

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 30/11/2022

latest unit price \$1.3245	return since inception (Oct 2017) 58.04%	return 1 month 16.00%
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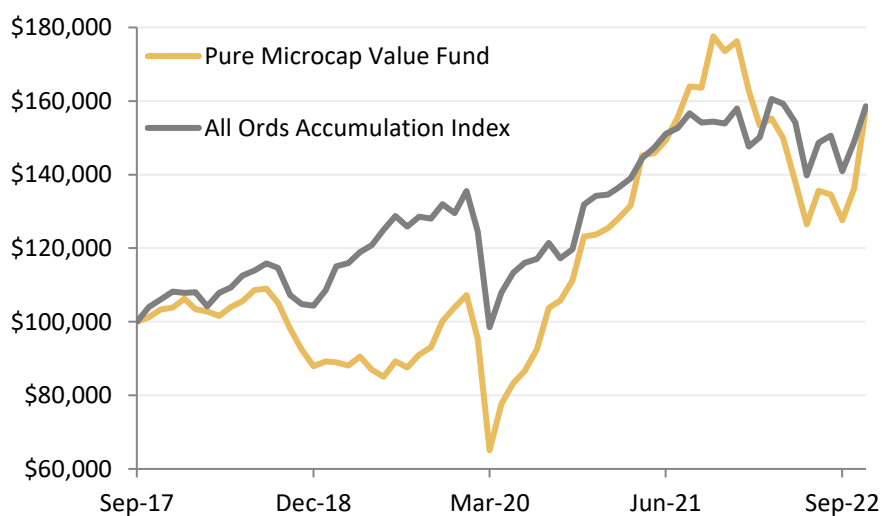
FUND OUTLINE

Fund Manager:

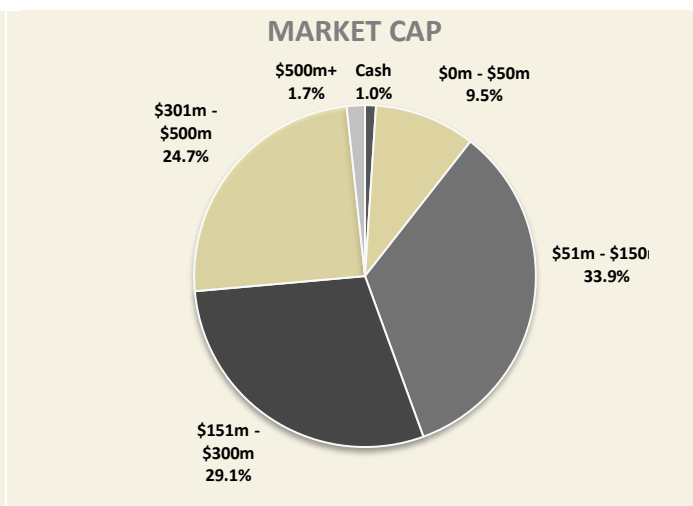
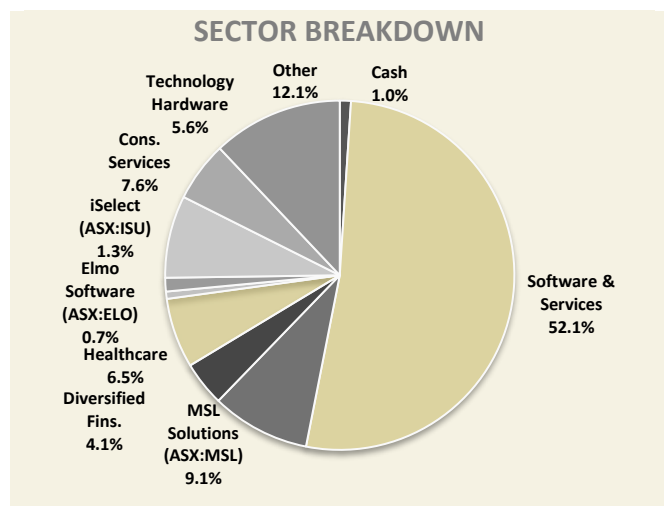
Carlos Gil (CIO)

The Pure Microcap Value Fund is a wholesale fund investing in a portfolio of undervalued, profitable and growing ASX microcap companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$158,038**



	Compound p.a. since inception	Total since inception	5 Year	3 Year	2 Year	1 Year	1 Month
PMVF	9.26%	58.04%	8.87%	16.41%	13.29%	-8.93%	16.00%



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MARKET UPDATE AND COMMENTARY

Financial markets continue to postulate that the US Federal Reserve will begin to taper the size of interest rate increases as the heat comes off the US labour market. The thesis was further strengthened after minutes from the last Federal Reserve meeting were released stating “A substantial majority of participants judged that a slowing in the pace of increase would likely soon be appropriate”. We kindly doubt there will be a pivot. Chairman Powell has been consistently hawkish in all his recent public announcements whilst Richmond Federal Reserve Bank president Thomas Barkin has publicly pronounced additional tightening and St Louis Fed president James Bullard has also reaffirmed the need for further tightening. Supply chain issues continue to persist and will contain deflationary pressures whilst China incurs another Covid induced lockdown that will not help. Domestically the Australian labour market remains buoyant with the Australian economy creating 32,000 jobs during the month of October and taking the unemployment rate to a half century low of 3.4%. The Australian labour market is extremely tight and the risks of further wage growth very high. The RBA will raise rates at its next December board meeting, but we think it unlikely to deviate from its 25-basis points path, at least at this meeting.

Microequities Pure Microcap Value Fund returned 16.00% in November; this brings the total return net of fees to 58.04% for the Fund since inception in October 2017.

During the month, EFTPOS payments business **Smartpay Holdings (ASX:SMP)** reported 1H23 results with revenue growth of 68% to \$35.4m and EBITDA growth of 116% to \$8.1m. All metrics such as new terminal additions, revenue per terminal and gross margins are all outperforming expectations. Marketing spend has been stepped up and in the most recent quarter Smartpay showed accelerating new terminal additions. We remain long term supportive shareholders and believe the business can scale to many multiples of today’s market price through continued organic execution. We also received the 57c special dividend from **Reckon (ASX:RKN)** as part of its asset sale.

One of the Fund’s largest investments **MSL Solutions (ASX:MSL)** entered into a scheme implementation agreement with private equity firm Pemba Capital Partners at 29.5c per share cash. This represented a 61.6% premium to the last undisturbed price. At the end of the month, MSL represented 9.1% weighting in the Fund. This is a clear demonstration of the severe undervalued nature of the businesses within the Fund and sooner or later, without a re-rating in the share price, we expect further M&A suitors to pop up and target these undervalued companies.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+24.2%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+30.7%

Number of companies	39
Top 5 Holdings % of NAV	46.7%
Top 10 Holdings % of NAV	65.7%
Top 20 Holdings % of NAV	87.0%
Cash Position % of NAV	1.0%

Important information: This information is not intended to be financial advice. Past performance is not indicative of future performance. Microequities Asset Management Pty Ltd is a corporate authorised representative, number 462438, as appointed by Microequities Asset Management Group Limited holder of AFSL number 287526. Application for units in the Fund is limited to investors that are wholesale or sophisticated investors within the meaning of Section 761G(7) and 761GA(7) of the Corporations Act 2001.