

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/10/2020

latest unit price <b>\$1.4193</b> Cum-distribution	return since inception (March 2012) <b>131.32%</b>	return 1 month <b>0.81%</b>
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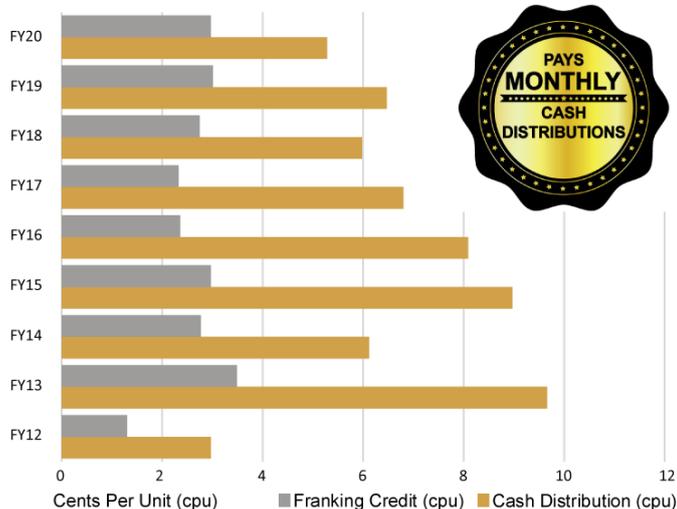


#### FUND OUTLINE

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

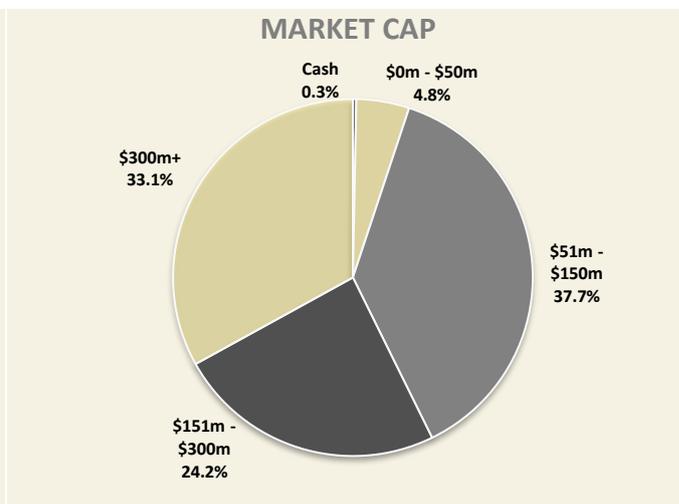
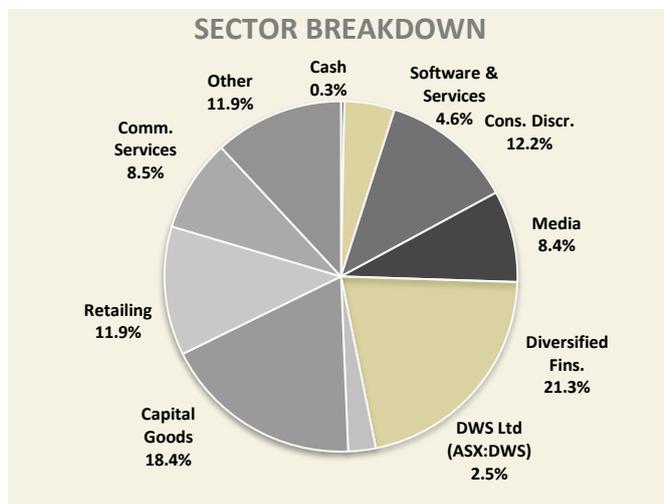


Current Forecast  
Grossed Up  
Dividend Yield

**+5.98%\*\***

\*\*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
<b>HIMF</b>	<b>131.32%</b>	<b>10.16%</b>	<b>6.81%</b>	<b>6.68%</b>	<b>2.17%</b>	<b>-1.23%</b>	<b>0.81%</b>



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### MARKET UPDATE AND COMMENTARY

US third quarter GDP bounced back strongly to record a +7.4% increase on the prior quarter, or a historic +33.1% on annualised basis. The annual number should not be read literally; very much like the dramatic decline experienced in the second quarter of -31.4%, both of those numbers were very much driven by the disruptive effects of the Covid-19 shutdowns and consequent easing of those restrictions. Despite the strong third quarter growth numbers US output remains below pre Covid-19 levels. There were however some encouraging data points with private investment increasing +83%, including strong increases in equipment investment and consumption rebounding strongly. Challenges for the US economy remain though as a strong rise in a second wave of Covid-19 cases threatens to disrupt the recovery and the country anxiously awaits the outcomes of third phase clinical trials of vaccines. Domestically, Australia's third quarter GDP is also likely to have turned positive with the country likely to have come out of its first technical recession in almost three decades. The RBA is expected to continue to be extremely accommodative in its monetary policy and financial markets are anticipating another rate cut in November.

**Microequities High Income Value Microcap Fund returned 0.81% in October; this brings the total return net of fees to 131.32% for the Fund since inception in March 2012.**

During the month of October, we undertook two transactions in the High Income Value Microcap Fund. Firstly, we completely sold out of our stake in **Eclix Ltd (ASX:ECX)**. Eclix's share price had been recovering since its new CEO undertook a major turnaround of the business, selling non-core assets and reducing financial debt. The investment however was no longer providing dividend income and given the strong share price recovery the investment management team looked to redeploy the capital elsewhere. The proceeds from the sale of Eclix and some cash reserves were used to acquire an initial stake in a high quality growing fintech business with very significant barriers to entry and a strong competitive positioning. The business generates EBIT margins of circa 20% has a strong balance sheet and is paying a grossed-up dividend yield of +6%. It is a quality business, and our holding has been acquired at prices that are likely to generate capital growth over the medium to long term. The business currently represents 2.4% of the total assets of the Fund but we will look to build upon this holding.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+8.3%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+12.9%</b>

<b>Number of companies</b>	<b>32</b>
<b>Top 5 Holdings</b> % of NAV	<b>39.3%</b>
<b>Top 10 Holdings</b> % of NAV	<b>60.7%</b>
<b>Top 20 Holdings</b> % of NAV	<b>85.9%</b>
<b>Cash Position</b> % of NAV	<b>0.3%</b>

**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.