

13 August 2020

ASX MEDIA RELEASE

Microequities Asset Management Group Limited (“Microequities”) NPAT +32% in challenging conditions, 1 cent fully franked dividend declared

Strong absolute returns and outperformance by our funds including our Microequities Deep Value Fund helped deliver an increase in NPAT of +32% to \$3.3m for FY20 versus \$2.5m in FY19. Significant M&A activity within our portfolios confirmed our previous assertions that our asset class remains price inefficient. The investment management team continues to find significant pricing dislocation creating exciting investment opportunities that will drive long term returns for our clients. Our FUM has remained stable despite the large market correction experienced in 2HFY20.

	FY20 Total Return	Outperformance
Microequities Deep Value Fund*	+13.21%	
ASX All Ordinaries Accumulation Index	-7.21%	+20.42%
ASX Small Ordinaries Accumulation Index	-5.67%	+18.88%

* Microequities Deep Value Fund FY20 return net of all fees

Covid-19 provides a platform to demonstrate strong value proposition

Covid-19 will not affect all companies equally and the resultant impacts will vary greatly both across industries and companies within industries. It is against a backdrop of such disparity of outcomes that highly discretionary capital allocation, active funds management for the lack of a better term, can provide very meaningful value for investors. Our investment team is resolute by the opportunities that have arisen and will undoubtedly arise as the pandemic crisis evolves throughout its lifecycle.

Summary Profit or Loss Statement (\$000's unless stated)	2020	2019	% change
Funds Under Management (\$m)	341.4	340.1	0.4%
<u>Operating profit from investment management</u>			
Recurring revenue ⁽¹⁾	5,842.0	6,438.3	-9.3%
Ongoing operating expenses ⁽²⁾	-2,567.1	-3,078.7	19.9%
Operating profit from management fees	3,274.8	3,359.6	-2.5%
<u>Reconciliation to reported net profit after tax</u>			
Performance fee income	1,469.6	960.4	53.0%
Interest & other revenue	439.7	456.7	-3.7%
Other income and gains/(loss) on investments	93.1	-387.2	124.0%
Employee share based payment expense	-346.3	-563.9	63%
Tax expense	-1,320.7	-999.9	-24.3%
Profit attributable to non-controlling interests	-265.9	-292.7	-9.2%
Profit from ordinary activities after tax attributable to the owners of Microequities Asset Management Group Limited	3,344.4	2,533.0	32.0%
Client Numbers (units)	734	764	-3.9%
Ongoing operating expenses to recurring revenue	43.9%	47.8%	-8.1%

⁽¹⁾ Represents management fees

⁽²⁾ Excludes costs related to the employee share based payment expense



CAPTURING VALUE
DELIVERING RETURNS

Dividends

The Board of Microequities Asset Management Group Ltd is pleased to declare a one cent per share fully franked dividend. The dividend payment is consistent with the dividend policy of the company, which is to pay between 70% to 100% of the cash operating profit from the investment management operations.

Balance Sheet

The Group's balance sheet was further strengthened during FY20 with Net Tangible Assets rising from \$8.6m in FY19 to \$9.6m as at the close of FY20. The business remains free of financial debt and has recently deployed balance sheet capital to take advantage of the strong return opportunities available within the Microequities Funds.

FY21 looking ahead

Despite the strong FY20 results, management and the board have taken the opportunity to review all aspects of the business with the objective of being self-critical and appraising what we can do better. There is plenty of scope for improvement and intense focus during FY21 will be placed on our business development and marketing activities. To leverage our strong track record in investment performance we will take on new business development and sales initiatives and continue to intensely focus on their efficacy.

Whilst we expect to face a challenging economic climate throughout FY21, the benefits of an asset class that contains constituents that can grow under any part of the economic cycle combined with the capability and experience within our investment management team provides us with confidence that will continue to deliver strong value to our clients. Our business has a platform structured for growth and will strive to deliver that growth.

We take this occasion to thank our clients, shareholders and colleagues who work tirelessly alongside us as we endeavor to achieve our objectives.

Carlos Gil
Chief Executive Officer, Chief Investment Officer

13 August 2020

This announcement has been authorised for release by the Board

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