

HIGH INCOME

VALUE MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/05/2021

latest unit price \$1.7133 Cum-distribution	return since inception (March 2012) 182.98%	return 1 month 0.89%
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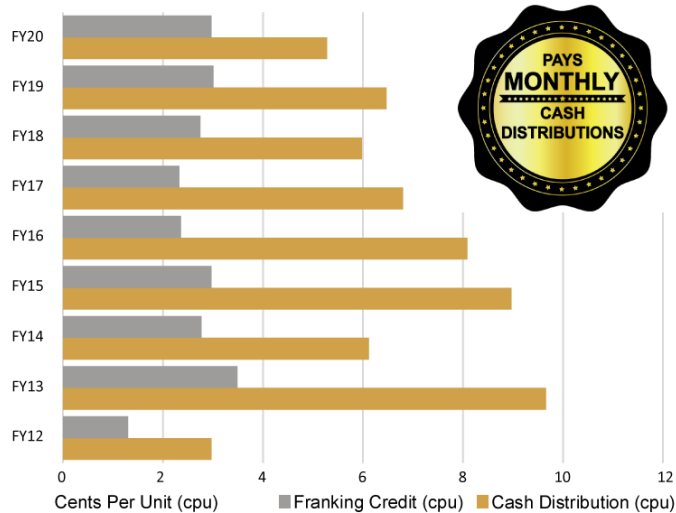


FUND OUTLINE

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

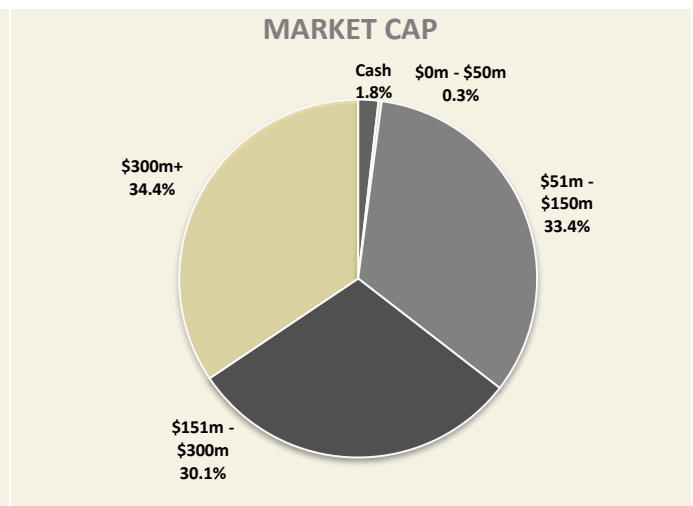
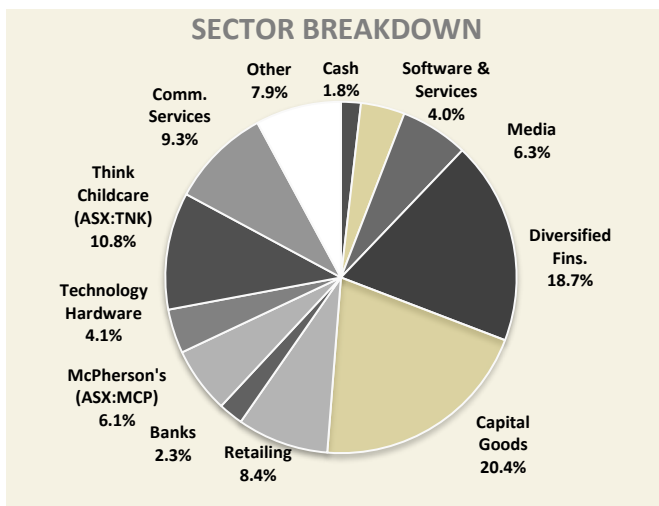


Current Forecast
Grossed Up
Dividend Yield

+6.16%**

**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	9 Year	7 Year	5 Year	3 Year	1 Year	1 Month
HIMF	182.98%	11.90%	12.22%	10.38%	10.43%	10.04%	42.59%	0.89%



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MARKET UPDATE AND COMMENTARY

During the first quarter of 2021, China's economy expanded at an annualised pace of +18.3%, the fastest rate of growth since 1993. During the same period, its exports surged by +38.1%, but behind the numbers there are some structural clouds. Chinese Covid-19 containment gave it a first mover advantage as it reopened its massive industrial productive capacity a lot earlier than its Western competitors. Some of those competitors, like the US and parts of Western Europe are now coming back to full capacity intensifying the competition for industrial exports. Outside of its strong export performance, retail sales look seemingly impressive growing at +33.9% compared to the same period last year, but had only grown +1.86% quarter on quarter. Household income in China is still unbalanced with large differences between its urban and regional populations. The Chinese population growth rate is also slowing. During the month of May its annual population growth slowed to +0.53%, continuing its long-term structural decline. These elements will present significant challenges in China's long term economic growth journey, which in fairness has been an incredibly impressive one.

Microequities High Income Value Microcap Fund returned 0.89% in May; this brings the total return net of fees to 182.98% for the Fund since inception in March 2012.

It was an unusually active month that saw the Fund totally divest out of **Mortgage Choice (ASX:MOC)** which had become subject to a takeover by ASX listed giant **REA Group (ASX:REA)**. The Fund also fully divested out of **Star Entertainment Group (ASX:SGR)** due to a combination of price appreciation and the conclusion that the capital invested in the company could best be deployed in other opportunities. Offsetting those exits, the investment management team added two new entrants into the Fund. One was a highly opportunistic purchase of a B2B software company with high quality earnings. The investment management team took advantage of price weakness in the company during the month to take an initial stake. Additionally the Fund also purchased an initial stake in a child care operator to compliment the investment in **Think Childcare (ASX:TNK)** which remains in due diligence following a knockout bid by Busy Bees (owned by the Ontario Teachers' Pension Fund) at \$3.20 per share.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+14.1%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+15.8%

Number of companies	37
Top 5 Holdings % of NAV	34.1%
Top 10 Holdings % of NAV	55.1%
Top 20 Holdings % of NAV	79.0%
Cash Position % of NAV	1.8%

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.