

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 31/08/2019

| | | |
|---|--|--------------------------------|
| latest unit price (exit price) \$1.1306 | return since inception (Feb 2019) 16.47% | return 1 month 1.74% |
|---|--|--------------------------------|

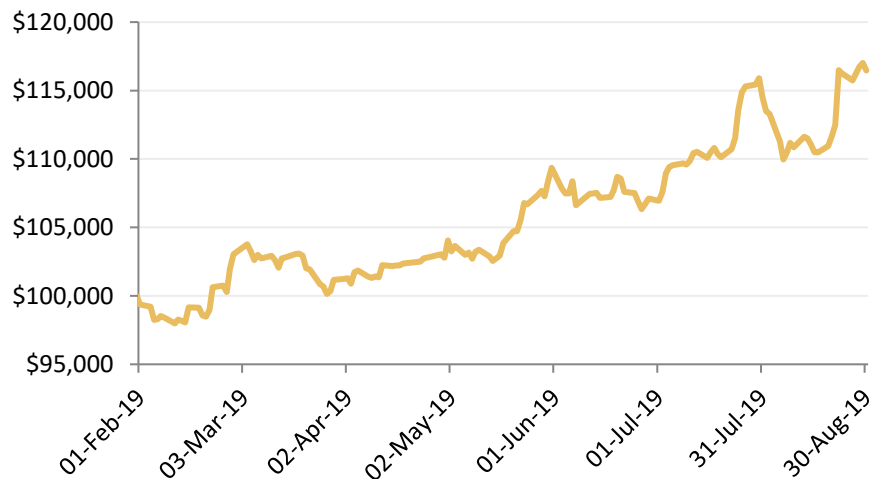


FUND OUTLINE

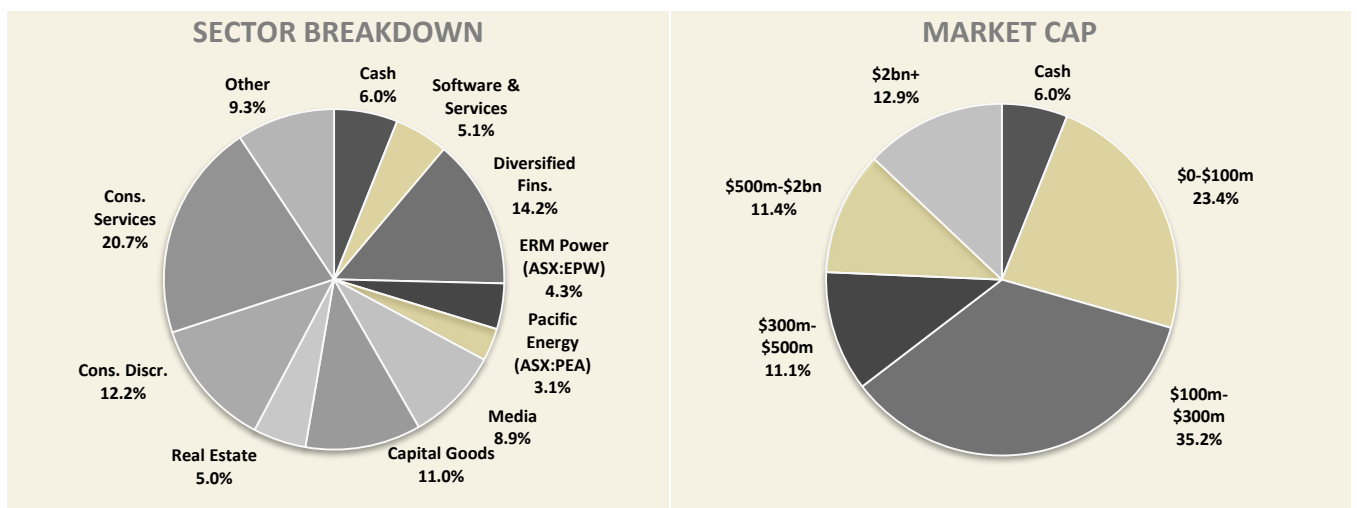
Fund Manager: Carlos Gil
(CIO)

The Microequities Value Income Fund (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$116,473**



| | Total since inception | 1 Year | 6 Month | 1 Month |
|-----|-----------------------|--------|---------|---------|
| VIF | 16.47% | -% | 13.03% | 1.74% |



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MARKET UPDATE AND COMMENTARY

World equity markets continue to be focused on the escalating trade dispute between China and the US. The US imposed a 15% trade tariff on a wide range of Chinese goods worth about US\$150bn. China has so far imposed 25% tariffs on about US\$60bn worth of US goods. It is likely China will continue to enact counter-measures as the US pursues an aggressive strategy to push China into a new trade deal. The US is scheduled to roll out the 15% tariffs across the remainder of Chinese goods on 15 December. On that same day, China is scheduled to roll out their 25% tariffs across a further 3,000 US goods. Talks between trade officials on both sides are expected to take place during September. Over the long term, a trade war would hurt both the US and the Chinese economies. It is therefore in both parties' interest to secure a lasting trade deal that would reduce structural imbalances in the trade relationship. The US administration has so far taken an unorthodox approach to trade negotiations and its effectiveness remains questionable.

Microequities Value Income Fund returned 1.74% in August; this brings the total return net of fees to 16.47% for the Fund since inception in February 2019.

During the month we added a new position in a retailer that we think is positively exposed to the recovery in the domestic housing market. We rate the management team highly and believe the business is a category killer with various growth options, domestically through store rollouts and commercial business, and international wholesale growth options. The business has been purchased on circa 12x FY20 PE.

Business energy retailer **ERM Power (ASX:EPW)** announced a takeover offer from **Royal Dutch Shell PLC (LON:RDSB)** at a total consideration of \$2.465 per share. ERM Power accounted for 4.3% of the Fund at month end and shares were up 34% during August.

Most of the companies in the Fund also reported full year 2019 financial results in August. We are pleased to say that all but two companies in the Fund met or exceeded our expectations. Some of the more notable results came from **Alliance Aviation (ASX:AQZ)** which delivered 25% PBT growth and dividend per share growth of 77%. **Fiducian Group (ASX:FID)** delivered 11% dividend per share growth and 14% EPS growth.

| | |
|---------------------------------|--------------|
| Number of companies | 28 |
| Top 5 Holdings % of NAV | 32.1% |
| Top 10 Holdings % of NAV | 53.3% |
| Top 20 Holdings % of NAV | 83.8% |
| Cash Position % of NAV | 6.0% |

Disclaimer: This communication has been issued by Microequities Asset Management Pty Ltd ABN 96 134 984 768 AFS Licence No 287 526, as investment manager of the Microequities Value Income Fund ARSN 629 674 175. The Trust Company (RE Services) Limited (ACN 003 278 831) (AFSL 235150) is the responsible entity.

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You should obtain the PDS for the Fund and consider the risks and disclosures for your circumstances before deciding whether to acquire, or continue to hold, an interest in the Fund. Initial Applications for units in the Fund can only be made pursuant to the application form attached to the PDS. Past performance is not a reliable indicator of future performance.