

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/03/2021

latest unit price \$1.3057	return since inception (Oct 2017) 31.64%	return 1 month 2.77%
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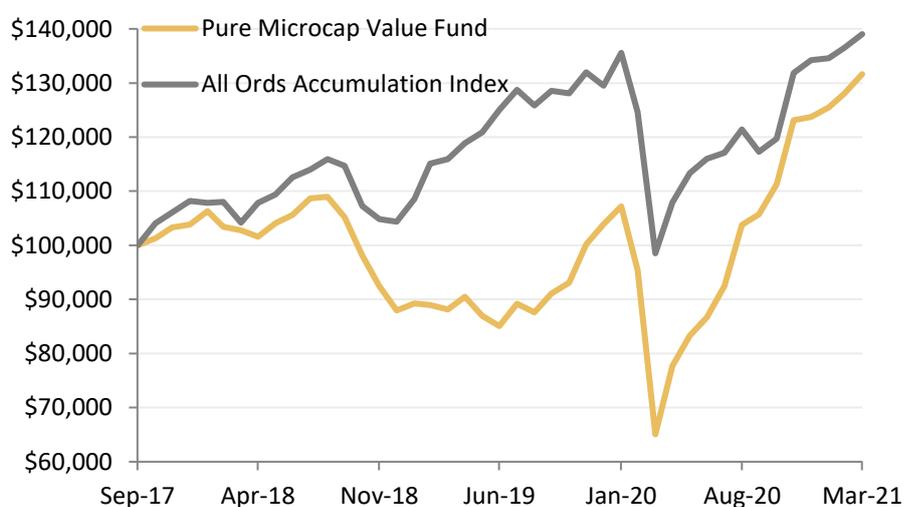
FUND OUTLINE

Fund Manager:

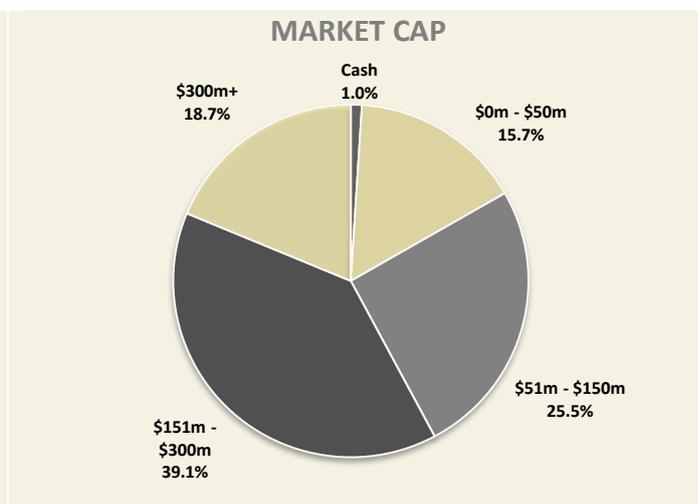
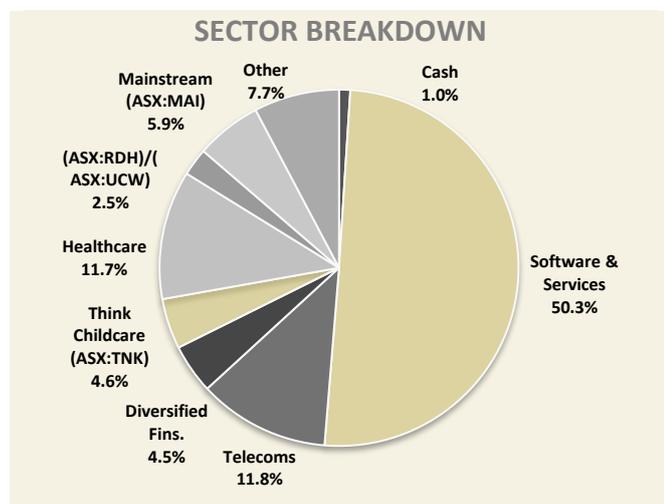
Carlos Gil (CIO)

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 > **\$131,639**



	Compound p.a. since inception	Total since inception	3 Year	2 Year	1 Year	6 Month	1 Month
PMVF	8.17%	31.64%	8.60%	22.23%	102.33%	24.48%	2.77%



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MARKET UPDATE AND COMMENTARY

To our surprise, financial markets have spent most of the month coming to terms with the probable fact that bond prices have probably peaked and therefore yields are likely to rise over the medium to long term. The US 10-year treasury yield has risen by more than 50 basis points since the beginning of 2021 but remains at a benign 1.75%. The bond market is essentially pricing in two things a). Federal Reserve next interest move will be an increase b). greater likelihood that inflation, will at some stage tick higher. Both are eminently reasonable. It is highly likely that the US Federal Reserve's next interest rate move will be upwards and that its ultra-accommodative monetary stance will at some point over the medium term be unwound. However, that is unlikely to happen anytime soon, top Federal Reserve officials have consistently stated that the US central bank support for the economy will stay in place until they see an accelerating recovery across all levels of American society, which might be 2 or 3 years away. When the ensuing recovery does take place, the Fed has pledged to make very gradual movements on its rates. So, bond markets are in fact behaving logically and coherently. It would be alarming if they had not begun to price such likely eventualities.

Microequities Pure Microcap Value Fund returned 2.77% in March; this brings the total return net of fees to 31.64% for the Fund since inception in October 2017.

During the month, our holding in **Mainstream Group (ASX:MAI)** received a board endorsed takeover offer from Vistra Group, which is a provider of fund administration services globally and backed by private equity owners. Mainstream also provides fund administration services to fund managers in Australia, US, Europe and Asia with major clients such as Magellan, Macquarie and Pandal. The offer price of \$1.20 cash was a 8.6% premium to the last closing price. The premium is relatively skinny, but the deal does give Mainstream one month to shop around for a superior deal. We think there are plenty of alternative bidders for Mainstream from both private equity buyers and trade buyers, most notably **SS&C Technologies (NASDAQ: SSNC)**. SS&C is software provider to the fund administration sector globally and has a fund administration services division. It has a highly acquisitive corporate strategy and tried to purchase **GBST (ASX:GBT)** in 2019 in a three way tussle with **Bravura Solutions (ASX:BVS)** and UK based FNZ. Mainstream accounts for 5.9% weighting in the Fund at month end.

Our holdings in two software businesses also made notable announcements during the month, one completing a long-awaited acquisition in the software space servicing government clients. The other business announced a transformational contract award that could add 30-40% to its existing revenues over time.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+29.6%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+27.4%

Number of companies	33
Top 5 Holdings % of NAV	39.5%
Top 10 Holdings % of NAV	63.9%
Top 20 Holdings % of NAV	85.8%
Cash Position % of NAV	1.0%

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.