

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 31/01/2023

latest unit price (exit price) \$1.3970	return since inception (Feb 2019) 69.42%	return 1 month 2.98%
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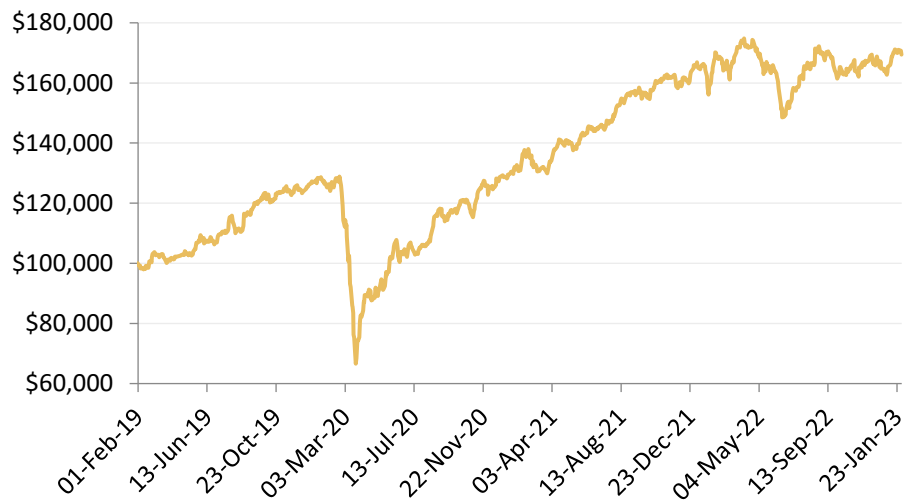


Fund Manager: Carlos Gil (CIO)

FUND OUTLINE

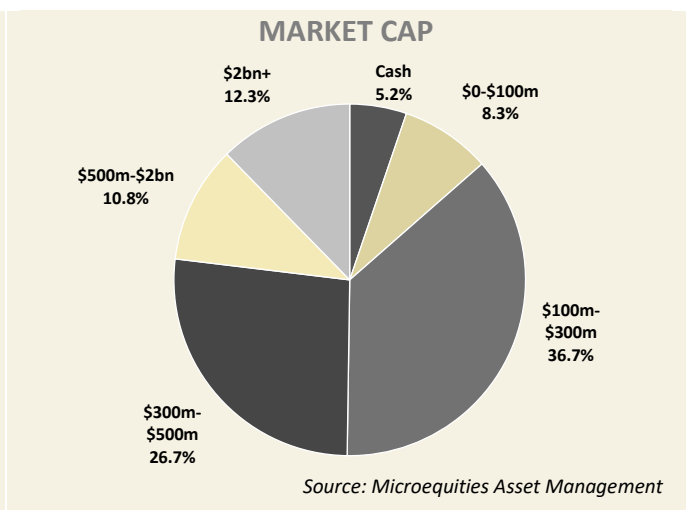
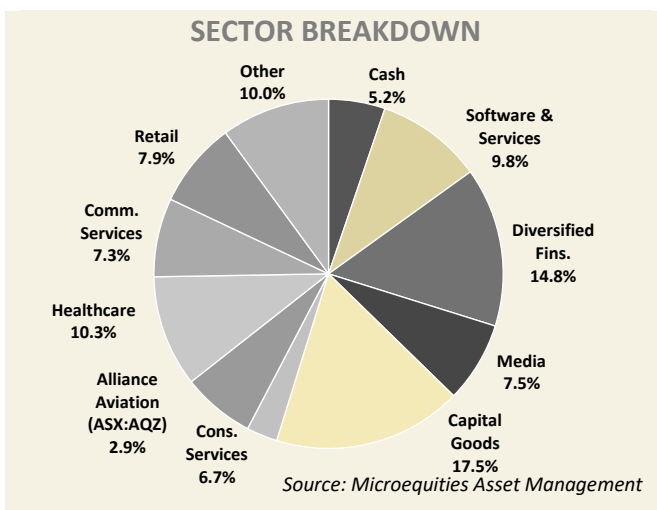
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the 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 > **\$169,415**



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)	14.09%	69.42%	10.29%	13.69%	6.02%	2.31%	2.98%



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MARKET UPDATE AND COMMENTARY

The Covid impacted Chinese economy grew at 3% in 2022, the second slowest growth rate since 1976. The disruptive effects of Covid waves and ensuing shutdowns created havoc in its manufacturing sector, whilst consumer retail spending slumped. Fortunately, the government has dropped its zero Covid policy, a painful but ultimately wise decision that should put China on a pathway to a more normalised +5% GDP growth rate. The early signs are positive, with the country bouncing back more quickly than expected and given the pent-up savings, pent up demand, travel and economic activity should bounce back strongly in 2023. In financial markets, the lower core US inflation helped to boost sentiment that future Federal Reserve rate increases will be at the 25 basis point level and not 50 basis points. The Fed had increased rates by 75 points, four consecutive times, with the December increase coming in at 50 basis points. Markets have been building expectations that 2023 rate rises will be limited to 25 basis points as the Fed sees increasing evidence of an inflationary slowdown.

Microequities Value Income Fund returned 2.98% net of fees in January; this brings the total return net of fees to 69.42% for the Fund since inception in February 2019.

Investors will note the Fund cash position is back at a more reasonable level circa 5%. During the month we added three new positions in financial services, media, and healthcare services. All three businesses are strong free cash generating businesses trading on very modest valuations but have clear earnings growth prospects either through a large acquisition pipeline, internal new product development or existing low market share.

In terms of M&A activity updates, we note one of the interested parties in **Mayfield Childcare (ASX:MFD)** has withdrawn its non-binding offer after the company was unwilling to provide exclusivity. They have also indicated that as an existing shareholder, they will not be accepting into any other offers therefore making a rival bid less likely to succeed. There is still one other interested party, Busy Bees, that previously put forward a non-binding offer at \$1.35. We await further updates on the situation.

Two of our media companies reported significant developments with one selling off a non-core asset. The other niche media business announced a solid trading update showing continued earnings rebound off Covid lows. EBITDA is expected to be up 15% in 1H13 and revenue up 11%. The market price whilst up strongly during the month continues to reflect depressed valuations and we think a combination of share buyback and an increase in dividends will help narrow the valuation discount.

In terms of the other holdings inside the Fund, we continued to top up our holdings in specialist retailer that has 2-3 other divisions of its business that will cushion any consumer slowdown. We have also added to our existing holdings in two enterprise software companies, healthcare services and professional services companies.

Number of companies	44
Top 5 Holdings % of NAV	27.2%
Top 10 Holdings % of NAV	41.8%
Top 20 Holdings % of NAV	65.9%
Cash Position % of NAV	5.2%

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.

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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/>