

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 30/09/2021

latest unit price <b>\$1.8135</b> (Cum-distribution)	return since inception (March 2012) <b>202.23%</b>	return 1 month <b>-0.16%</b>
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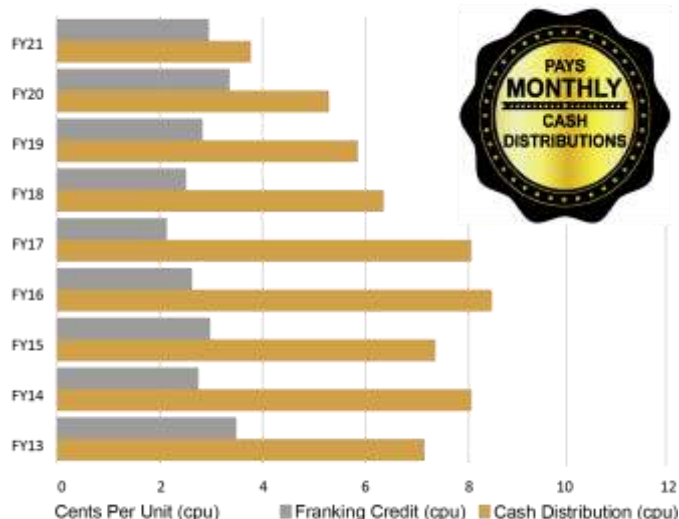


#### FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

The High Income Value Microcap Fund is a wholesale fund investing in high dividend paying, undervalued, ASX microcap companies.

**85.93c** Total Cash and Franking Credits RETURNED SINCE INCEPTION

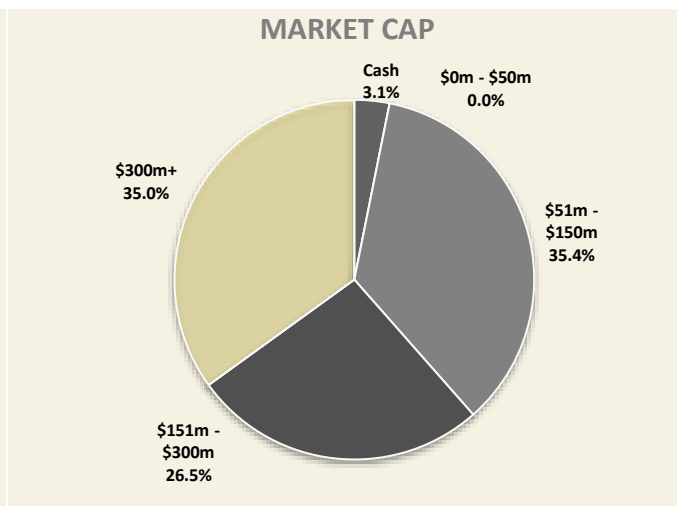
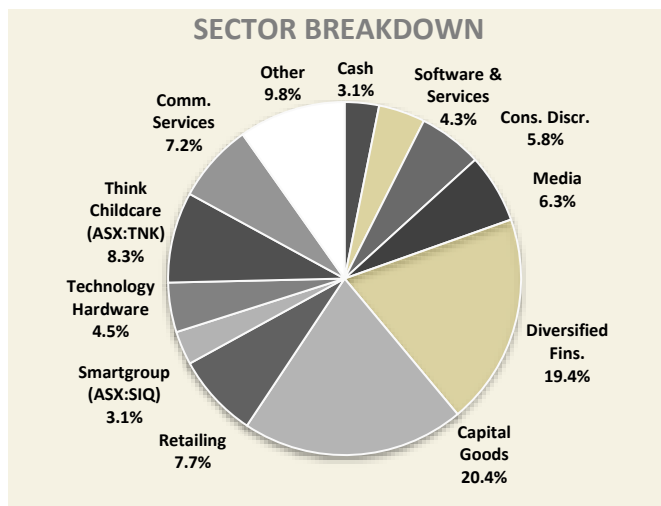


Current Forecast Grossed Up Dividend Yield

**+6.09%\*\***

\*\*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	202.23%	12.23%	12.26%	9.94%	9.27%	11.83%	31.71%	-0.16%



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### MARKET UPDATE AND COMMENTARY

China's overreliance on a bloated real estate industry that disproportionately accounts for about 29% of its GDP gave a strong reminder to Chinese government officials of the unsustainability and structural flaws in the economy. Evergrande's troubles may be the first crack of a real estate sector that China has unduly relied upon to partly fuel its astonishing economic growth. It is quite possible that the Chinese real estate sector is at an inflection point. Part of the reason for China's oversized real estate sector is its citizen's high savings propensity with a gross savings rate of 45%, compared that to the US which sits around 8%. One can appreciate the scale of the Chinese government's challenge. To have a consumer led economy, one's population must seek to consume. The western world's consumer led culture is more easily seduced by the myriad of products and services. Thus, its higher propensity to save (and invest) less. US Federal Reserve chairman Jerome Powell signalled to the market a continuum of a dovish monetary policy which will see tapering begin to be unwound in 2021 but no upward move on interest rates until 2022, possibly 2023.

**Microequities High Income Value Microcap Fund returned -0.16% in September; this brings the total return net of fees to 202.23% for the Fund since inception in March 2012.**

EQT's extended due diligence in our investee company, **Iress Ltd (ASX:IRE)** concluded without a formal offer. EQT publicly stated that the due diligence found no red flags and confirmed the strong market position of Iress' products. Iress has reaffirmed its objective to double net profit after tax by 2025. We remain fully committed to our investment in Iress which possess a high-quality business recurring revenue model with strong market position in several product verticals.

In the meantime, another investee company, **Smartgroup (ASX:SIQ)** has received a non-binding indicative offer from private equity consortium TPG Global LLC to acquire 100% of the company at +31.7% to the last traded price of Smartgroup. Currently the company represents 3.1% of the net assets of the Fund. We welcome the takeover approach, in what we deem would be a good outcome for shareholders and our investors.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+7.3%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+11.6%</b>

<b>Number of companies</b>	<b>37</b>
<b>Top 5 Holdings</b> % of NAV	<b>30.6%</b>
<b>Top 10 Holdings</b> % of NAV	<b>51.4%</b>
<b>Top 20 Holdings</b> % of NAV	<b>76.6%</b>
<b>Cash Position</b> % of NAV	<b>3.1%</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.