

# MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



## MONTHLY PERFORMANCE AS AT 31/05/2022

latest unit price (exit price) <b>\$1.4392</b>	return since inception (Feb 2019) <b>65.32%</b>	return 1 month <b>-3.65%</b>
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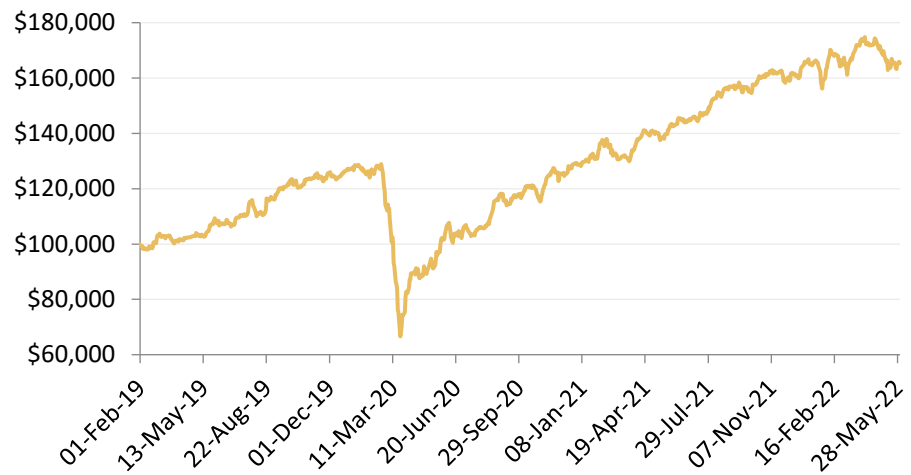


### FUND OUTLINE

Fund Manager: Carlos Gil (CIO)

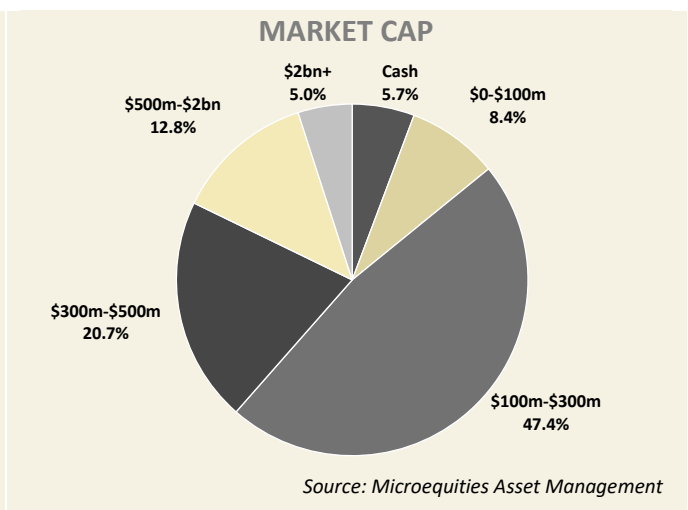
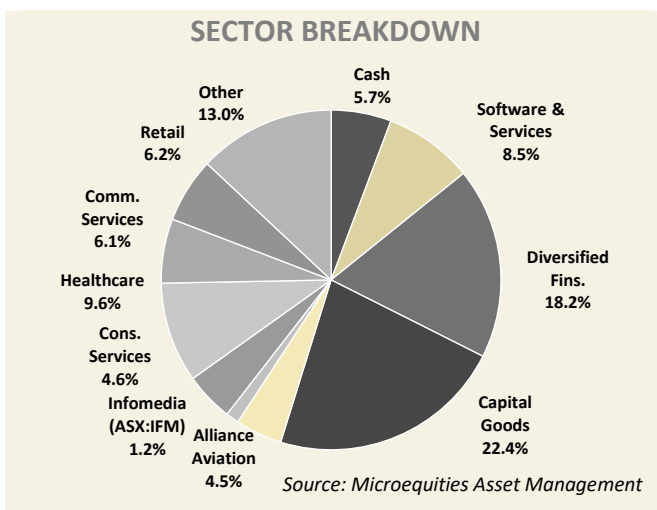
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

### VALUE OF \$100,000 INVESTED AT INCEPTION > \$165,318



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>16.28%</b>	<b>65.32%</b>	<b>14.77%</b>	<b>27.67%</b>	<b>15.25%</b>	<b>3.65%</b>	<b>-3.65%</b>



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## MARKET UPDATE AND COMMENTARY

The month saw global equity markets come under downward pressure as investors tried to understand the direction of long-term interest rates (and thereby risk-free rates), a variable input for intrinsic valuations of equity assets. From a sector perspective, fast growth technology companies and particularly those that are unprofitable are the most vulnerable to a significant increase in the risk-free rate. This is because the expected positive future cash flows are back ended and thus subject to a larger discounting effect. The US Federal Reserve remains ambiguous about its long-term view on rates. It is trying to balance inflation containment without overly damaging economic growth. Domestically, labour market figures published by the ABS reaffirmed what our anecdotal intelligence from company management teams have been telling us for some months, that Australia is at full employment and there is a significant labour shortage. Official data placed Australia's unemployment at 3.9%, well below the rate of where most economists place full employment at (5%). We note the labour markets in the US and UK are experiencing the same thematic.

**Microequities Value Income Fund returned -3.65% net of fees in May; this brings the total return net of fees to 65.32% for the Fund since inception in February 2019.**

The investment management team continues to take advantage of market price falls in the microcap and small cap segments of the market to add to our existing holdings. We added to our holdings in healthcare services, labour hire, enterprise software, and media. As a reminder to our fellow investors, the broad industry sectors of businesses within the Fund demonstrate the diversity of the underlying earnings and dividend sources for the Fund and that it is really company specific reasons for our conviction to add to these holdings.

Some notable announcements in the portfolio companies during the month included:

- **Reckon Limited (ASX:RKN)** announced the sale of its practice management software division for \$100m cash. We think this is an excellent outcome as the enterprise value of Reckon was just \$115m before the announcement and this division accounted for 40% of group EBITDA. We expect a large special dividend once this deal completes. This demonstrates some of the latent deep value in microcaps, especially those held within our Fund.
- **Alliance Aviation (ASX:AQZ)** announced it has agreed to an all scrip takeover by **Qantas Airways (ASX:QAN)** at \$4.75, representing 35% premium to the last price before the announcement. Qantas is a 19.9% shareholder already, and the deal requires ACCC approval given the potential to change the competitive landscape in Australia's aviation industry. We deem the offer opportunistic given the capacity expansion undertaken by Alliance which will only flow through to earnings in FY23 and FY24.
- **Infomedia (ASX:IFM)** announced two non-binding takeover offers, from TA Associates/Viburnum at \$1.70 and Battery Ventures at \$1.75, compared to \$1.28 before the announcements. Other suitors are also speculated to have expressed interest and we await for developments to play out.

<b>Number of companies</b>	<b>45</b>
<b>Top 5 Holdings % of NAV</b>	<b>29.2%</b>
<b>Top 10 Holdings % of NAV</b>	<b>45.8%</b>
<b>Top 20 Holdings % of NAV</b>	<b>69.6%</b>
<b>Cash Position % of NAV</b>	<b>5.7%</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.

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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.

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/>