

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 31/07/2022

latest unit price (exit price) \$1.3969	return since inception (Feb 2019) 65.59%	return 1 month 9.20%
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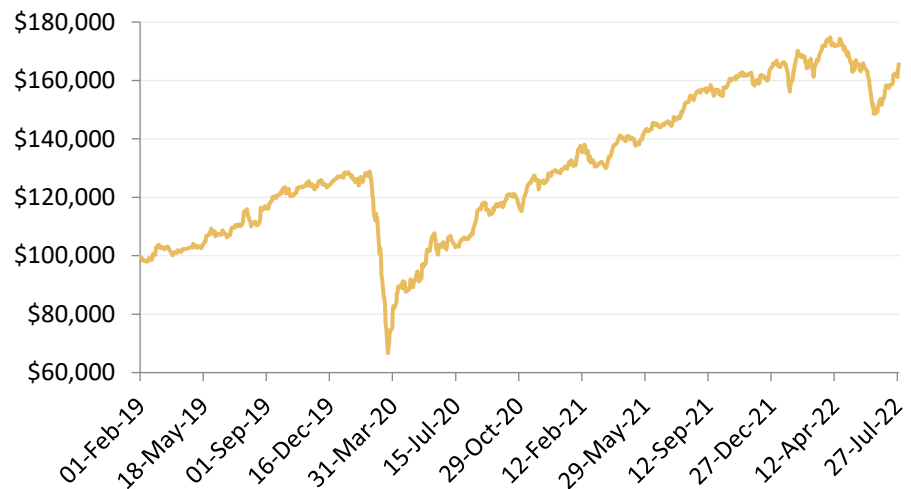


FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

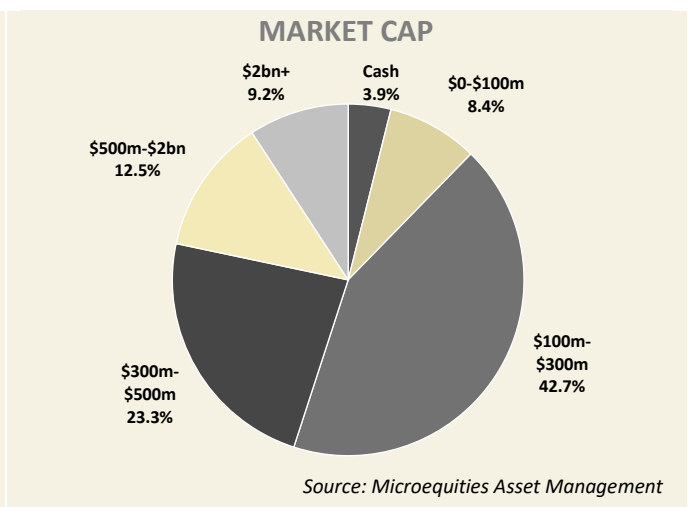
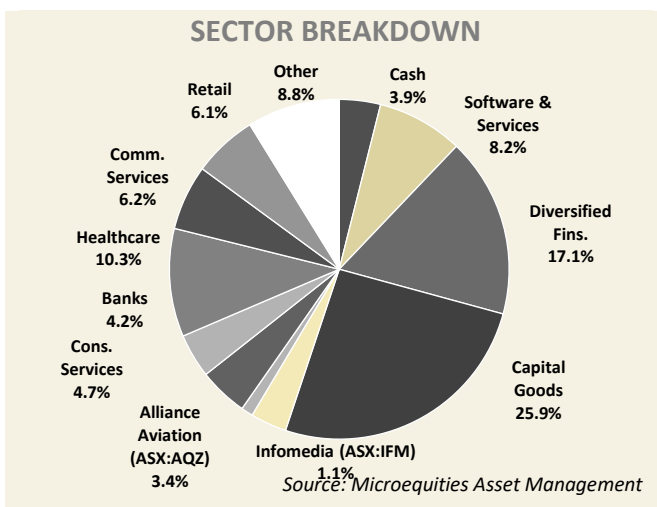
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > \$165,594



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	3 Year	2 Year	1 Year	6 Month	1 Month
Microequities Value Income Fund (VIF)	15.50%	65.59%	13.09%	25.07%	11.32%	3.63%	9.20%



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MARKET UPDATE AND COMMENTARY

Financial markets focus continued to be on inflation and central bank rates. July saw the US Federal Reserve raise rates by 75 basis points (rate range now 2.25 to 2.5%), the ECB raised its rates for the first time in 11 years from 0% to 0.5% and Australia's RBA increase rates by 50 basis points to 1.35%. All these movements were expected and flagged to financial markets. Thus, the real focus turned to the future direction of rates. The US Chairman Jerome Powell pointed the obvious (though you wouldn't think so if you have been reading gloom and doom recent headlines), the US was not in a recession and that there were early signals recent rate increases was moderating the pace of growth in the economy. The implication being, that future rate rises might be more tempered than what markets had feared. Domestically, our view is that the RBA will continue to raise rates and will have to increase them above the neutral level of 2.5% to tame inflation, that implies that rates are likely to move towards 3.0% over the next 12 months. Employment markets in both the US and Australia continue to exhibit very tight labour supply.

Microequities Value Income Fund returned 9.20% net of fees in July; this brings the total return net of fees to 65.59% for the Fund since inception in February 2019.

We exited our holding in **HUB24 (ASX:HUB)** that we received earlier in the year as part of the takeover of **Class Limited (ASX:CL1)**. We added one new business to the Fund which is potentially undergoing a spin-off which will unlock value.

In terms of trading updates across the portfolio:

- Consumer products business announced FY22 unaudited results just slightly below guidance provided at the 1H22 results, but we think it was a credible effort given FX and commodity price headwinds.
- Commercial services business with exposure to the strong labour market announced a strong 3c final dividend, totalling 6c for the year and up 43% on last year and reflective of the strong earnings growth. At the current share price, the dividend yield is 10.9% grossed up.
- Non-bank lender announced strong lending momentum with loan book growth of 20% in FY22. Bad debt remains under control and lower than pre Covid levels. We expect the company to maintain its full year dividend in line with the 1H, representing circa 12% grossed up yield at the current share price.
- **Maca Limited (ASX:MLD)**, mining services provider received a cash takeover from Thiess at \$1.025 per share, recommended by the board of directors. Our holding at month end represents 0.5% weighting.
- Our other holding in mining services, announced unaudited FY22 results showing a decent result in light of Covid impacts on labour availability. The company also announced a share buyback and confirmed its dividend payout intentions. We estimate the company is trading on less than 3x EBITDA and dividend yield of 8% grossed up.

Number of companies	45
Top 5 Holdings % of NAV	30.7%
Top 10 Holdings % of NAV	46.4%
Top 20 Holdings % of NAV	69.8%
Cash Position % of NAV	3.9%

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.

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<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/>