Chairman's address
to the 2022 Annual General Meeting
Thursday 10th of November 2022

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

Some of the financial highlights of the FY22 year were:

- YoY **FUM** rose 7% to $532.5m
- YoY **Recurring Revenue** rose 39% to $9.98m
- YoY **profit after tax** rose 1% to $14.1m
- YoY **earnings per share** rose from 10.76c to 10.79c
- YoY **NTA** decreased 5.7% to $18.83m
- YoY **client numbers** grew 25% to 956
- The company paid **8 cents in fully franked dividends** for the FY22 year, consistent with the dividend policy of paying out between 70% and 100% of our operating profit from investment management.

In line with market volatility, FY22 was a year of very mixed performance in our funds. The first half saw strong growth, which reversed in the 2nd half as interest rate rises bit heavily into asset prices. It is pleasing that, despite the significant market correction in the 2nd half, our FUM increased 7% YoY.

The 25% growth in client numbers, achieved under turbulent conditions, is a testament to our performance, our client service, and the loyalty of our clients. Our funds are actively positioned as being for long-term investors. The loyalty of our investor base and its proven ability to remain steadfast in the face of market corrections is a significant strength of Microequities. We are confident that this perseverance will be vindicated.

The level of M&A in the market generally and across many of the companies in our funds validated the investment management teams' focus and investment discipline. Given the substantial market correction which has occurred in recent months, a very large portion of our holdings are currently trading well below intrinsic valuations. As the market recovers, this provides the prospect of an increase in our FUM and material gains for existing and new investors.

The **Value Income Fund retail product** launched in FY19 continues to gain traction in the market and has reached profitability. It has passed various hurdles of ratings agency reviews and additions to advisor approved lists and wrap platforms. Retail products require time to gain the support of the platforms and rating agencies which are the prerequisites to gaining the support of financial advisors. We are thus optimistic that the Value Income Fund will grow in profitability over time.

The Private to Beyond the IPO Fund is being actively deployed in market conditions that provide a plethora of undervalued opportunities to create future wealth for our clients and shareholders. Having raised an additional $20M during the year, the Fund is currently closed and there is an active waiting list of interested investors for when it reopens. With the initial success of this Fund, Microequities is on a path to becoming a material player in the private equity space and a more broadly based alternative equities business.

Our tight cost management policy resulted in a reduction in the ratio of ongoing operating expenses to recurring revenue to 40.37%. Coupled with the 25% growth in client numbers, the business is in a strong position to weather any further market turbulence. Meanwhile the business is leveraged to profit from improved market conditions.

I would like to thank all our shareholders for your continued support. We look forward to continuing to deliver investment outperformance for our clients and delivering returns to our shareholders.

Leslie Szekely
Non-Executive Chairman

CEO's address to the 2022 Annual General Meeting Thursday 10th of November 2022

I would like to welcome all shareholders to our 2022 AGM. I appreciate the opportunity to address some of our shareholders in person following two years of Covid-induced virtual AGMs. At last year's AGM I recounted how our investment management team took advantage of the pricing dislocation opportunities that a global pandemic inflicted. We have managed wealth though a GFC, a European sovereign debt crisis, a global health pandemic and now through a new bear market as central banks around the world reset their monetary policies in an attempt to contain inflation.

In relative terms, this new market cycle chapter is a lot more familiar to us. Inflation and rising interest rates are not a new phenomenon. Both have been studied and observed since the birth of economics as a separate discipline in the 18th century. Comparatively, the onset of Covid had a lot of potential severe unknowns, both economic and societal. What is strikingly similar though about this new market event is the severe pricing dislocation we are observing in our asset class. Across our Funds, we are seeing some investee companies trading at deeply discounted market prices, reflecting a complete disassociation to fundamental valuations. In such an occurrence, we have often seen private equity come in to capture that valuation gap notwithstanding the fact they will pay large premiums on top of the discounted market prices. This is already happening with some of our technology-centric companies and should mark-to-market prices not rise materially, we would expect further M&A interest in many of the investee companies going forward.

Our investment tenets centred on buying profitable, growing, undervalued companies, and owning them for a long period of time comes into its own under the current market conditions. We are capturing value, that will ultimately deliver strong returns to our fellow clients and that is the foundation for our reason of existence and our value proposition to our fellow clients.

Continue to navigate through an equity bear market

Our strategy since the beginning of this bear market which begun in the middle of 2H22 is simple. 1) Continue to invest in growth and acquire new FUM; for we know that investors that commit capital to our Funds are capturing tremendous value that will deliver outstanding long term returns. 2) Consolidate and seek to grow our total client numbers; 3) Maintain our superb client service delivery levels that our clients have come to expect from us.

Business trading solidly through the market downturn

Despite the challenging market conditions since the middle of 2H22, our business continues to trade profitably, and our recurring income remains stable with the cadence of net inflow/outflow patterns pleasing for this phase of the market cycle. Our retail Value Income Fund, which had been loss-making for the first three years of its life, is beginning to scale and recently reached profitability. This Fund is now making a positive earnings contribution to the business. It was also recently upgraded by ratings firm Lonsec to a Recommended rating, which we believe will add further momentum to inflow growth. Given the outstanding quality of our portfolio of investee companies and the current market dislocation, we look to the future with confidence. This is an environment, in which active Fund managers like us capture huge value that will sprout future returns. In a world in which capital will become scarcer and more expensive, our long held and unmovable investment tenants are more relevant than ever.

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 $500m of funds under management. For further information visit www.microequities.com.au

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