

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/01/2021

latest unit price <b>\$1.6000</b> Cum-distribution	return since inception (March 2012) <b>162.33%</b>	return 1 month <b>2.71%</b>
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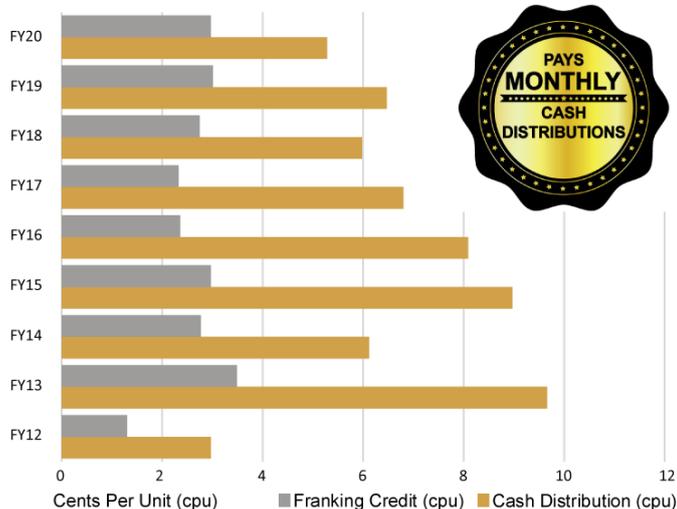


#### FUND OUTLINE

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

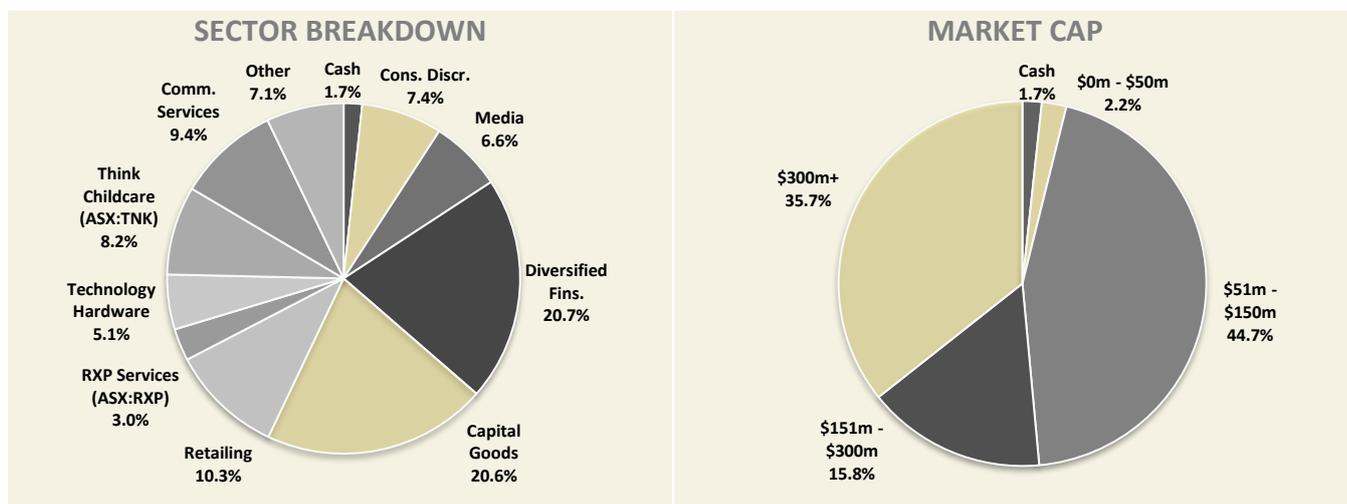


**Current Forecast Grossed Up Dividend Yield**

**+5.30%\*\***

\*\*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>162.33%</b>	<b>11.42%</b>	<b>8.85%</b>	<b>9.87%</b>	<b>7.30%</b>	<b>8.52%</b>	<b>2.71%</b>



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### MARKET UPDATE AND COMMENTAR

2021 will be a year of recovery for the world economy, battered by the distortive effects of Covid-19. The first major economy to feel its effects, China, is also the first economy to come out the Covid induced slow down. In numbers published during the month of December, the Chinese economy expanded by +6.5% during the 4<sup>th</sup> quarter, taking the annual GDP growth to +2.3%. This was a commendable effort, but it was still the lowest GDP growth experienced in China in more than 40 years. The full year GDP number understates the resurgence of economic activity in the world's second biggest economy. The Chinese economy could expand at a growth rate above +8% during 2021. A growth rate that should help Australian commodity exports. The US economy is also likely to grow at above trend rates as its economy emerges from a 3.4% contraction in 2020. The degree and timing of the US recovery will to some degree depend on the national Covid vaccine rollout, a process that will take months. In Australia, our economy looks set to expand at its fastest rate in more than 20 years, though the recovery will also likely be tilted towards the 2<sup>nd</sup> half of 2021 and will require some easing of international border restrictions.

**Microequities High Income Value Microcap Fund returned 2.71% in January; this brings the total return net of fees to 162.33% for the Fund since inception in March 2012.**

The High Income Value Microcap Fund continued to benefit from the prolonged takeover for **Think Childcare (ASX:TNK)**. Investors might recall that private equity group Alceon had previously matched Busy Bees (owned by the Ontario Teachers' Pension Fund) \$1.75 offer. During the month Busy Bees came back to topple Alceon's \$1.75 offer and provided an indicative offer price of \$2.10 (subject to various conditions). Alceon has yet to respond, but it is quite possible it will end up matching Busy Bees improved indicative offer. After the improved offer Think Childcare Ltd represents the Fund's largest investment accounting for 8.2% of the assets of the Fund.

We also added two new companies to the portfolio. One of the companies is a specialised B2B finance business with growing market share. The business has been acquired at a very high prospective yield. The other business is a consumer products business in various product verticals. The investment management team believes this is an opportunistic purchase as the company is likely to pay out large dividends and will likely experience market price growth.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+10.6%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+14.2%</b>

<b>Number of companies</b>	<b>37</b>
<b>Top 5 Holdings</b> % of NAV	<b>34.1%</b>
<b>Top 10 Holdings</b> % of NAV	<b>56.1%</b>
<b>Top 20 Holdings</b> % of NAV	<b>82.0%</b>
<b>Cash Position</b> % of NAV	<b>1.7%</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.