

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 30/09/2022

latest unit price (exit price) \$1.3617	return since inception (Feb 2019) 61.42%	return 1 month -5.20%
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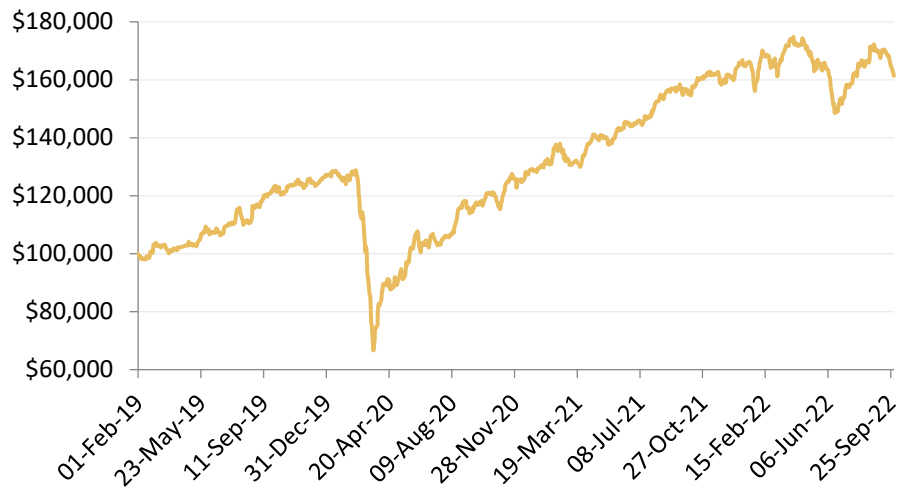


Fund Manager: Carlos Gil (CIO)

FUND OUTLINE

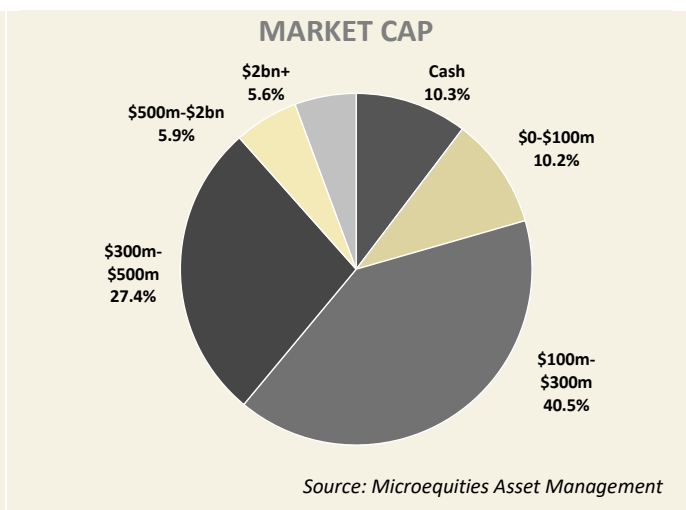
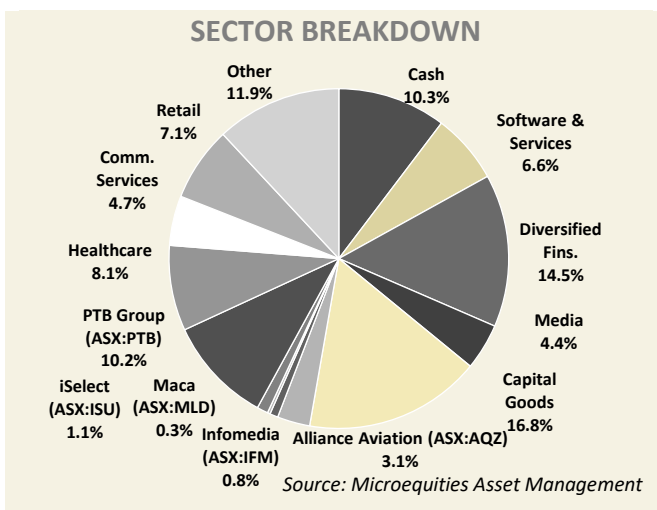
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe. Investors should refer to the [TMD](#) for further information.

