

# PURE MICROCAP

## VALUE FUND



### MONTHLY PERFORMANCE AS AT 31/05/2023

latest unit price <b>\$1.3088</b>	return since inception (Oct 2017) <b>56.16%</b>	return 1 month <b>-0.90%</b>
--------------------------------------	--	---------------------------------



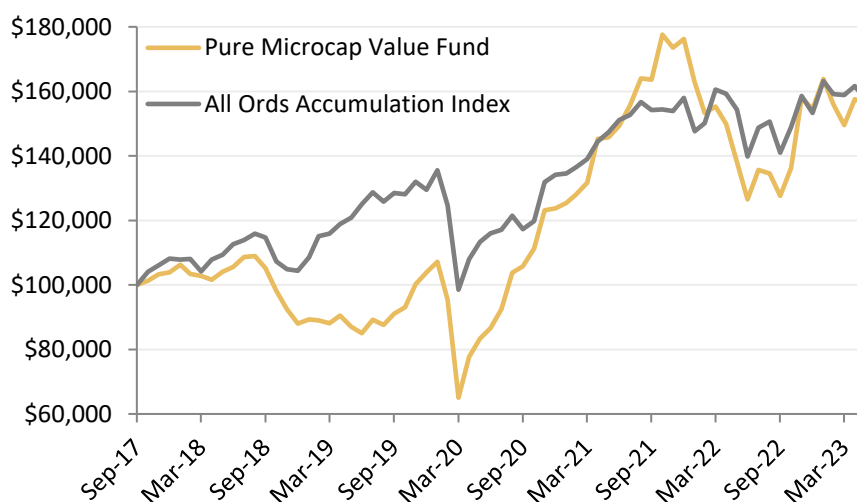
#### FUND OUTLINE

Fund Manager:

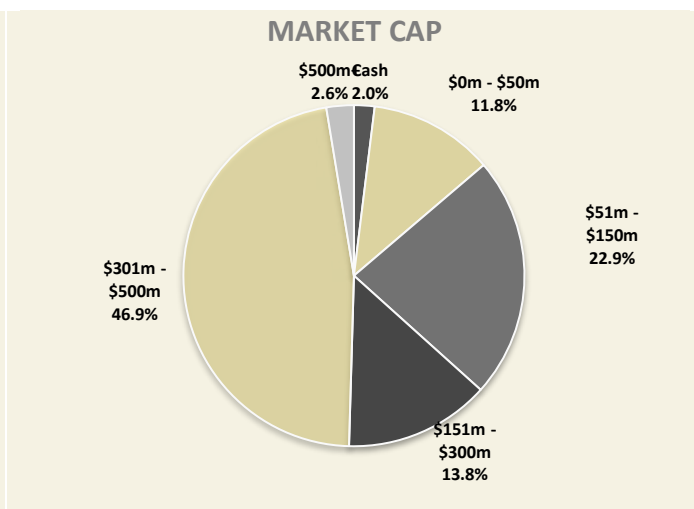
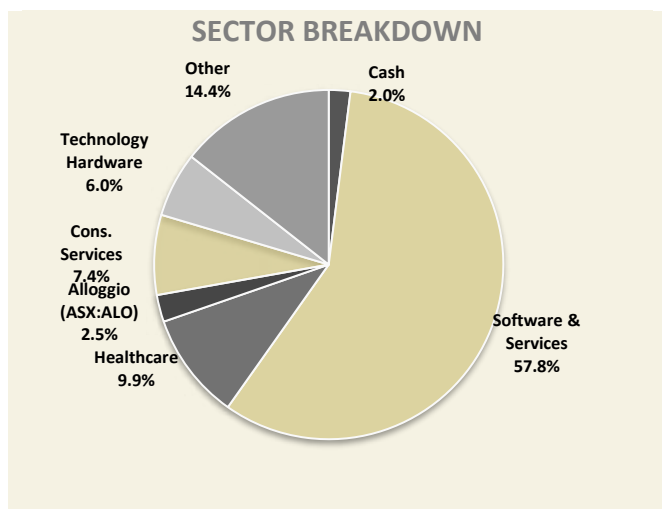
Carlos Gil (CIO)

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 > **\$156,165**



	Compound p.a. since inception	Total since inception	5 Year	3 Year	2 Year	1 Year	1 Month
<b>PMVF</b>	<b>8.18%</b>	<b>56.16%</b>	<b>8.46%</b>	<b>23.29%</b>	<b>3.50%</b>	<b>13.12%</b>	<b>-0.90%</b>



# PURE MICROCAP

## VALUE FUND



### MARKET UPDATE AND COMMENTARY

China's headline retail sales data for April showed impressive growth of +18.3% YoY. The number, however, needs to be contextualised given that a year ago China was engulfed in Covid-induced lockdowns which caused April 2022 retail sales to plunge by -13%. Industrial production also accelerated in April and is now running at an annualised rate of 5.6% YoY and back to pre-pandemic growth rates. Industrial production will face headwinds during 2023 given Chinese manufacturing exports are likely to weaken given advanced economy markets are shifting consumption to services, inventory levels are replenished and a growing trend to localisation of supply chains. Despite the challenges in manufacturing, we still see the Chinese economy expanding at +5% for 2023 with a rebound in domestic consumption likely to offset sluggish exports. Domestically, Australia's unemployment moved up slightly from its 50-year lows, edging upwards to 3.7% as the economy lost 4,000 jobs. The labour market remains extremely tight, and we expect it to loosen in the months ahead as a combination of additional labour supply comes into the market and interest rates begin to bite.

**Microequities Pure Microcap Value Fund returned -0.90% in May; this brings the total return net of fees to 56.16% for the Fund since inception in October 2017.**

During the month of May, **Alloggio (ASX:ALO)** announced it has seen a sharp deterioration in its financial performance and outlook, throwing in doubt its potential scheme of arrangement with private equity firm Next Capital. The company noted both parties are still in talks around the financial performance, due diligence, and likelihood of a lower revised offer price. **Smartpay (ASX:SMP)** announced FY23 results, coming in ahead of consensus forecasts at \$77.8m revenue and underlying EBITDA of \$18.4m, up 62% and 81% respectively. All of the growth was organic and the expanding operating margins were pleasing despite a step up in marketing and headcount. The business remains in a strong position to grow its monthly terminal adds in its Australian division, execute on the Android device rollout in Australia and NZ and transform its NZ base of over 30k+ terminals from a flat rental revenue model to a transactional model. In terms of other newsworthy announcements across the companies in the Fund, one of our technology hardware businesses provided a quarterly update showing 9-month year to-date revenue growth of 29% in constant currency and 23% EBITDA growth despite over \$1m investment in its newest geographic expansion activities. The business remains self-funding with over \$10m of net cash. We also saw an update from a consumer tourism business which noted strong demand in recent months despite negative economic headwinds and while passenger volumes remain a fair way below pre-Covid levels, the reopening of the Chinese leisure tourism market and aviation capacity should continue to benefit the business.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+24.1%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+24.4%</b>

<b>Number of companies</b>	<b>38</b>
<b>Top 5 Holdings</b> % of NAV	<b>49.1%</b>
<b>Top 10 Holdings</b> % of NAV	<b>66.5%</b>
<b>Top 20 Holdings</b> % of NAV	<b>86.4%</b>
<b>Cash Position</b> % of NAV	<b>2.0%</b>

**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.