

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 31/12/2021

latest unit price (exit price) \$1.4586	return since inception (Feb 2019) 65.42%	return 1 month 3.71%
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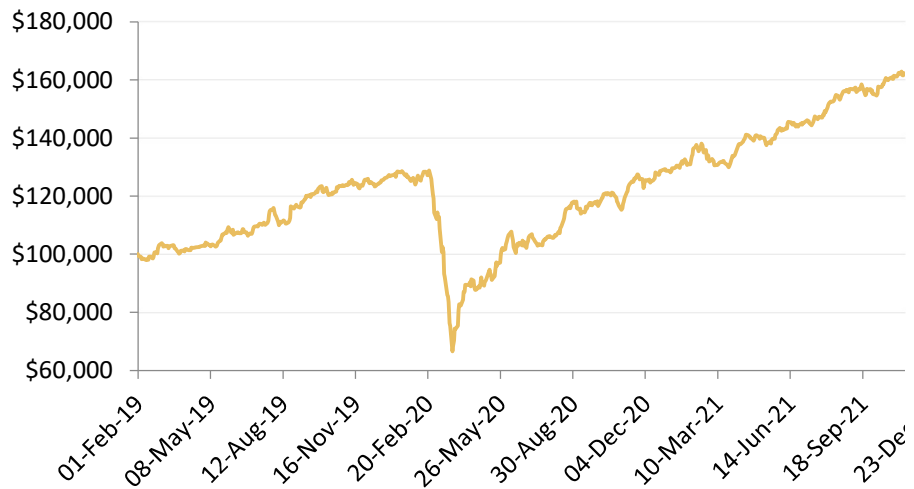


FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

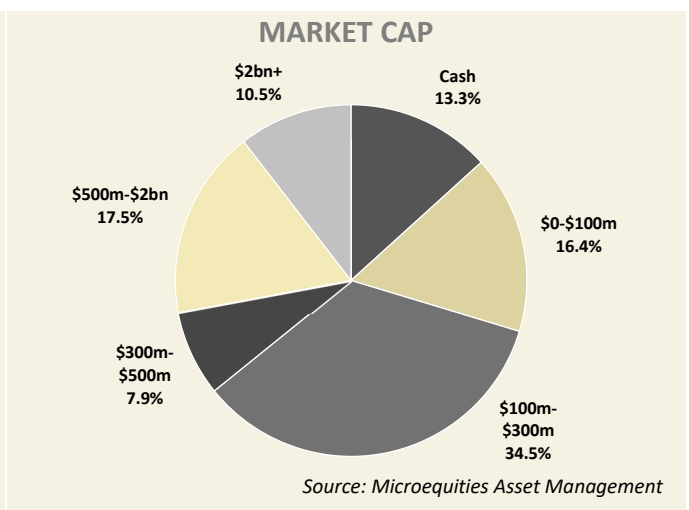
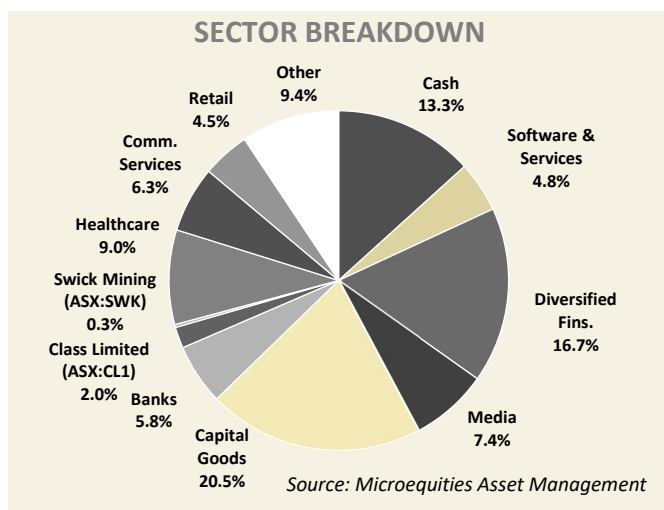
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > \$165,424



Past performance is not a reliable indicator of future performance. Total return shown for "VIF" has been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry fees or taxation

Returns are shown net of fees	Compound p.a. since inception	Total since inception	2 Year	1 Year	6 Month	1 Month
Microequities Value Income Fund (VIF)	18.84%	65.42%	14.23%	28.57%	13.91%	3.71%



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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 Value Income Fund returned 3.71% in December; this brings the total return net of fees to 65.42% for the Fund since inception in February 2019.

It was a quiet month for the Fund as we head into the New Year. Some specific updates from our portfolio companies included:

- **PTB Group (ASX:PTB)**, an engine maintenance business servicing propeller plane engines announced a new 3 year maintenance contract with a new customer in the Maldives. This is PTB's second major customer in the Maldives. PTB previously provided earnings guidance in November for 13-22% PBT growth in FY22 which appears conservative. PTB operates in a niche market but one which is still sizeable now PTB has gained a foothold in the US market. We estimate PTB still traded on a 6.6% grossed up dividend yield and 10x PBT multiple despite the share price performance over the past 18 months.
- We added a new position in a wholesale distribution business. 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 listed with 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 grow faster. At the IPO price the business trades on 10.7x FY22 PE and grossed up yield of 6.7% and we have added to the position post listing as the share price was down 10-15% at one stage.
- Our investment in another industrial wholesale distribution business made another strategic acquisition during the month. Management have not wasted the Covid period, by acquiring a number of strategic targets diversifying the business from reliance on any one supplier. We estimate the shares currently trade on less than 9x sustainable NPAT and 8% grossed up dividend yield.

Number of companies	45
Top 5 Holdings % of NAV	23.8%
Top 10 Holdings % of NAV	37.0%
Top 20 Holdings % of NAV	58.8%
Cash Position % of NAV	13.3%

Disclaimer: This communication has been prepared and 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.

This communication contains general information only and does not take into account investment objectives, financial situation or needs of any particular individual or entity. It does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to subscribe or purchase a unit in the Fund or any other financial product. Before acting on any information contained in this communication, you should consider whether it's appropriate to you, in light of your objectives, financial situation or needs.

While every effort has been made to ensure the information in this communication is accurate; its accuracy, reliability or completeness is not guaranteed and none of The Trust Company (RE Services) Limited (ACN 003 278 831), Microequities Asset Management Pty Ltd or any of their related entities or their respective directors or officers are liable to you in respect of this communication. A Product Disclosure Statement (PDS) issued in January 2019 is available for the Fund on the following website: <http://microequities.com.au/valueincomefund>

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.

The PDS and target market determination can be obtained by calling 02 9009 2900 or visiting our website <https://microequities.com.au/our-funds/value-income-fund/>