

# HIGH INCOME

## VALUE MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/12/2021

latest unit price <b>\$1.9144</b> (Cum-distribution)	return since inception (March 2012) <b>221.12%</b>	return 1 month <b>2.18%</b>
--	---	--------------------------------

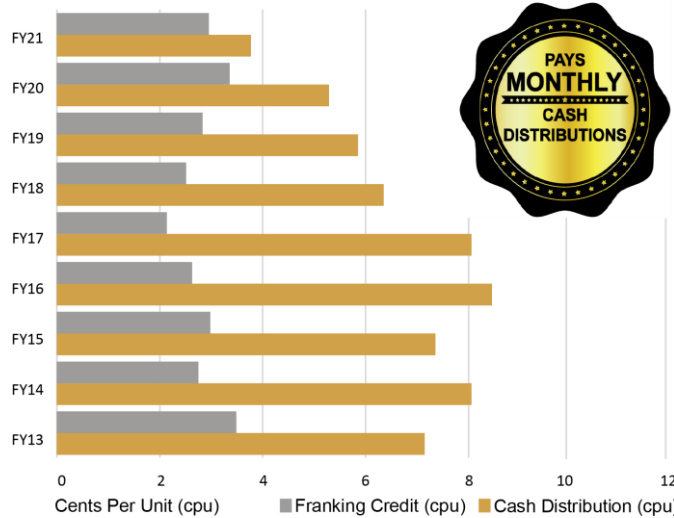


#### FUND OUTLINE

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

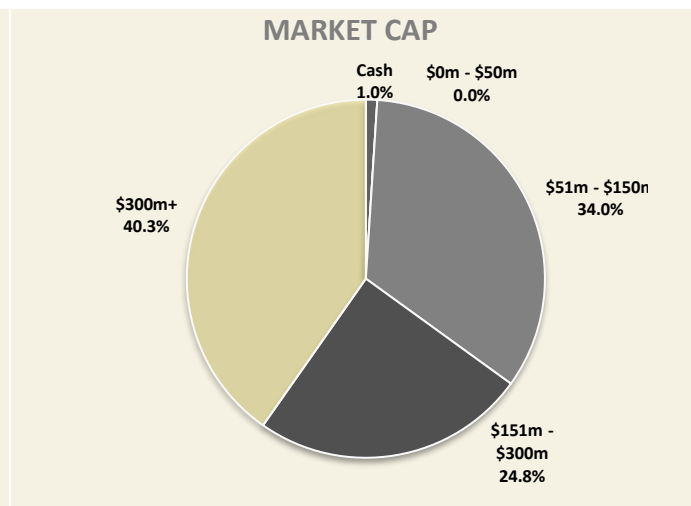
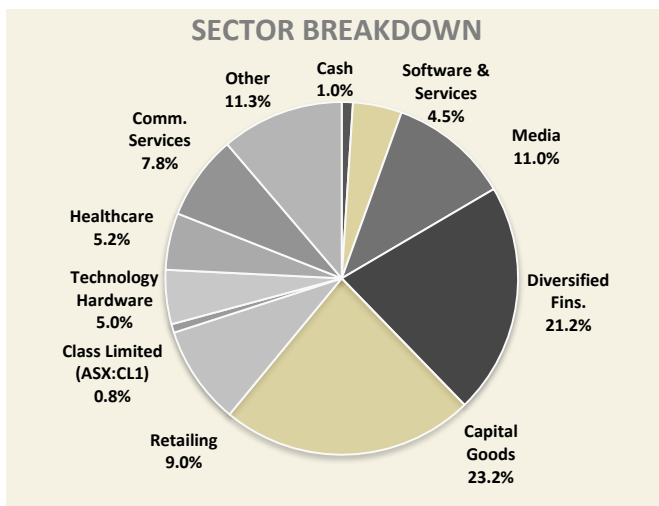


Current Forecast Grossed Up Dividend Yield

**+5.82%\*\***

\*\*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
<b>HIMF</b>	<b>221.12%</b>	<b>12.60%</b>	<b>12.52%</b>	<b>11.44%</b>	<b>10.52%</b>	<b>19.77%</b>	<b>25.73%</b>	<b>2.18%</b>



# HIGH INCOME

## VALUE MICROCAP FUND



### MARKET UPDATE AND COMMENTARY

The Euro area unemployment rate is now lower than at pre-pandemic levels. The US unemployment sits at very near effective full employment of 4.2% with unequivocal data indicating rising wage growth. US average hourly earnings have increased by 4.8% over the past 12 months and the trend is likely to continue as firms indicate their hiring intentions for 2022 will increase, job advertisements are up, employer surveys are showing an intent to increase employee wages to recruit and retain scarce talent. Structural inflation is therefore likely to play out during 2022, a factor that no doubt impelled the US Federal Reserve to signal three rate increases for 2022 based on a macroeconomic scenario of full employment. The Fed may regret its latency in adjusting central bank rates for structural inflation forces emanating from the labour market; as energy, raw material inputs, supply chain logistic disruptions are likely to further exacerbate inflationary pressures. Inflation is not necessarily evil; household income increases have been stubbornly low over the past decade and the wage increase will provide some added disposable income.

**Microequities High Income Value Microcap Fund returned 2.18% in December; this brings the total return net of fees to 221.12% for the Fund since inception in March 2012.**

We are pleased to report that during the month the High Income Value Microcap Fund successfully exited its investment in **Qantm Intellectual Property Ltd (ASX:QIP)**. The decision to divest out of the business was based on internal competitive grounds, as the Fund currently has a number of superior investment opportunities that are likely to deliver superior long term investment returns than Qantm IP.

During the month we added one new investee company, in the wholesale distribution segment. This business impressed us with its long-term historical growth track record, largely internally funded and a track record of sensible acquisitions. The business has a strong cash holding to be used for acquisitions, but organically we think the business can growth revenue circa 8% as it gains more distribution agreements. Profits should growth faster. At current prices the business trades on 10.7x FY22 PE and grossed up yield of 6.7%. Currently this new business represents 3% of the total assets.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+11.8%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+10.8%</b>

<b>Number of companies</b>	<b>37</b>
<b>Top 5 Holdings</b> % of NAV	<b>27.6%</b>
<b>Top 10 Holdings</b> % of NAV	<b>48.8%</b>
<b>Top 20 Holdings</b> % of NAV	<b>76.8%</b>
<b>Cash Position</b> % of NAV	<b>1.0%</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.