



**Chairman's address
to the 2020 Annual General Meeting
Thursday 26th of November 2020**

I would like to welcome all shareholders to our third AGM as a publicly listed company.

FY20 stands out as one of the most turbulent years in the history of public stock markets. We saw unprecedented swings in the markets; many countries went into lockdowns and stocks gyrated wildly. Amidst this uncertainty, and at times panicked selling, Microequities demonstrated the resilience of our business and the value of upholding our long term growth investing ethos. Despite the turmoil in the markets our business maintained solid levels of cash flow generation, profitability, and dividends.

Some of the financial highlights of the FY20 year were:

- YoY **profit** rose 32% to \$3.344m;
- YoY **earnings per share** rose from 1.94c to 2.52c
- YoY **FUM** was constant (i.e. with a 0.4% increase)
- YoY **operating expenses** (ex employee share based payments) decreased 19.9%
- YoY **NTA** increased 11.83% to \$9.6m;
- The company paid **two 1 cent fully franked dividends** consistent with its dividend policy of paying out between 70% and 100% of our operating profit from investment management.

The performance of the business in FY20 paints a picture of strong cost control coupled with continued investment performance. We all owe a **big "thank you" to our staff** who continued to drive performance despite working from home for much of the year.

During the year Craig Shapiro, Independent Non-Executive Director, retired from the Board. I would like to thank him for his contribution to the company. We welcomed Dr. Alexander Abrahams to the Board in March, and he has already contributed immensely with his commercial experience.

Microequities has a very strong culture so it did not surprise me when our investment team held their nerve during the worst market volatility in living memory. I was however surprised, and pleasantly so, by the way our clients (many of which are also shareholders) held their nerve when the market crashed in March. As a result of your faith in Microequities we did not experience any meaningful funds outflow; and which many other fund managers experienced. Your loyalty and self-discipline as long term value investors needs no further praise because you have been appropriately rewarded for these attributes by our performance since the lows of March. I know that our investment management team is excited by the opportunistic investments they have made, and these will lay the foundation for more long term outperformance.

I thank all our shareholders for your continued support. As value investors we see FY21 as replete with buying opportunities, so we look forward to delivering investment outperformance and shareholder returns to you.

Leslie Szekely
Non-Executive Chairman



**CEO's address
to the 2020 Annual General Meeting
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I would like to welcome all shareholders to our 2020 AGM. It is unfortunate that we cannot see some of our shareholders in person today, but over the past year we have acclimatised ourselves to virtual meetings. We manage a business in which volatility and tumultuous market impacting events are part and parcel of setting realistic, credible, and probable scenarios. The unknowns are: what will be the nature of such events? and their specific timing, but occur, they will. To expect otherwise is to be reminiscent and dismissive of the evident repeating patterns of economic and financial market history. Given our funds management business was born in the GFC and two years later faced the European sovereign debt crisis our investment management team was acutely aware that there would be tremendous investment opportunities created by the temporal bouts of market panic and that those bouts are fugacious in nature. Covid-19 created the type of pricing dislocation that is seldom witnessed more than once in a decade. I am pleased to report that the investment management team worked extremely hard during the Covid-19 crisis to position our funds for significant outperformance over the medium to long term. Pleasingly, the results of their efforts have already begun to deliver strong outperformance, a vital ingredient for any funds management business. Pricing dislocation and continued market pricing inefficiency remain high and such conditions are favourable for value driven investors such as Microequities.

Strategy & Operations

Operationally the business has transitioned extremely well into a decentralised environment and have maintained our industry leading service levels for our clients. We remain highly operationally proficient. Notwithstanding that excellent performance it is the intention of management to return to a centralised hub environment as soon as it is safe for our staff to do so.

Strategically the company is continuing to explore organic growth opportunities. Whether any of these organic growth opportunities are ultimately pursued will depend on recruiting unique individuals that possess both the skills sets and alignment of values that we uphold.

Financial FY21 improvement continues

I am pleased to announce that the improvement experienced in the business from May 2020 to the end of FY20 has continued. The 1st quarter of FY2021 has seen our funds post both strong absolute returns and relative outperformance. Additionally, inflow patterns have also markedly improved. Inbound lead enquiry levels and investment intent are also showing promising signs with momentum continuing to build. Funds under management (FUM) has increased from \$341.4m at the close of FY20 to \$391.9m (as of 31st October 2020), up +9.8% compared to same time last year. These data points provide us with confidence that the business is well positioned for growth in FY21 though we must remind our shareholders that we will continue to a significant degree, be beholden to the vagaries of short term marked to market pricing given the direct impact on our revenues and therefore our financial performance. Alignment between our clients and the management team and directors has always been a hallmark of Microequities. I am pleased to report that the co-investment by management and directors has increased via significant top-up investments over the past 12 months and we now account for over \$50m of our FUM. We therefore continue to represent the largest client cohort of Microequities by some distance.

The investment management team continues to identify highly attractive investment opportunities for long term investment. Our asset class remains immersed in high levels of market pricing inefficiency with strong bifurcation of market pricing. The climate therefore continues to be fertile for our value driven investment process. These factors provide us with a significant investment opportunity set that could accommodate significant inflows into the Funds.

We look at the rest of FY21 with confidence. The past year has proven not only the resilience of the business but the remarkable loyalty of our client base. It is somewhat of a cliché axiom that out of crises great opportunities arise. For value investors like us, crises represent very rare high discount shopping sales. It would be fair to say we grabbed a fair number of bargains during the sale.

Carlos Gil
Chief Executive Officer

Microequities Asset Management Group Limited

About Microequities (ASX:MAM): Microequities is a boutique value driven Fund manager specialised in exchange listed industrial microcaps and small caps. Established in 2005 as an investment research house, the company expanded into funds management in early 2009 by launching its flagship fund - the Deep Value Fund. Today Microequities manages five open ended investment funds and has over \$350m of funds under management. For further information visit www.microequities.com.au

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