VALUE OF \$100,000 INVESTED AT INCEPTION > \$161,418



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	3 Year	2 Year	1 Year	6 Month	1 Month
Microequities Value Income Fund (VIF)	13.95%	61.42%	9.40%	17.35%	3.19%	-7.28%	-5.20%



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MARKET UPDATE AND COMMENTARY

Whilst it is possible that US headline inflation has peaked, it is highly unlikely to return to the target 2-3% range anytime soon. If we remove the currently highly geopolitically driven inputs of oil and food prices (both intimately related) wage growth and wage expectations are unlikely to come down rapidly. This is not only due to the fact the US labour market is extremely tight, with a 3.7% unemployment rate and an economy that created 300,000 jobs in August, but the reality is that wage setting expectations in the market have structurally shifted as a result of both the tight labour market and the high headline inflation rate. The wage price feedback loop is a real phenomenon and can set the basis for embedding a structural element in wage increases that will take many years to unwind. The good news so far is that real wage increases (removing the impact of inflation) have been negative in most economies including Australia. Job creation in the US and Australia will very likely slow down over the next 12 months and should lead to an increase in the unemployment rate and cooling of a very tight labour markets that will weaken though not entirely remove the wage price feedback loop.

Microequities Value Income Fund returned -5.20% net of fees in September; this brings the total return net of fees to 61.42% for the Fund since inception in February 2019.

There were no changes to the constituent companies in the Fund during the month aside from increasing our weighting across several holdings in consumer services, enterprise software and mining services. Investors will also note our cash weighting is circa 10%, due to strong net inflows into the Fund. This is above where we would typically run the cash levels at and positions us well to capitalise on share price falls in recent weeks.

Notable developments during the month for the Fund include

- We continue to build our position in an enterprise software business at significantly depressed valuation. This business has a high level of recurring revenue, sticky customer relationships with typically 10 year plus contracts and a net cash balance sheet. In recent years, a lack of large new contract wins has seen compression in its profit margins. Its share price is down 25% over the past 5 years and now trade at just 12x PE. We see downside protection by way of the significant discount to intrinsic valuation, clean balance sheet and rebased earnings level. Near term there are large new contract opportunities.
- **Maca Limited (ASX:MLD)** \$1.075 cash offer from Thiess has gone unconditional. We have accepted the offer and expect to receive cash proceeds in October.
- During the month, we attended an investor day event for one of our largest holdings. This position has been slowly built to now a 4.4% weighting, being a top 10 position. We were very impressed with the senior management team and laser focus on business process and internal growth opportunities. We see a multi-year growth story here and the current earnings multiple is just 11x PE with a 7.5% grossed up dividend yield.

Number of companies	45
Top 5 Holdings % of NAV	31.2%
Top 10 Holdings % of NAV	45.4%
Top 20 Holdings % of NAV	65.3%
Cash Position % of NAV	10.3%

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.

This communication contains general information only and does not take into account investment objectives, financial situation or needs of any particular individual or entity. It does not constitute financial, tax or legal advice, nor is it an offer, invitation or recommendation to subscribe or purchase a unit in the Fund or any other financial product. Before acting on any information contained in this communication, you should consider whether it's appropriate to you, in light of your objectives, financial situation or needs.

While every effort has been made to ensure the information in this communication is accurate; its accuracy, reliability or completeness is not guaranteed and none of The Trust Company (RE Services) Limited (ACN 003 278 831), Microequities Asset Management Pty Ltd or any of their related entities or their respective directors or officers are liable to you in respect of this communication. A Product Disclosure Statement (PDS) issued in September 2022 is available for the Fund on the following website: <http://microequities.com.au/valueincomefund>

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.

The PDS and target market determination can be obtained by calling 02 9009 2900 or visiting our website <https://microequities.com.au/our-funds/value-income-fund/>