

PURE MICROCAP

VALUE FUND



MONTHLY PERFORMANCE AS AT 31/01/2024

latest unit price \$1.3987	return since inception (Oct 2017) 73.44%	return 1 month -1.14%
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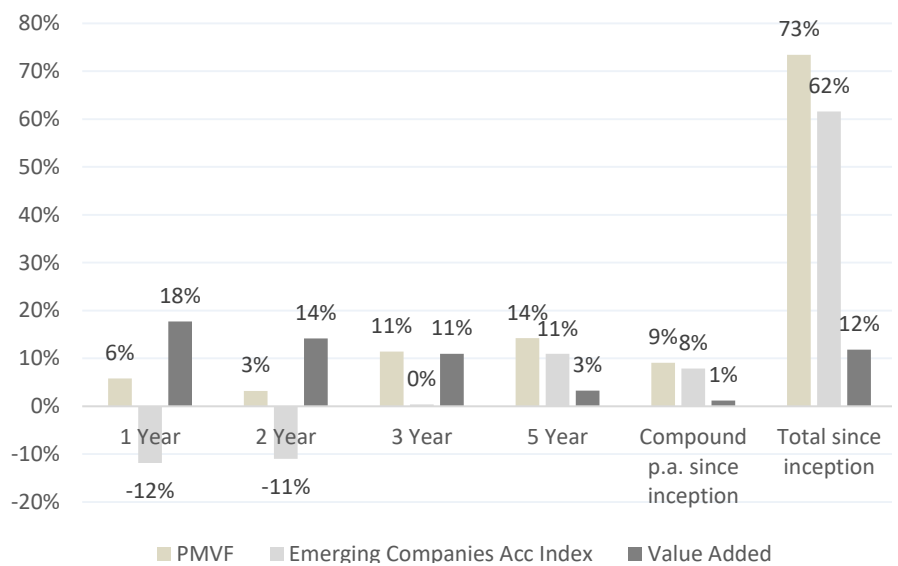
FUND OUTLINE

Fund Manager:

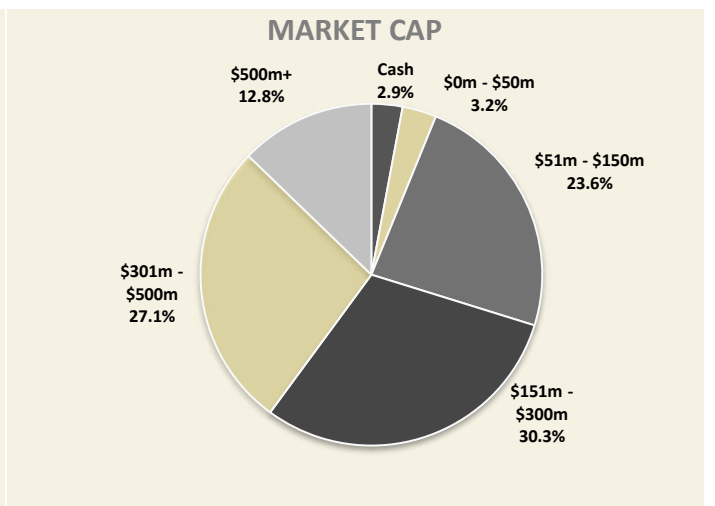
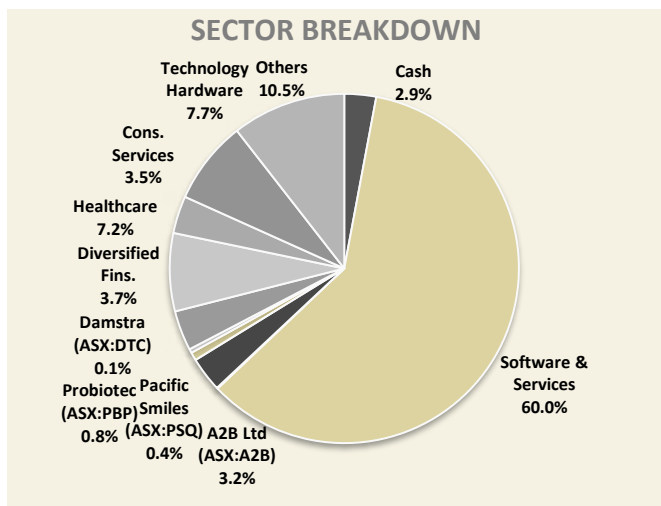
Carlos Gil (CIO)

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 > **\$173,444**



	Compound p.a. since inception	Total since inception	5 Year Annual Compound	3 Year Annual Compound	2 Year Annual Compound	1 Year	1 Month
PMVF	9.08%	73.44%	14.21%	11.40%	3.22%	5.84%	-1.14%



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MARKET UPDATE AND COMMENTARY

Some important US macroeconomic data prints came out late in January. Firstly, USA GDP growth for the 4th quarter of 2023 increased at annual pace of 3.3%, surpassing market expectations. US personal consumption expenditure (PCE), an important metric for inflation that the Federal Reserve follows closely, increased 0.2% for December, 2.6% year on year, whilst the core PCE (excluding fuel and food prices) rose by 0.2% and 2.9% year on year. Both metrics below the key red line of 3%. The PCE now sits at a 3-year low. Whilst the PCE is not solely determinant, it adds weight to the view that the Fed is done with rate rises and rate decreases are probable in 2024. The recent stream of data emanating from the USA has some economists puzzled given strong employment and consumption are being combined with a moderating inflationary outlook. Those are the elements required for a “Goldilocks” economics setting, a scenario that is becoming increasingly probable. Domestically, Australia’s inflation rate has dropped to an annual rate of 4.1%, marking the likely peak of interest rate rises.

Microequities Pure Microcap Value Fund returned -1.14% in January; this brings the total return net of fees to 73.44% for the Fund since inception in October 2017.

January was a quiet month for the Fund ahead of the reporting season in February. Some of the announcements in our portfolio included:

- Dental services business **Pacific Smiles (ASX:PSQ)** previously announced it had received a non-binding offer from Genesis Capital at \$1.40. During the month, Genesis upped its stake to close to 20%. Media also reported another private equity firm Crescent Capital was considering making an offer.
- Brief updates from three enterprise software businesses, one had won more work from an existing client, one company confirmed reports they are working on 2 small bolt on acquisitions and the third company continues its onboarding of government departments under a large contract and generated positive operating cash flows for the quarter.
- Enterprise software company announced a downgrade to its revenue guidance for FY24 as client renewals and new sales are predominantly software as a service in nature rather than capital sales. The financial impact is that revenue is recognised over the life of the contract rather than upfront under a capital sales model. This shift will improve the predictability of revenue over the longer term, and we believe will lead to a superior rating by capital markets.
- We have added two new holdings in the Fund, one in the non-bank lending sector, at a discount to its NTA and what we believe is severely overlooked by the market. We have also begun accumulating a stake in a consumer discretionary business which has undergone a long turnaround under new management.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+28.9%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+23.2%

Number of companies	42
Top 5 Holdings % of NAV	50.6%
Top 10 Holdings % of NAV	68.6%
Top 20 Holdings % of NAV	84.2%
Cash Position % of NAV	2.0%

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.