

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 30/04/2023

latest unit price (exit price) \$1.3955	return since inception (Feb 2019) 69.23%	return 1 month 2.55%
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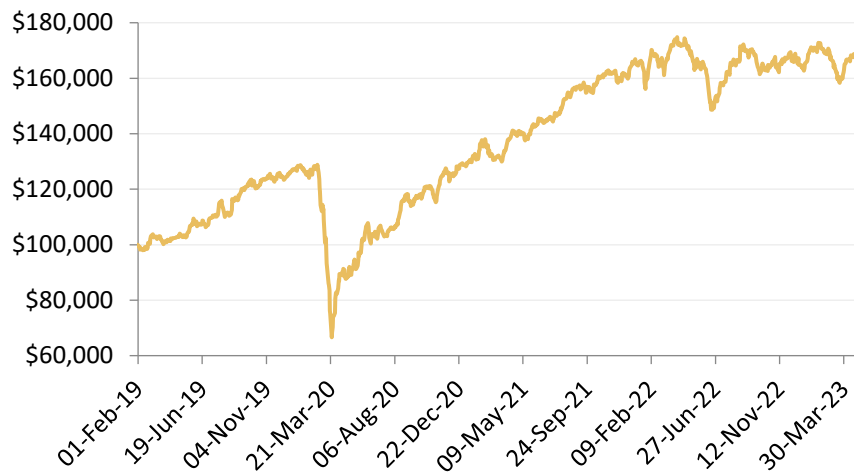


Fund Manager: Carlos Gil (CIO)

FUND OUTLINE

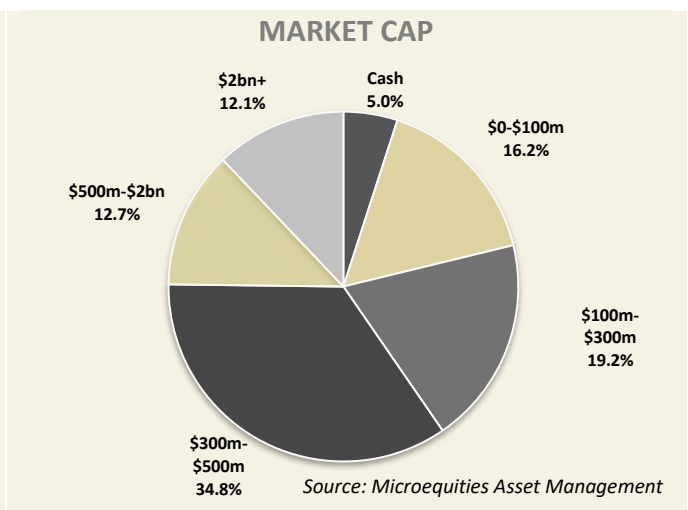
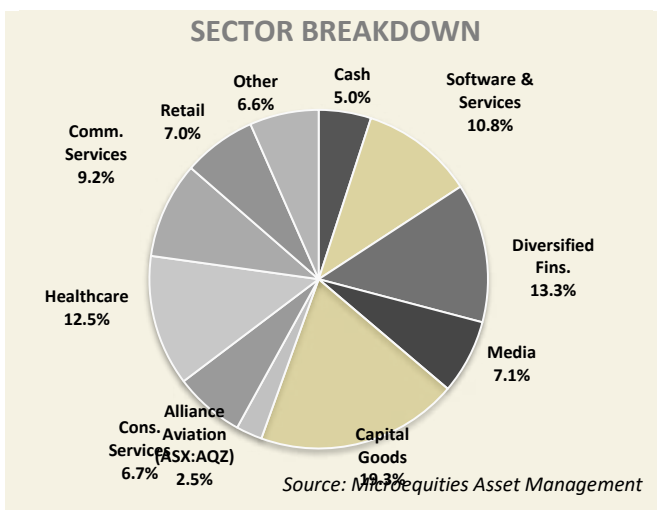
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the 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 > **\$169,235**



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	4 Year	3 Year	2 Year	1 Year	1 Month
Microequities Value Income Fund (VIF)	13.18%	69.23%	13.28%	22.55%	9.55%	-1.37%	2.55%



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MARKET UPDATE AND COMMENTARY

The Chinese economy has started 2023 in a resurgent mood with GDP growing at annualised pace of +4.5%. Pent up consumer demand and industrial production helped boost the Chinese economy as it returns to normalisation following the Covid induced lockdowns. The Chinese government is targeting +5.0% economic growth for 2023 and job creation of 12m jobs. Both targets are attainable, especially considering the government can certainly create strong stimulus. We think China still needs to validate that it can transition its economy to be consumer led instead of a manufacturing export hub. There are some early signs that this is attainable, but the journey is a long one. In Australia, we were surprised to see the RBA not raise rates at the beginning of the month given the strength of domestic employment and the high inflation. Still, the RBA would have welcomed the CPI number released last week, which saw headline inflation fall from 7.8% to 7.0%. The fall in headline inflation is consistent with our call last month that inflation has peaked, though the ensuing decline will be at a modest pace given the tight property rental market, rolling energy price increases and persistently tight labour market.

Microequities Value Income Fund returned 2.55% net of fees in April; this brings the total return net of fees to 69.23% for the Fund since inception in February 2019.

April was another quiet month in terms of announcements for the companies in the Fund. The two most notable updates include:

- Non-bank financial services company announced an update to their capital management policy with dividend payout ratio raised from a maximum of 70% to 90%, starting with the final dividend in June 2023. The company estimates it can grow its loan book by 50% without additional equity capital as for some years now the business has been overcapitalised with equity, a function of its legacy business structure. At the revised payout ratio, we estimate grossed up dividend yield is circa 15% based on FY23 net profit forecasts and price earnings ratio of 8.5x.
- Alliance Aviation (ASX:AQZ), provider of fly in fly out, wet leasing and charter aviation services announced that the ACCC has refused an application from Qantas to acquire Alliance on concerns of lessening competition. We believe this was a likely inevitable outcome given the decision took nearly a year and that Alliance and Qantas compete in the provision of fly in fly out services in Western Australia and Queensland. We remain a backer of the Alliance business in its current state and back management to grow earnings meaningfully in FY24 once its fleet is fully deployed.
- Financial software business announced at its investor day a new cost out and simplification strategy. The board and new management will divest certain non-core assets and refocus on its core product verticals where it holds strong market share. We await signs of execution on this strategy which should lead to improved margins and return metrics.
- Mining services business announced Q3 financials showing continuation of strong revenue and profit growth of 45% and 39% for the 9 month to date. Management notes the outlook remains very strong across all 3 of its divisions.

Number of companies	44
Top 5 Holdings % of NAV	31.4%
Top 10 Holdings % of NAV	45.9%
Top 20 Holdings % of NAV	68.7%
Cash Position % of NAV	5.0%

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/>