

# MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



## MONTHLY PERFORMANCE AS AT 31/10/2020

latest unit price (exit price) <b>\$1.1124</b>	return since inception (Feb 2019) <b>16.51%</b>	return 1 month <b>-0.60%</b>
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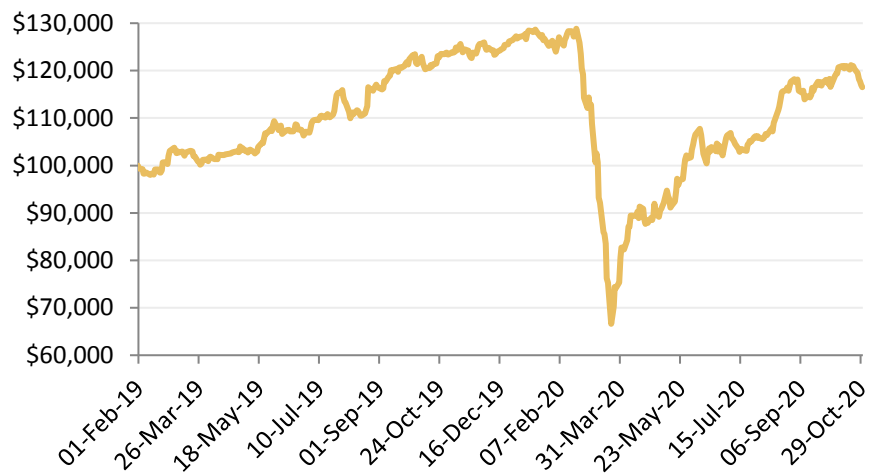


### FUND OUTLINE

Fund Manager: Carlos Gil  
(CIO)

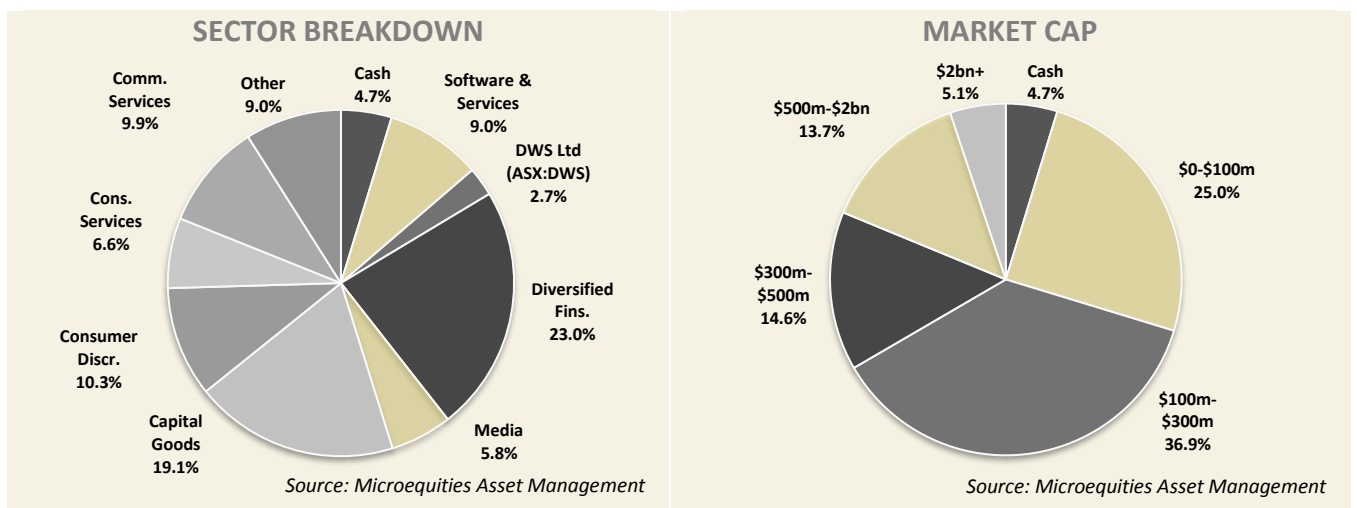
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$116,510**



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	Total since inception	1 Year	6 Month	1 Month
<b>Microequities Value Income Fund (VIF)</b>	<b>16.51%</b>	<b>-5.59%</b>	<b>26.70%</b>	<b>-0.60%</b>



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## MARKET UPDATE AND COMMENTARY

US third quarter GDP bounced back strongly to record a +7.4% increase on the prior quarter, or a historic +33.1% on annualised basis. The annual number should not be read literally; very much like the dramatic decline experienced in the second quarter of -31.4%, both of those numbers were very much driven by the disruptive effects of the Covid-19 shutdowns and consequent easing of those restrictions. Despite the strong third quarter growth numbers US output remains below pre Covid-19 levels. There were however some encouraging data points with private investment increasing +83%, including strong increases in equipment investment and consumption rebounding strongly. Challenges for the US economy remain though as a strong rise in a second wave of Covid-19 cases threatens to disrupt the recovery and the country anxiously awaits the outcomes of third phase clinical trials of vaccines. Domestically, Australia's third quarter GDP is also likely to have turned positive with the country likely to have come out of its first technical recession in almost three decades. The RBA is expected to continue to be extremely accommodative in its monetary policy and financial markets are anticipating another rate cut in November.

**Microequities Value Income Fund returned -0.60% in October; this brings the total return net of fees to 16.51% for the Fund since inception in February 2019.**

The Fund added three new constituents during the month which are discussed below. The investment management team was focused on the trading updates and AGM commentary that provided an insight into trading in the first quarter of the new financial year.

Our new investments include a financial software business that we think is undervalued and trading on 6% grossed up yield, a financial services business that has a long track record of free cash flow generation and dividend payments. We have acquired this business on a 9% grossed up dividend yield. The third new addition to the Fund is a consumer services business that has undergone an earnings turnaround and management have made it clear it will be resuming dividend payments in the near term. This business is trading below NTA, has a net cash balance sheet and recently received an indicative takeover from its largest shareholder which was rejected by the board.

A top 5 investee company conducted a capital raising during the month as it secured a strategic acquisition that expected to drive EPS growth over the medium term. The Fund participated in the capital raising and we expect a sustainable yield of 7% at current prices.

<b>Number of companies</b>	<b>35</b>
<b>Top 5 Holdings % of NAV</b>	<b>30.0%</b>
<b>Top 10 Holdings % of NAV</b>	<b>48.0%</b>
<b>Top 20 Holdings % of NAV</b>	<b>74.6%</b>
<b>Cash Position % of NAV</b>	<b>4.7%</b>

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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.