

# MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



## MONTHLY PERFORMANCE AS AT 31/05/2021

latest unit price (exit price) <b>\$1.3561</b>	return since inception (Feb 2019) <b>43.44%</b>	return 1 month <b>1.73%</b>
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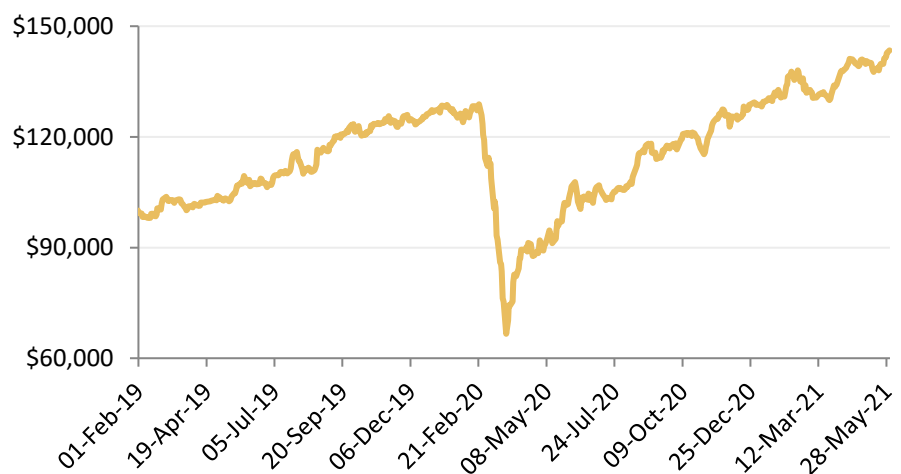


### FUND OUTLINE

Fund Manager: Carlos Gil  
(CIO)

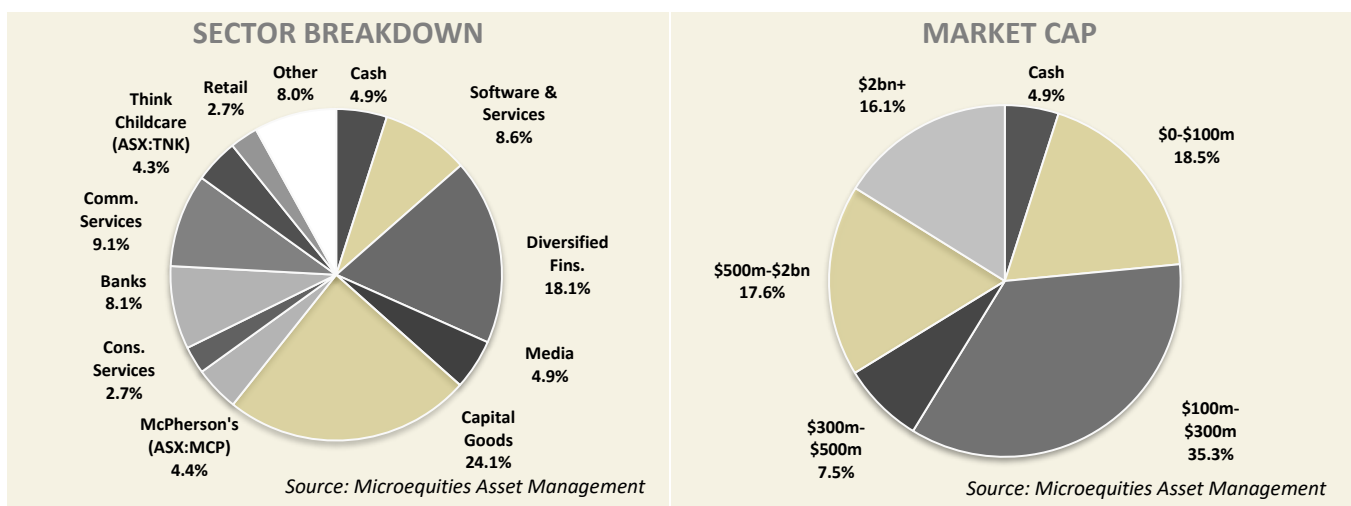
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$143,444**



*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
<b>Microequities Value Income Fund (VIF)</b>	<b>16.72%</b>	<b>43.44%</b>	<b>19.08%</b>	<b>41.43%</b>	<b>13.95%</b>	<b>1.73%</b>



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## MARKET UPDATE AND COMMENTARY

During the first quarter of 2021, China's economy expanded at an annualised pace of +18.3%, the fastest rate of growth since 1993. During the same period, its exports surged by +38.1%, but behind the numbers there are some structural clouds. Chinese Covid-19 containment gave it a first mover advantage as it reopened its massive industrial productive capacity a lot earlier than its Western competitors. Some of those competitors, like the US and parts of Western Europe are now coming back to full capacity intensifying the competition for industrial exports. Outside of its strong export performance, retail sales look seemingly impressive growing at +33.9% compared to the same period last year, but had only grown +1.86% quarter on quarter. Household income in China is still unbalanced with large differences between its urban and regional populations. The Chinese population growth rate is also slowing. During the month of May its annual population growth slowed to +0.53%, continuing its long-term structural decline. These elements will present significant challenges in China's long term economic growth journey, which in fairness has been an incredibly impressive one.

**Microequities Value Income Fund returned 1.73% in May; this brings the total return net of fees to 43.44% for the Fund since inception in February 2019.**

Consumer products company **McPherson's Ltd (ASX:MCP)** currently subject to an opportunistic indicative takeover offer from Arrotex Australia Group at \$1.60 conducted an investor day. Management laid out its 5 year plan to reach \$300m revenue and \$50m EBIT. Some aspects of the plan are more aspirational in nature and involve significant execution risk whilst cost rationalisation and domestic growth opportunities are realistically achievable.

We exited our holding in **Mortgage Choice (ASX:MOC)** as the share price neared the \$1.95 takeover offer from REA Group. We used the proceeds to add a new position in a business in the banking sector. This business we have followed for a long time is pursuing a more aggressive push to diversify its depositor and loan portfolio to the broader East Coast market. The business is managed conservatively and is starting to demonstrate much faster top line growth with a fixed cost base. We have bought this business on a forecast 7.6% grossed up dividend yield.

<b>Number of companies</b>	<b>39</b>
<b>Top 5 Holdings % of NAV</b>	<b>23.8%</b>
<b>Top 10 Holdings % of NAV</b>	<b>41.2%</b>
<b>Top 20 Holdings % of NAV</b>	<b>67.0%</b>
<b>Cash Position % of NAV</b>	<b>4.9%</b>

**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.