

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/05/2021

latest unit price \$1.4460	return since inception (Oct 2017) 45.78%	return 1 month 0.37%
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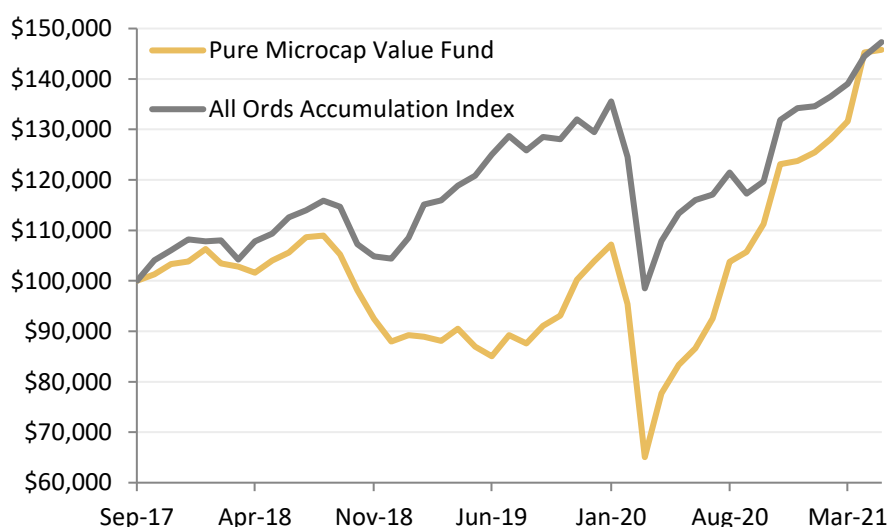
FUND OUTLINE

Fund Manager:

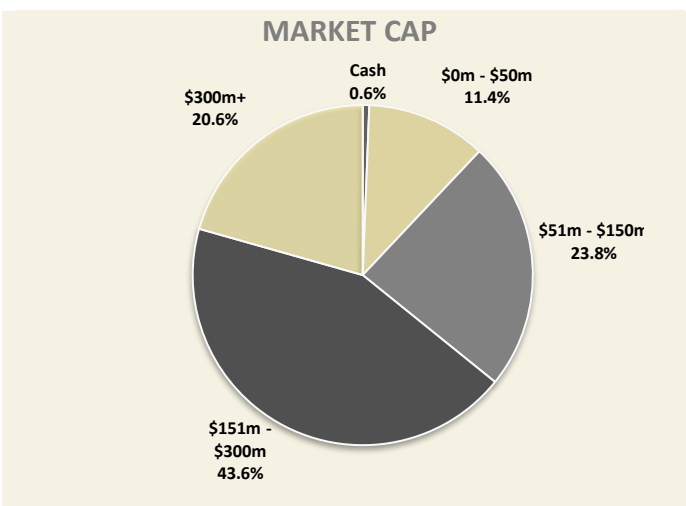
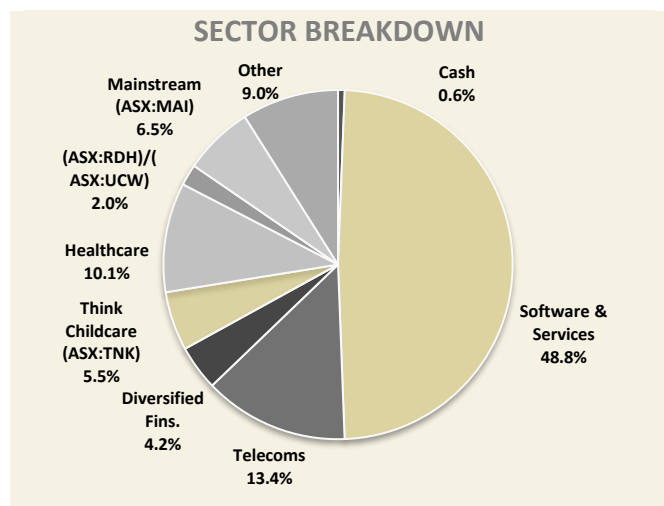
Carlos Gil (CIO)

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 > **\$145,784**



	Compound p.a. since inception	Total since inception	3 Year	2 Year	1 Year	6 Month	1 Month
PMVF	10.83%	45.78%	11.90%	29.47%	74.95%	18.40%	0.37%



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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 Pure Microcap Value Fund returned 0.37% in May; this brings the total return net of fees to 45.78% for the Fund since inception in October 2017.

During the month, our holding in fund administrator **Mainstream Group (ASX:MAI)** was subject to a number of back and forth offers from Apex Group and SS&C Technologies. At 31 May, the highest offer was \$2.75 from Apex Group, up from \$2.55 at the end of last month. Mainstream Group represents 6.5% of the Fund assets at month end.

EFTPOS terminal provider **Smartpay Holdings (ASX:SMP)** announced its FY21 results with revenue growth of 20% to \$33.8m. Its fast growing Australian business surpassed its mature New Zealand business for the first time, with revenue up 80% to \$17.1m. The Australian EFTPOS business has strong unit economics and we think FY22 will demonstrate significant operating leverage.

We also received trading updates from a number of holdings in the Fund. Our investment in a non-bank lender upgraded FY21 earnings guidance following strong Q3 lending and collections outcomes. One of our software investments at its investor day provided an update to the rollout of its new product and alluded to adjacent product and international expansion. Finally our smaller holding in an education technology business updated the progress of their rollout and laid out plans to organically grow to \$100m recurring revenue over the next 5 years.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+29.6%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+27.5%

Number of companies	34
Top 5 Holdings % of NAV	38.5%
Top 10 Holdings % of NAV	64.6%
Top 20 Holdings % of NAV	85.6%
Cash Position % of NAV	0.6%

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.