+10.4%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+13.1%

Number of companies	32
Top 5 Holdings % of NAV	41.5%
Top 10 Holdings % of NAV	61.6%
Top 20 Holdings % of NAV	86.6%
Cash Position % of NAV	2.2%

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.