

# MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



## MONTHLY PERFORMANCE AS AT 30/06/2022

latest unit price (exit price) <b>\$1.3202</b>	return since inception (Feb 2019) <b>51.65%</b>	return 1 month <b>-8.27%</b>
---	--	---------------------------------

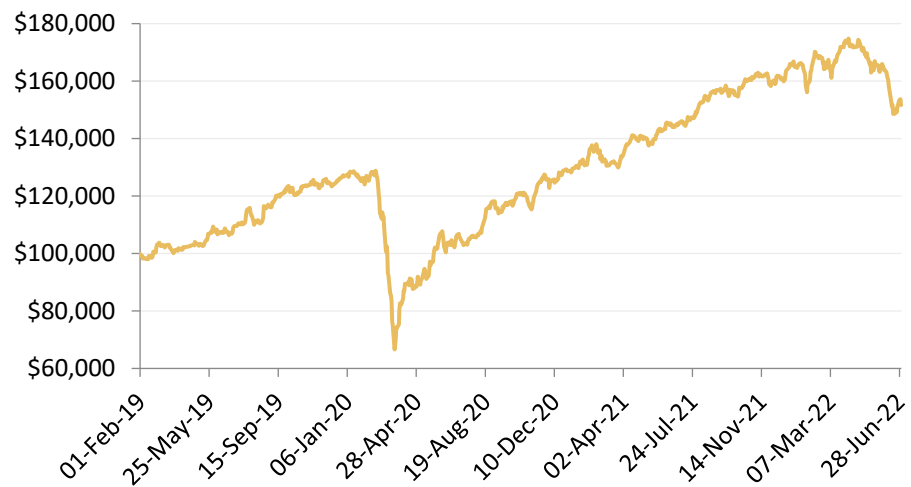


### FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

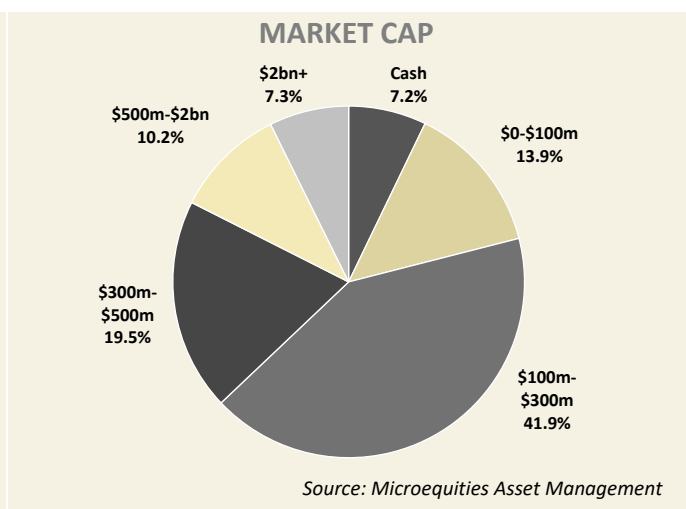
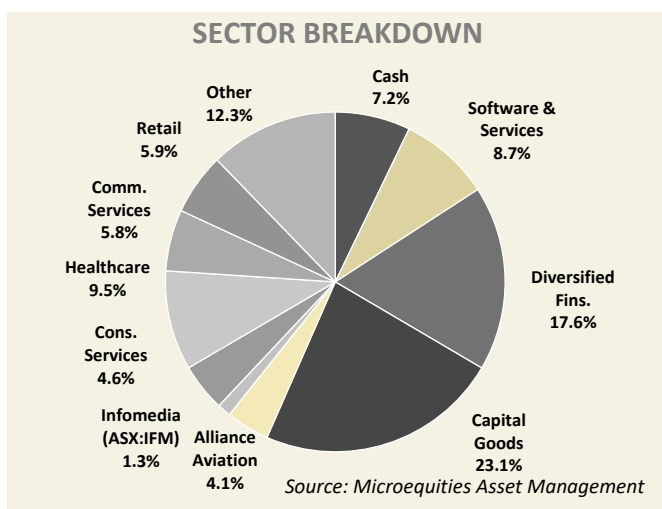
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

### VALUE OF \$100,000 INVESTED AT INCEPTION > \$151,648



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
<b>Microequities Value Income Fund (VIF)</b>	<b>12.96%</b>	<b>51.65%</b>	<b>12.29%</b>	<b>21.01%</b>	<b>4.42%</b>	<b>-8.33%</b>	<b>-8.27%</b>



# MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



## MARKET UPDATE AND COMMENTARY

An evolving and highly complex macroeconomic environment continued into June. Equity markets are now factoring in a much more aggressive monetary stance by central banks after the US Federal Reserve increased benchmark rates by 75 basis points to a range of 1.50% to 1.75%, with the Fed Reserve chairman indicating a further 50 to 75 basis points increase at the next meeting in July. Paradoxically equity markets have also almost fully priced in a potential recession which would mean an overly hawkish monetary policy is unsustainable over the medium term. Despite many widely expressed views on the likely macroeconomic direction of the major economies, a composed understanding of the major forces currently at play, make for a highly unpredictable set of economic outcomes. We are certainly facing sustained inflationary pressures and the required central bank response will be firm (we have previously argued central banks have been neglectfully tardy to raise) but we also have very buoyant labour markets, strong consumer demand and a world economy crawling its way towards a pre-Covid normalisation. Under such contradicting forces, only a brave or foolish economist would have a high degree of confidence in their economic outlook. What we do know is that equity markets are almost fully pricing in a recession and secondly, and that equity markets price in many recessions that never eventuate.

**Microequities Value Income Fund returned -8.27% net of fees in June; this brings the total return net of fees to 51.65% for the Fund since inception in February 2019.**

There were no changes to the portfolio holdings during the month, but it was a busy period in terms of company announcements.

- **Reckon Limited (ASX:RKN)** said the sale of its practice management divisions is now unconditional after FIRB and ACC approvals. We expect a special dividend of 50-55c per share to be declared in August.
- **Infomedia (ASX:IFM)** announced that it has now received non-binding offers from three interested parties. All parties are being provided access to a dataroom and we await further developments.
- Speciality retailer provided FY22 trading update showing sales growth despite cycling a strong FY21 comparison period. NPAT is only modestly lower, and the shares continue to trade on just 8x PE. Longer term we see growth from some store openings in NZ and growth in its online sales.
- Wholesale electrical components distribution business announced another upgrade to its FY22 guidance which now sits at 26% higher than the original guidance provided and shows 50% growth on FY21. The company is experiencing strong demand in its core markets and have taken market share from others. Trading on just 12x FY22 PE and a large net cash balance sheet, we see management executing on bolt on acquisitions and growing the business sustainably at high single digit organic growth rates.
- Automotive lender confirmed guidance and continued strong new lending volumes. Market prices have derated to just 8.7x FY22 PE as the market is pricing in net interest margin compression and recession risks. In response the business is actually achieving cost of funding savings and below long-term average credit losses.

<b>Number of companies</b>	<b>45</b>
<b>Top 5 Holdings % of NAV</b>	<b>30.0%</b>
<b>Top 10 Holdings % of NAV</b>	<b>46.0%</b>
<b>Top 20 Holdings % of NAV</b>	<b>69.0%</b>
<b>Cash Position % of NAV</b>	<b>7.2%</b>

**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/>