

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/04/2018

latest unit price \$4.2361	return since inception (March 2009) 541.25%	return 1 month -2.85%	Morningstar rating* ★★★★★
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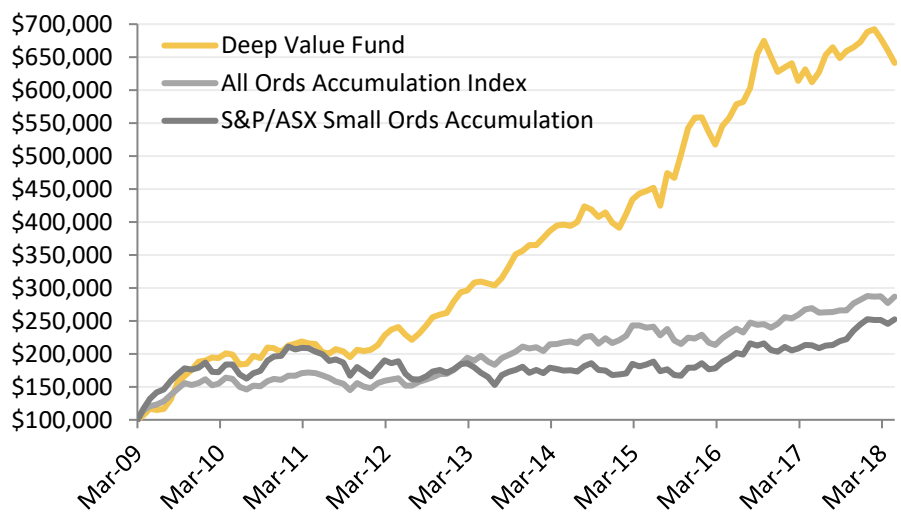
FUND OUTLINE

Fund Manager:

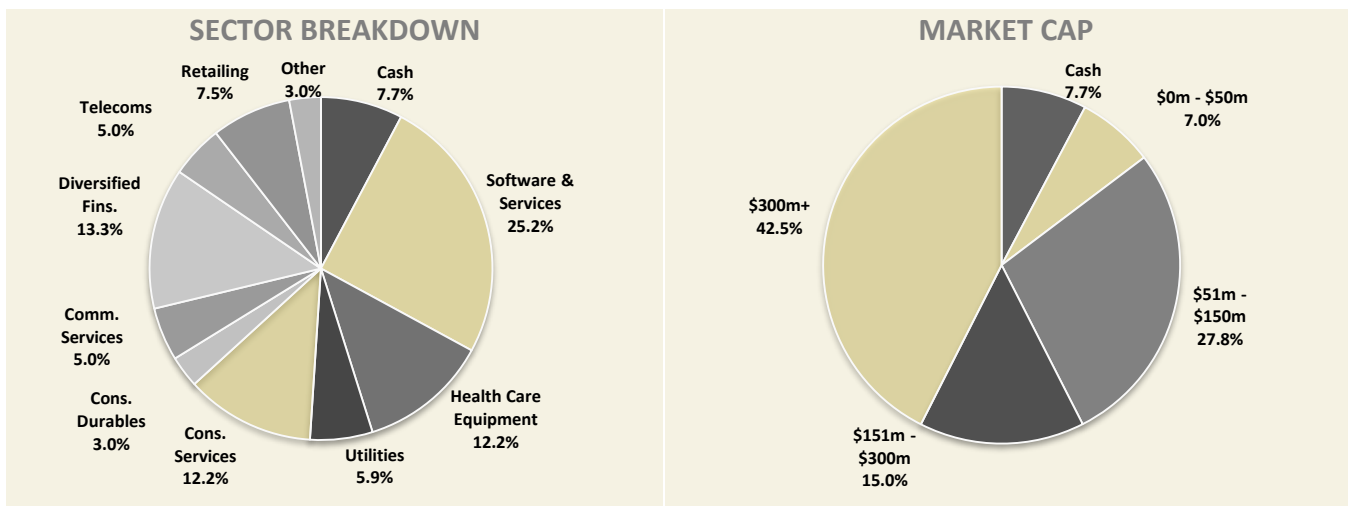
Carlos Gil (CIO)

The Deep Value Fund is a wholesale fund investing in a concentrated portfolio of undervalued, profitable and growing ASX listed microcap and smallcap companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$641,248**



	1 Month	1 Year	3 Year	5 Year	7 Year	9 Year	Compound p.a. since inception	Total since inception
DVF	-2.85%	4.73%	12.79%	15.68%	16.88%	20.80%	22.47%	541.25%
All Ords Accum	3.49%	6.44%	6.15%	7.79%	7.68%	10.09%	12.18%	186.74%
Outperformance	-6.34%	-1.71%	6.64%	7.89%	9.20%	10.71%	10.29%	354.51%



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MARKET UPDATE AND COMMENTARY

The Chinese economy continues to maintain a steady growth trajectory with the manufacturing purchasing managers index (PMI) data coming at 51.4 whilst the services sector strengthened to 54.8 (a figure above 50 indicates economic expansion). The numbers are encouraging and point to strong resilience in domestic consumption at a time when local government investment has slowed. The Chinese economy will continue to shift towards a consumption-led one. At a macro level, the Chinese economy still requires significant reforms which entails not merely opening up certain protected sectors but also making the financial system more capital efficient and ensuring resources are allocated to more productive sectors and businesses.

Microequities Deep Value Fund returned -2.85% versus the All Ordinaries Accumulation Index 3.49% in April; this brings the total return net of fees to 541.25% for the Fund since inception in March 2009 compared to 186.74% for the All Ordinaries Accumulation Index.

Several business partnerships in the Fund provided operating updates that missed consensus forecasts. By and large, the underlying causality of the lower earnings are transitory in nature and have not led us to alter our investment thesis. Not surprisingly to us however, the updates resulted in sharp market pricing adjustments. Market pricing is always overtly sensitive to near term earnings due to the short-term investment horizon of most investors, retail and institutions alike. Our investments are undertaken in the context of a 5+ year investment term and we do not view transitory factors that disrupt earnings over the near term in the same conceptual context as other investors. The market price falls have opened a very large valuation gap in some these investee companies and the investment management team is deploying some of the cash assets of the Fund to increase our investments in these business partnerships.

Whilst some investors might feel disheartened by short term market price falls, we would caution relying on them as the true compass of valuing a business. Short term market price falls are part of equity markets and we do not see them as prejudicial but rather as an attractive part of the investment landscape that can facilitate superior investment opportunities. Our focus will continue to remain on long term intrinsic valuations.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+20.2%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+26.1%

Number of companies	39
Top 5 Holdings % of NAV	33.5%
Top 10 Holdings % of NAV	51.3%
Top 20 Holdings % of NAV	74.1%
Cash Position % of NAV	7.7%

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.

(*) The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision. © 2018 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Service Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to invest.