

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 31/12/2022

latest unit price (exit price) \$1.3877	return since inception (Feb 2019) 64.51%	return 1 month -1.96%
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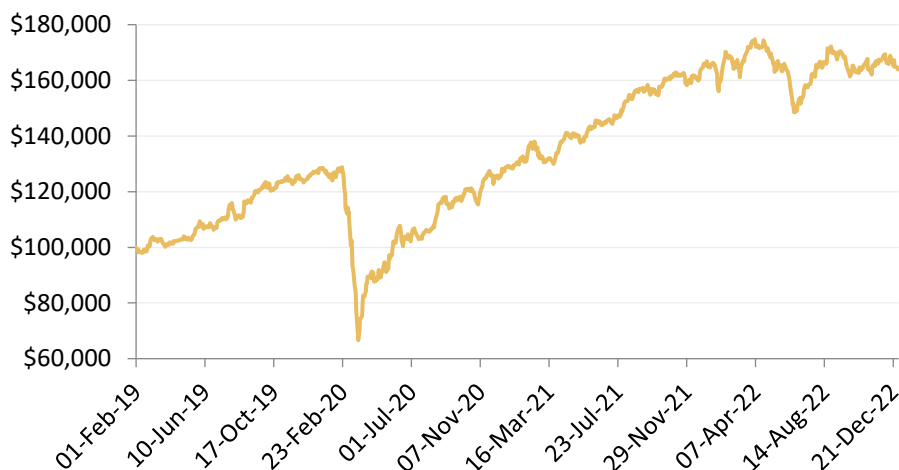


Fund Manager: Carlos Gil (CIO)

FUND OUTLINE

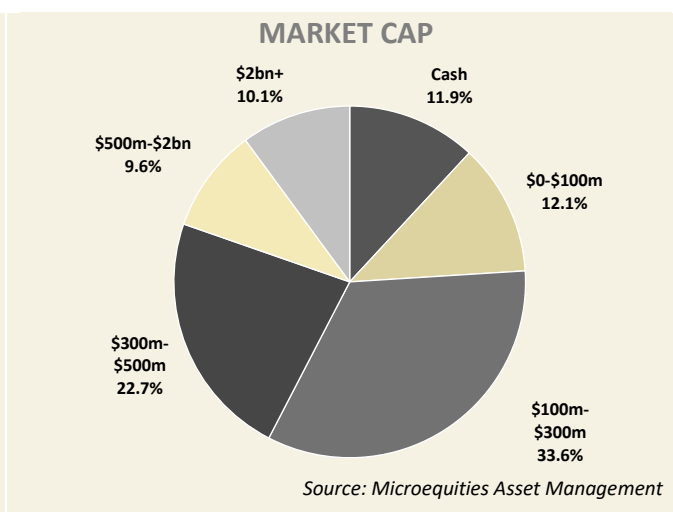
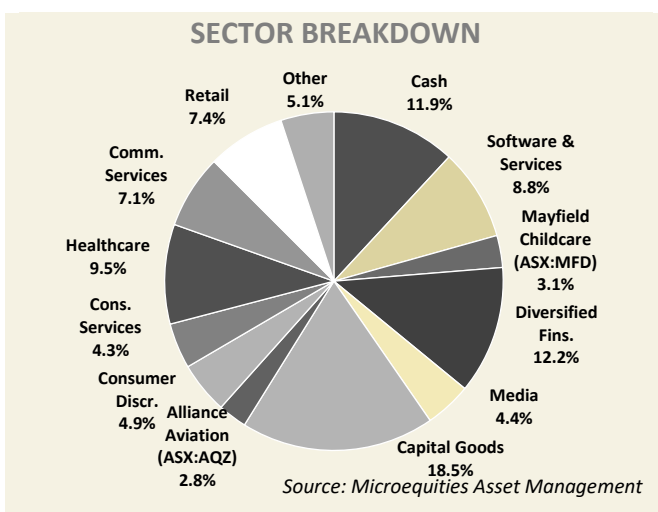
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the 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 > \$164,508



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)	13.55%	64.51%	9.07%	13.08%	-0.55%	8.48%	-1.96%



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MARKET UPDATE AND COMMENTARY

China has taken the painful but ultimately wise decision to drop its Covid-19 Zero tolerance policy. Better to change course late than to stubbornly continue in the wrong direction. While the policy shift will have large human and economic costs over the short term, over the long term it will recalibrate China's economic growth foundations to give the country a more robust platform for sustainable economic performance. The world should see the economic benefits of this social health policy reset by the end of 2H23 with better supply chain performance from the world's largest manufacturer, reopening of travel borders and a more internationally engaged China. By 1H24, China's economy should look a lot more like its pre-Covid self and GDP growth should be at +5%. Domestically, despite the gloom and doom headlines, we do not expect Australia's economy to enter into a recession. The reopening of international borders will have significant economic benefits for Australia's two biggest service export industries: education and tourism. Additionally, net immigration flows (a key engine in Australia's long term economic outperformance) will provide a further boost. These forces will help Australia cushion the negative impact of rising interest rates though we do expect GDP growth to slow down to the 1.5%-2.0% range.

Microequities Value Income Fund returned -1.96% net of fees in December; this brings the total return net of fees to 64.51% for the Fund since inception in February 2019.

During the month, we received cash proceeds from **PTB Limited (ASX:PTB)** and **iSelect (ASX:ISU)** after the completion of their respective takeover offers. This is the predominant reason for the abnormally high closing cash weighting at 11.9% and does not represent a view on the market direction.

M&A activity continued during December with our holding in **Mayfield Childcare (ASX:MFD)** subject to two non-binding indicative offers. Mayfield is a relatively small operator of childcare centres across Australia. The first offer came from its largest shareholder at \$1.28 cash, a 32.6% premium to the last undisturbed price. The second offer is from Busy Bees at \$1.35 cash. Busy Bees is backed by the Ontario Teacher's Pension Fund and was an acquirer of Think Childcare (which Microequities funds were substantial shareholders) in 2021 after a protracted back and forth takeover battle.

In terms of the other holdings inside the Fund, we continued to top up our holdings in B2B software, mining services, specialist retail and commercial services. We also exited one of the large four banks and replaced it with another, which represented superior relative value on a PE ratio, price to book ratio and dividend yield basis. The only new addition to the Fund was a consumer staples company we have watched for some time. The business has transformed in the past 3-4 years with 3 distinct and sizeable divisions each with reasonable growth but more importantly sustainable dividend income at circa 7.5% grossed up on a trailing 12 month basis.

Number of companies	41
Top 5 Holdings % of NAV	26.6%
Top 10 Holdings % of NAV	41.2%
Top 20 Holdings % of NAV	63.3%
Cash Position % of NAV	11.9%

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/>