

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 30/09/2021

latest unit price (exit price) \$1.3793	return since inception (Feb 2019) 56.43%	return 1 month -0.27%
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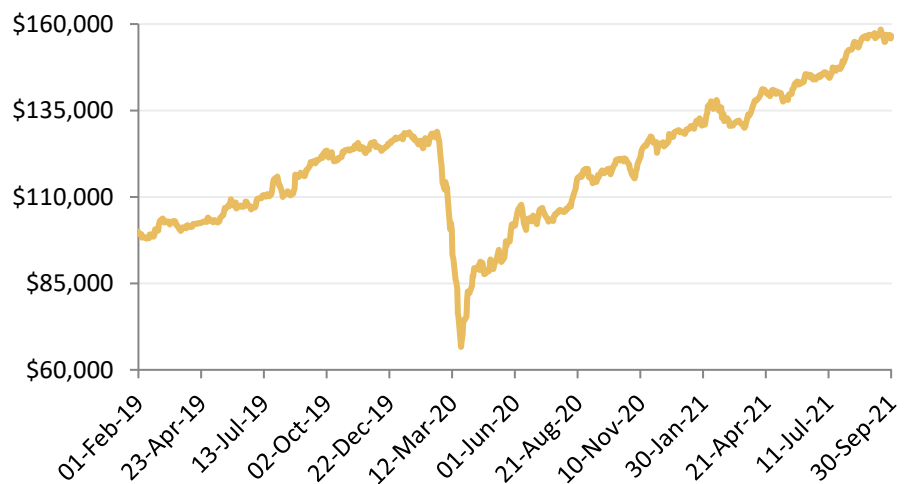


FUND OUTLINE

Fund Manager: Carlos Gil
(CIO)

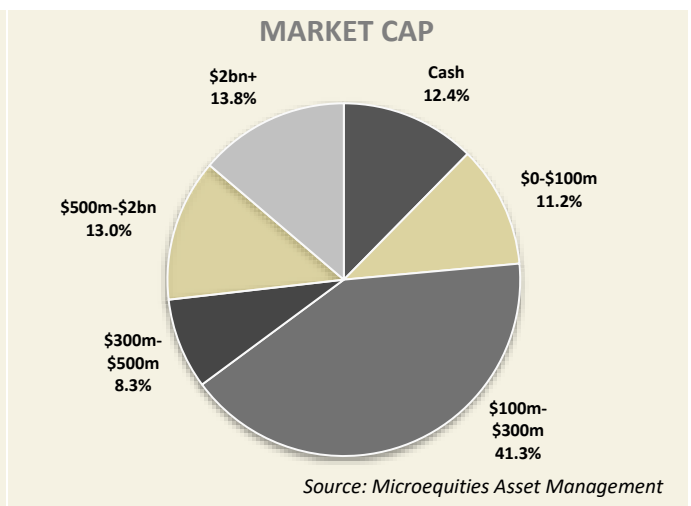
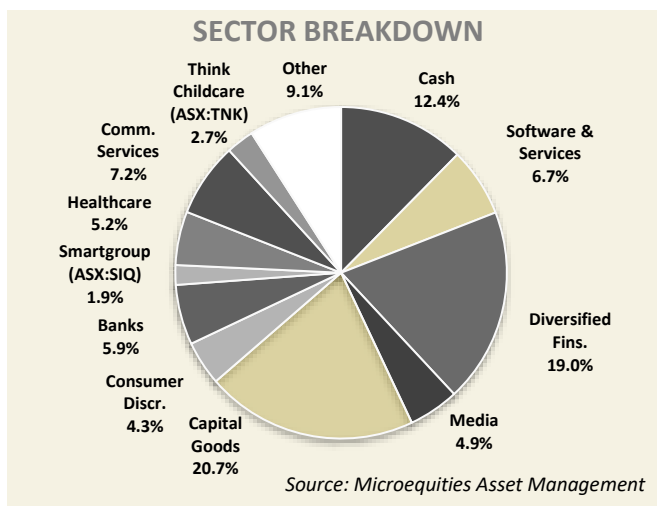
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$156,430**



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
Microequities Value Income Fund (VIF)	18.27%	56.43%	24.35%	33.45%	16.83%	-0.27%



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MARKET UPDATE AND COMMENTARY

China's overreliance on a bloated real estate industry that disproportionately accounts for about 29% of its GDP gave a strong reminder to Chinese government officials of the unsustainability and structural flaws in the economy. Evergrande's troubles may be the first crack of a real estate sector that China has unduly relied upon to partly fuel its astonishing economic growth. It is quite possible that the Chinese real estate sector is at an inflection point. Part of the reason for China's oversized real estate sector is its citizen's high savings propensity with a gross savings rate of 45%, compared that to the US which sits around 8%. One can appreciate the scale of the Chinese government's challenge. To have a consumer led economy, one's population must seek to consume. The western world's consumer led culture is more easily seduced by the myriad of products and services. Thus, its higher propensity to save (and invest) less. US Federal Reserve chairman Jerome Powell signalled to the market a continuum of a dovish monetary policy which will see tapering begin to be unwound in 2021 but no upward move on interest rates until 2022, possibly 2023.

Microequities Value Income Fund returned -0.27% in September; this brings the total return net of fees to 56.43% for the Fund since inception in February 2019.

During September, the Fund's holding in Smartgroup (ASX:SIQ) received a non-binding offer from TPG Capital consortium at \$10.35, 31.7% premium to the last traded price. SIQ is currently 1.9% of the Fund assets at month end and we think represents a reasonable outcome for our investors. We have started accumulating two new positions

- Healthcare distribution business which is in the final phases of a significant operational turnaround. We think the company is now finally on a sustainable dividend and earnings growth footing. On our estimate, we think we have bought this business on forward 9% grossed up dividend yield.
- Financial services business that is flying under the radar. We have bought this business on about 8.5% grossed up dividend yield. The business has made some personnel changes and modifications to its business model in recent times which we believe could be an inflection point to its earnings trajectory. It operates with significant headroom to grow, and trades at fractions of other listed peers.

Investors might note that our cash holding is relatively high at 12.4%. It is not a view of the market direction, simply there has been strong fund inflows during the month. We will look to deploy this over the coming month.

Number of companies	44
Top 5 Holdings % of NAV	20.6%
Top 10 Holdings % of NAV	35.4%
Top 20 Holdings % of NAV	58.9%
Cash Position % of NAV	12.4%

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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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.