

# MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



## MONTHLY PERFORMANCE AS AT 31/05/2023

latest unit price (exit price) <b>\$1.3372</b>	return since inception (Feb 2019) <b>62.16%</b>	return 1 month <b>-4.18%</b>
---	--	---------------------------------

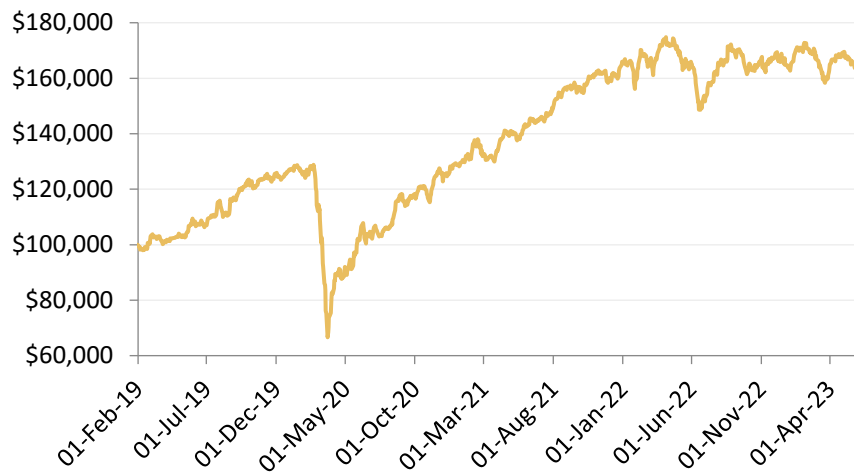


Fund Manager: Carlos Gil (CIO)

### FUND OUTLINE

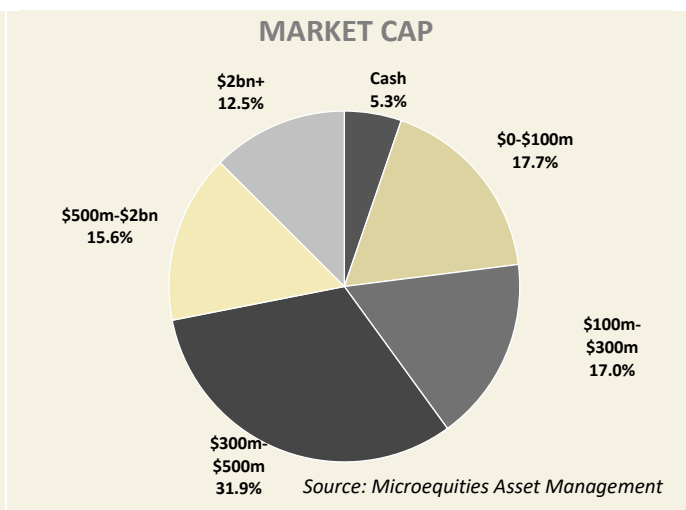
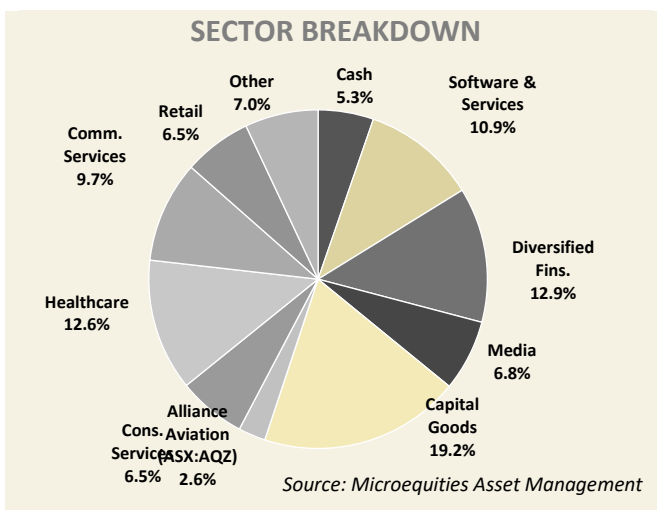
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the 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 > **\$162,164**



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
<b>Microequities Value Income Fund (VIF)</b>	<b>11.80%</b>	<b>62.16%</b>	<b>10.35%</b>	<b>16.93%</b>	<b>6.32%</b>	<b>-1.91%</b>	<b>-4.18%</b>



# MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



## 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 Value Income Fund returned -4.18% net of fees in May; this brings the total return net of fees to 62.16% for the Fund since inception in February 2019.**

May was again a relatively quiet month in terms of announcements and news flow for the constituent companies in the Fund. The most notable announcements included:

- Consumer lending business provided a quarterly update showing solid momentum post-Christmas. Its three core lending products all showed solid growth and its international expansion strategy is delivering promising results.
- Employee administration business provided a trading update at its AGM noting several new client wins. Whilst it noted cost pressures with wages, these new client wins will offset the cost pressures resulting in a likely flat profit result for the upcoming period, which is a commendable result for this business. Free cash flow generation remains a hallmark of the business and we estimate it is trading at a 6.7% grossed up dividend yield.
- Financial services business noted its funds under management is up circa 11% in the first 4 months of the calendar year with net inflows contributing slightly more than half of that increase. Annualising the Q1 dividend sees this business trade on over 9% dividend yield.
- Media business trading update at its AGM saw year to date core business revenue down 5% to the end of April. The outlook is mixed, and management have initiated cost cutting measures to ensure people and operating costs to be as close to flat v pcp as possible compared to previous expectations of 4% cost growth.
- Asset maintenance and construction business upgraded its FY23 guidance to \$79-80m of EBITDA to account for its recent acquisition of a similar business. This business has demonstrated over 4-5 years now of its transformation from predominantly a construction business to now more than 70% annuity asset maintenance and mining services business.

<b>Number of companies</b>	<b>44</b>
<b>Top 5 Holdings % of NAV</b>	<b>31.4%</b>
<b>Top 10 Holdings % of NAV</b>	<b>45.6%</b>
<b>Top 20 Holdings % of NAV</b>	<b>69.0%</b>
<b>Cash Position % of NAV</b>	<b>5.3%</b>

**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/>