

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MONTHLY PERFORMANCE AS AT 31/12/2023

latest unit price (exit price) \$1.4195	return since inception (Feb 2019) 80.05%	return 1 month 4.90%
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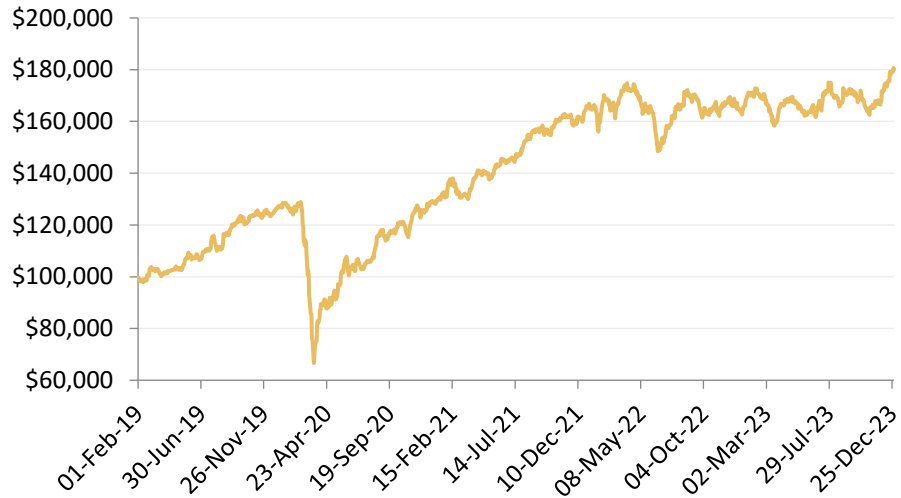


Fund Manager: Carlos Gil (CIO)

FUND OUTLINE

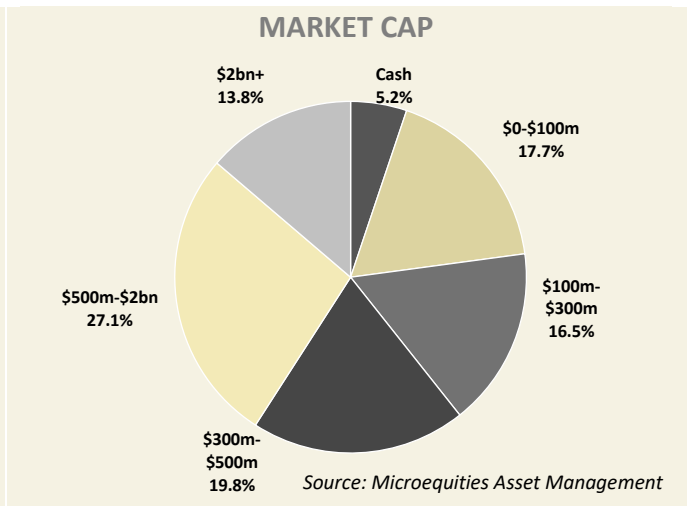
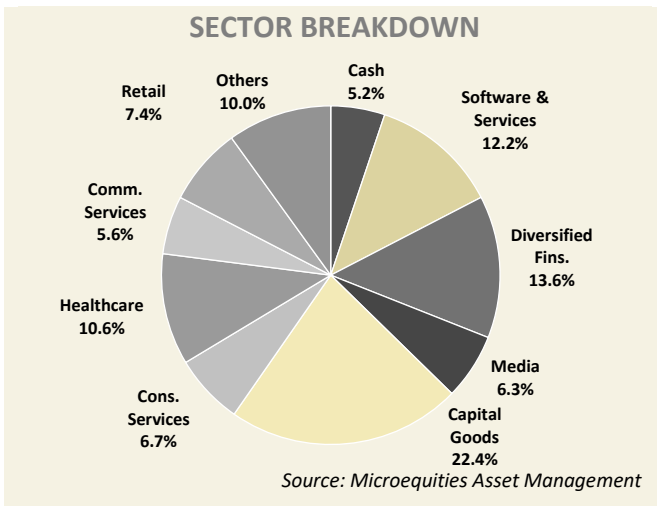
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the 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 > \$180,048



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)	12.71%	80.05%	9.16%	11.85%	4.33%	9.45%	4.90%



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MARKET UPDATE AND COMMENTARY

Given the recent tame US CPI data, the Federal Reserve meeting in the middle of December was loaded with expectations. Equity markets were hoping that the Fed would signal both peak rates and that rate cuts would be on the agenda in 2024. The meeting did not disappoint, the Fed kept rates unchanged acknowledging the decline in inflationary pressures. The Fed also recognised monetary tightening was at or near its peak. Crucially, 17 out of 19 members of the Fed expect rates to be lower by the end of 2024, specifically they expect 3 rate cuts to occur during 2024. The meeting was a decisive one with broad implications for both interest rates and global asset prices. It triggered an equity market rally and a fall in the risk-free rate (US 10-year treasury bonds) which had already peaked at 5% during October, contracting sharply to 3.85%. The large drop in the 10-year US treasury yield has immediate implications for many asset prices and explains the aggressive upward move in equity prices. Domestically, it could trigger inflows into small caps and microcaps as risk appetite increases and a lower risk free yield itself makes long term investments more attractive. The Australian Small Ordinaries Industrial Index has been in a bear market for almost two and a half years, and this might well prove to be the trigger for an overdue rally for the asset class.

Microequities Value Income Fund returned 4.90% net of fees in December; this brings the total return net of fees to 80.05% for the Fund since inception in February 2019.

News flow was limited during the month but some of the more notable include:

- Healthcare services company made its second acquisition in Western Australia cementing its market share in the high population growth corridor of the northern suburbs of Perth. The acquisition is expected to add \$98m revenue and circa \$1m NPAT per annum.
- Alternative finance company has resolved the legal issue associated with its largest customer. Separately it has also expanded its relationship with its primary funder, a Big 4 bank with reductions in funding costs and release of equity capital expected over the course of FY24.
- Media company provided 1H24 earnings guidance which includes costs of management transition. Excluding these one off costs, EBITDA is expected to rise by 21-29% and revenue by circa 5%.
- Consumer products company announced 1H24 guidance showing revenue growth of 22-25% and EBITDA 33-47% higher. All geographies are back to growth and marketing spend has been well controlled.
- We are excited to announce a new entrant in the Value Income Fund. The new investee company is in the mining services sector, a vertical that our High Income Fund has achieved notable investment success in the past. This is a microcap mining services business that is very much under the radar, and we are currently acquiring the business at 2.4x its enterprise value to operating profit, representing compelling value. The business is poised to generate significant free cash flows which it will use to continue to pay a very high dividend and buy back shares with a strong ROI.

Number of companies	46
Top 5 Holdings % of NAV	33.4%
Top 10 Holdings % of NAV	47.5%
Top 20 Holdings % of NAV	67.5%
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/>