

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 31/08/2023

| | | |
|---|--|---------------------------------|
| latest unit price (exit price) \$1.3631 | return since inception (Feb 2019) 72.89% | return 1 month -1.09% |
|---|--|---------------------------------|

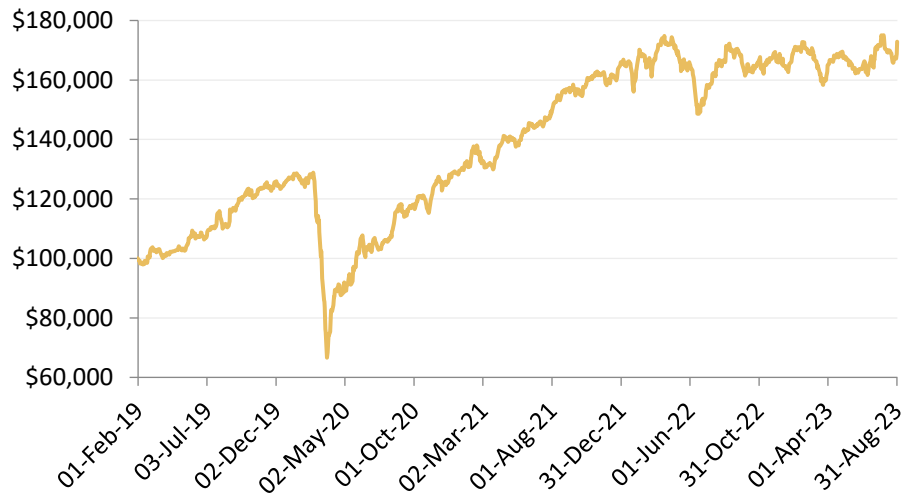


Fund Manager: Carlos Gil (CIO)

FUND OUTLINE

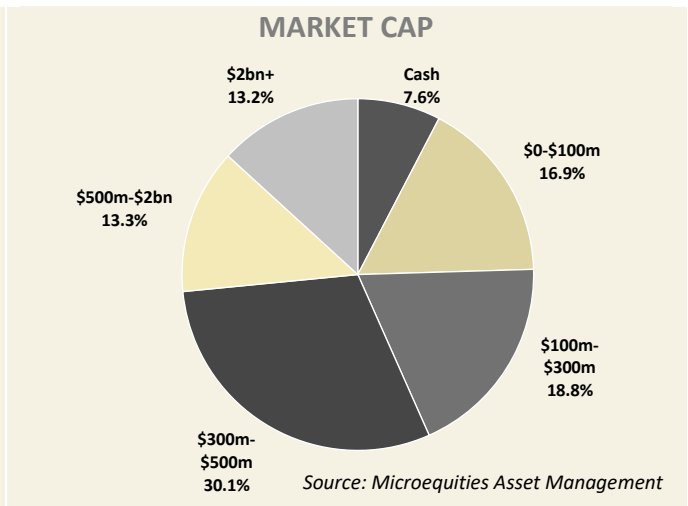
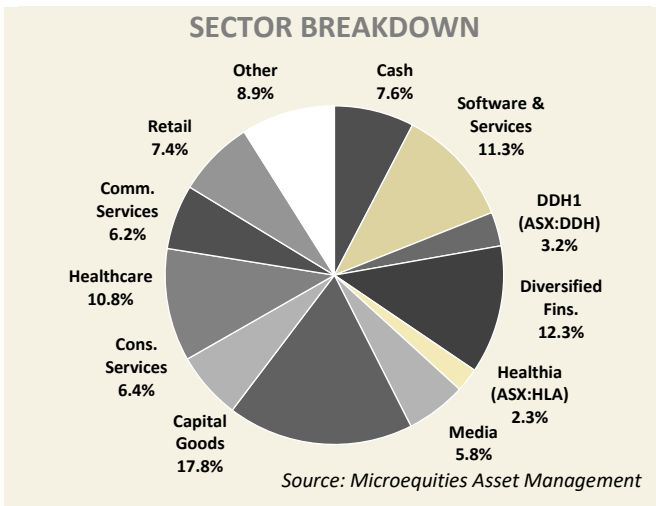
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the 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 > **\$172,892**



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) | 12.69% | 72.89% | 10.38% | 13.52% | 4.99% | 1.54% | -1.09% |



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MARKET UPDATE AND COMMENTARY

The Chinese monetary and fiscal response to an evident slowdown in the economy has so far been underwhelming. During the month, China modestly cut its one-year prime lending rate from 3.55% to 3.45%. It however kept the important 5-year equivalent rate steady at 4.2%. So far, the government has shown a reluctance to instigate a strong policy response. Youth unemployment in urban areas has been rising sharply since the beginning of 2020 and the Chinese government has announced it will stop publishing youth unemployment data. Positively, the Chinese government is still facing an expanding economy, in fact most Western economies would happily swap its 4-5% GDP growth rate for theirs. However, the structural imbalances in the industrial base of the Chinese economy remain and pose a threat to its long-term economic prosperity which is accentuated by an ageing population. It is not just that its population is ageing, it is projected to begin to decline as early as 2023, creating greater challenges over the long term. Across the US, the resilience of the economy and a slowing, yet still high inflationary rate, means the US Federal Reserve is likely to remain on the sidelines over the short term as it takes a more data driven approach to its next move as opposed to being pre-emptive.

Microequities Value Income Fund returned -1.09% net of fees in August; this brings the total return net of fees to 72.89% for the Fund since inception in February 2019.

The August reporting season was solid with the general theme from most companies of an easing in inflationary pressures, but weakness in the consumer environment. For the portfolio specifically, balance sheets remain strong and dividend payouts were largely in line with our expectations and a number of companies are continuing with share buybacks. In the trailing 12 months, of the 44 current companies in the Fund, 18 have increased their dividend per share, 11 unchanged and 15 have reduced their dividend per share. Notable results from our largest holdings include:

- Healthcare services company reported 15% underlying NPAT growth in line with guidance provided and 11% growth in revenue. Market share gained on the back of change in ownership of the nearest competitor and commentary notes new customer enquiry levels, conversion rates remain strong in the 2H of the year and into FY24.
- Industrial distribution business reported organic revenue growth of 28% and NPAT up 45%. The business has no debt on its balance sheet and in the past 18 months have made a couple of small but strategic acquisitions that positions it well to capture the electrification theme in the economy.
- Specialty retailer reported NPAT up 10% on the back 12% growth in sales. The NPAT was suppressed by start up losses in a new business unit. Its main business unit grew profit before tax at 32% and is emerging as a leader in a large but fragmented segment of the home improvement market with just 3% market share today.
- Allied health business **Healthia Limited (ASX:HLA)** announced a scheme implementation agreement with private equity group PEP at \$1.80 cash or a combination of rollover scrip. This represents an 85% premium to the last price. Acceptance by 3 major shareholders representing almost 27% of the register makes this a deal a high likelihood of success. Healthia represents 2.3% weighting in the Fund at month end.

| | |
|--------------------------|-------|
| Number of companies | 44 |
| Top 5 Holdings % of NAV | 33.8% |
| Top 10 Holdings % of NAV | 48.5% |
| Top 20 Holdings % of NAV | 69.3% |
| Cash Position % of NAV | 7.6% |

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/>