

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/12/2021

latest unit price \$1.6631	return since inception (Oct 2017) 76.26%	return 1 month 1.57%
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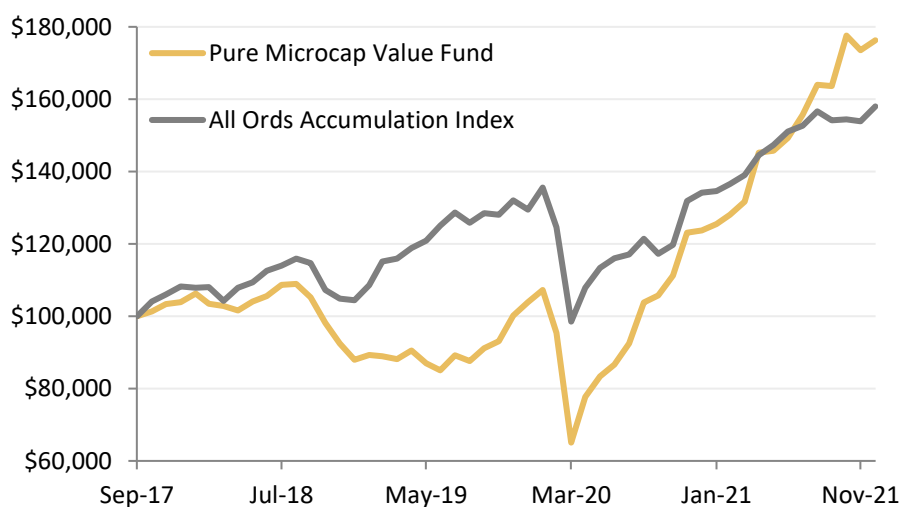
FUND OUTLINE

Fund Manager:

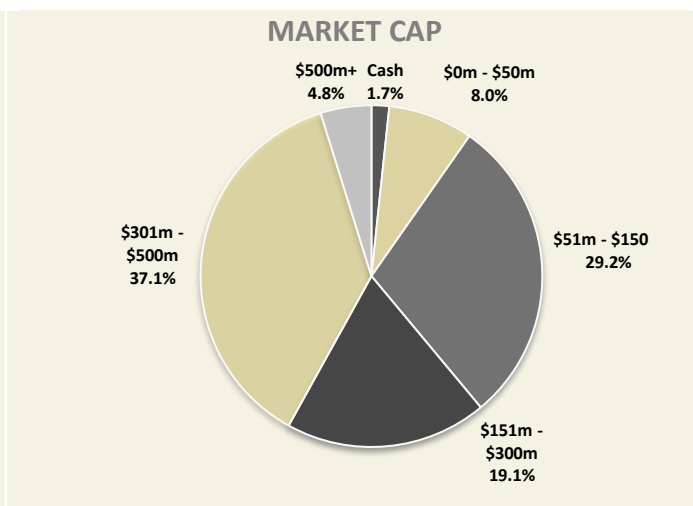
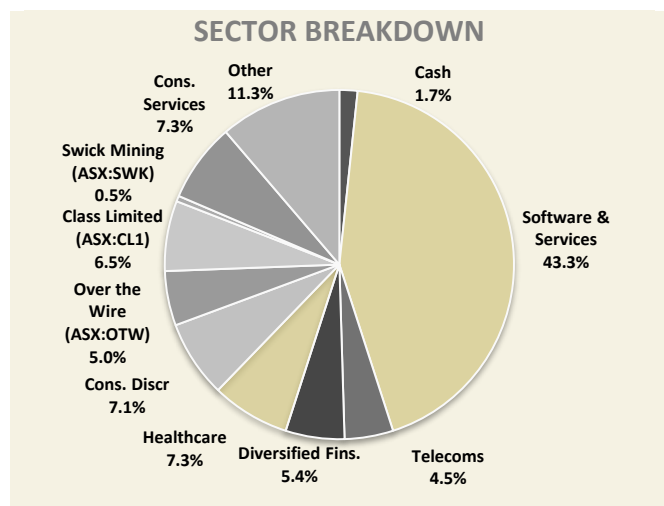
Carlos Gil (CIO)

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 > **\$176,263**



	Compound p.a. since inception	Total since inception	3 Year	2 Year	1 Year	6 Month	1 Month
PMVF	14.27%	76.26%	26.07%	30.25%	42.46%	18.03%	1.57%



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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 Pure Microcap Value Fund returned 1.57% in December; this brings the total return net of fees to 76.26% for the Fund since inception in October 2017.

During the month, business telecommunications provider **Over the Wire (ASX:OTW)** announced it has agreed to a takeover by **Aussie Broadband (ASX:ABB)**. The offer provides scrip and cash mix options with the 100% cash option at \$5.75 per share representing a 15% premium to the undisturbed share price. The combination with ABB makes a lot of sense with OTW bringing to the table a fully owned voice network and cybersecurity offering and ABB building its own backhaul network, improving the margins of its data network service. The combined business also fills a void in the small cap telco sector on the market with a combined EBITDA of over \$100m in FY23 and we see index inclusion as further catalysts for the share price post combination. OTW accounted for 5.0% of Fund assets at month end.

During the month, the Fund participated in an IPO, in the IT services sector. Microequities has a long track of investing successfully in this sector over many years. This specific business has some differentiating qualities, being its exposure to the defence IT segment and consulting work in the education software space. We have also added a new holding in the IT services sector servicing both B2B and B2C customers. We will discuss this further in a future update as we are still building our position. Other interesting updates during the month included a strategic acquisition from **Readytech (ASX:RDY)** in the local government ERP space. Although small in size, we understand it improves the overall competitiveness of Readytech's local government software offering as a more well-rounded ERP product.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+40.1%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+34.2%

Number of companies	37
Top 5 Holdings % of NAV	39.2%
Top 10 Holdings % of NAV	62.0%
Top 20 Holdings % of NAV	86.0%
Cash Position % of NAV	1.7%

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.