

MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



Microequities Asset Management

MONTHLY PERFORMANCE AS AT 31/03/2024

latest unit price (exit price) \$1.5119	return since inception (Feb 2019) 94.80%	return 1 month 3.71%
---	--	--------------------------------

FUND OUTLINE

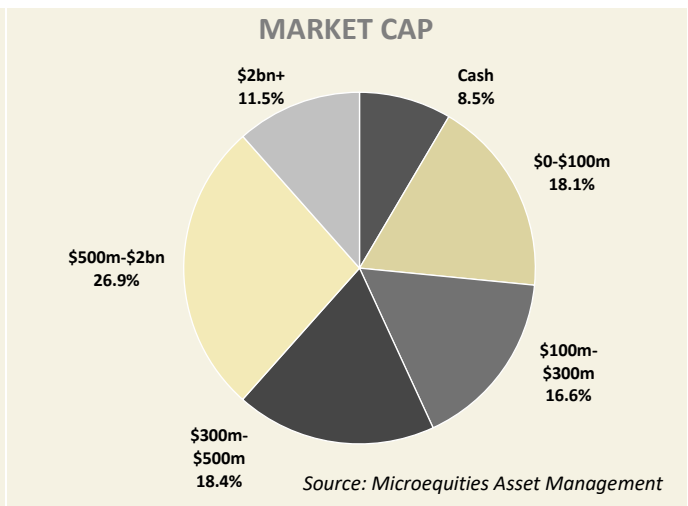
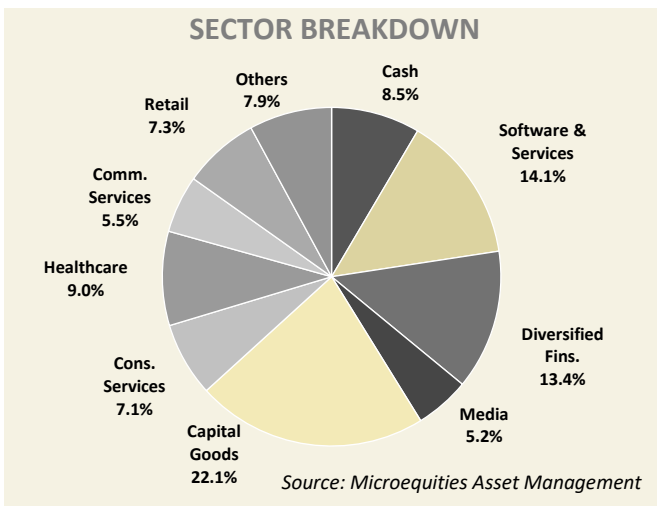
The Microequities Value Income Fund ("VIF") (ARSN 629 674 175) is a retail fund investing in high dividend paying, undervalued, ASX smaller companies. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the 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 > **\$194,796**



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	5 Year Annual Compound	3 Year Annual Compound	2 Year Compound Annual	1 Year	1 Month
Microequities Value Income Fund (VIF)	13.78%	94.80%	14.00%	13.31%	5.78%	18.04%	3.71%



MICROEQUITIES VALUE INCOME FUND

ARSN 629 674 175



MARKET UPDATE AND COMMENTARY

The US Federal Reserve, predictably, kept rates on hold for its March meeting. All eyes however were on the wording in the statement and more importantly whether it would continue to signal rate cuts during 2024. It did not disappoint, wording in the official statement said rate reductions would “likely be appropriate” later in the year but under the proviso that the economy “evolves broadly as expected”. The strength of the US economy continues to give the Fed the benefit of time, with the unemployment rate at 3.9% and ongoing economic growth of the US economy is avoiding a pathway to a recession. The Fed therefore doesn’t need to rush into cutting rates, it has the luxury of waiting for more data points that validate the cadence of slowing inflation while keeping a restrictive monetary policy. Domestically, the Australian unemployment rate surprisingly dropped back to 3.7% after the economy created 116k jobs. The strength of the Australian economy has allowed households to navigate through a tough cost of living environment. We continue to see the inflationary outlook in Australia as more challenged than that of the US, with wage growth feeding structural elements into inflationary pressure.

Microequities Value Income Fund returned 3.71% net of fees in March; this brings the total return net of fees to 94.80% for the Fund since inception in February 2019.

During the month of March, the Fund exited its holding in a large cap bank. We have held the position since late 2020 and was purchased opportunistically at a discount to book value and forecast grossed up dividend of over 11%. The bank today trades at 1.4x book and grossed up dividend yield has compressed to 8.5%. The run up in the share price means the risk reward equation is no longer compelling. We also exited a listed childcare operator where much improved financial results were demonstrated at the February reporting season, but the share price rise means we saw better value in other listed childcare operators. We have redeployed those proceeds in another listed peer which trades at half the valuation, has no net debt and forecast dividend yield of 13% grossed up. The third company we exited was in the education services sector, which did not pay a dividend at its recent results and looks unlikely to resume dividend payment in the near term. Its financial results have also taken a turn for the worse with significant student visa cancellations and further government changes on their stance to student visas likely to put pressure on earnings outlook for the next 2-3 years.

In terms of what else the Fund has been increasing its weighting in, includes a mining services company which we estimate is trading at circa 2.3x EBITDA or 4x free cash flow multiple. The business has some interesting organic growth options which can be self-funded, net debt is low at less than 0.5x EBITDA and management is likely to pay dividends equivalent to a 10% yield whilst conducting a small share buyback.

Number of companies	42
Top 5 Holdings % of NAV	31.9%
Top 10 Holdings % of NAV	46.8%
Top 20 Holdings % of NAV	68.8%
Cash Position % of NAV	8.5%

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/>