

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/08/2017

latest unit price \$4.2842	return since inception (March 2009) 548.53%	return 1 month -2.47%	Morningstar rating* ★★★★★
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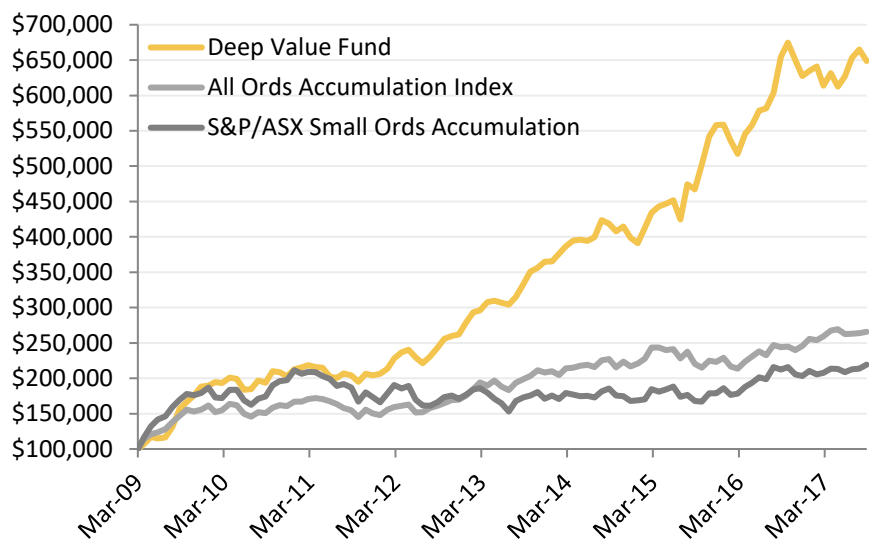
FUND OUTLINE

Fund Manager:

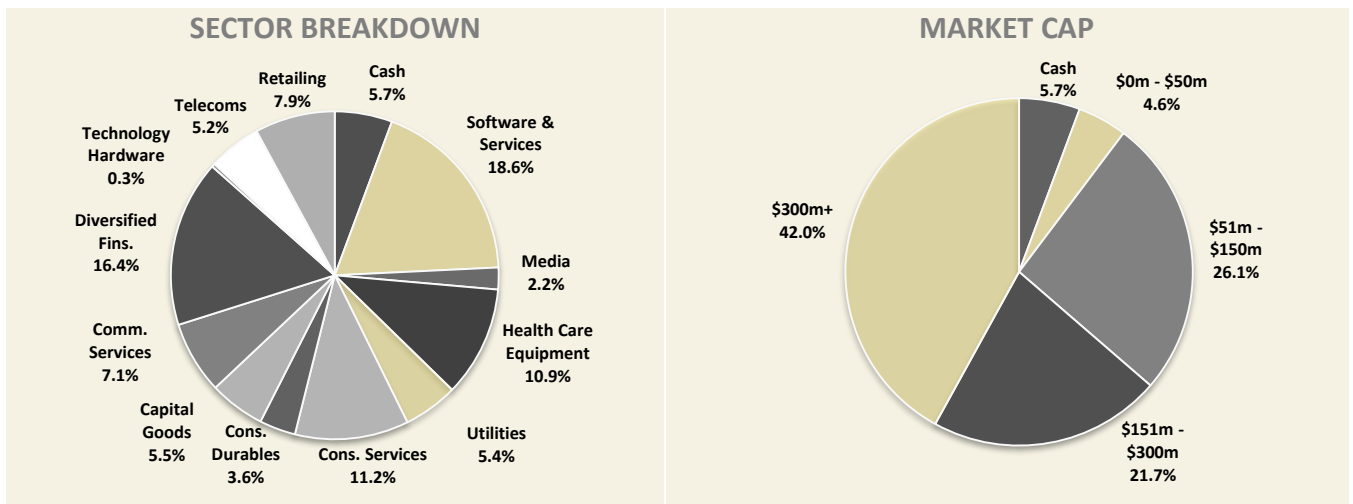
Carlos Gil (CIO)

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 > **\$648,529**



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Total since inception	Compound p.a. since Inception
DVMF	-2.47%	-0.93%	15.70%	21.69%	18.85%	19.40%	548.53%	24.60%
All Ords Accum	0.79%	8.91%	5.37%	10.53%	8.42%	7.69%	165.75%	12.19%
Outperformance	-3.26%	-9.84%	10.33%	11.16%	10.43%	11.71%	382.78%	12.41%



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MARKET UPDATE AND COMMENTARY

A strange thing is happening to the Japanese economy. It is growing. In the three months to June 2017 the Japanese economy expanded at an annualised rate of 4%, the sixth consecutive quarter of growth and the longest growth streak in 11 years. A few factors are aiding the economy; firstly, the improving international economic climate is contributing to a rise in exports which are up 13.4% from a year ago. Secondly, the consumer in Japan is spending more, retail sales are up 1.9% year on year. Lastly, labour supply remains tight with the unemployment rate at 2.8% and 1.52 jobs available per applicant (the highest ratio since 1974), thus underpinning consumer confidence. Frustratingly, the envisioned virtuous circle of Shinzo Abe's reform package - in which workers earn more, spend more, push prices up, creating quicker inflation and thus giving rise to further wage increases - has not materialised. Wage growth and inflation remain stubbornly low. Corporate Japan has a deep reluctance to pass on wage growth which is a lasting structural impediment to inflation. However, inflation might still be achieved if production capacity investment and consumer spending continue to rise.

Microequities Deep Value Fund returned -2.47% versus the All Ordinaries Accumulation Index 0.79 in August; this brings the total return net of fees to 548.53% for the Fund since inception in March 2009 compared to 165.75% for the All Ordinaries Accumulation Index.

The FY17 reporting season this month has demonstrated the intrinsic value growth of our business partnerships. With 39 companies in the Fund reporting in the month of August (representing 80% of the assets in the Fund), the average weighted EPS growth was +19.8%. In every reporting season, we have some businesses that underperform, and this time it was no exception. Holistically however, intrinsic valuation growth in the Fund has been strong and the outlook for FY18 is materially better as reflected by our weighted FY18 EPS forecast of +26.4%. The material improvement depicts significant growth acceleration across some of the largest business partnerships in the Deep Value Fund.

	FY17 EPS Growth Simple Average	FY17 EPS Growth Weighted Average
39 companies reported financial results in August (80% weighting)	+43.8%	+19.8%

Projected EPS Growth FY18 (on a weighted basis)	+26.4%
Projected EPS Growth FY19 (on a weighted basis)	+21.5%

Number of companies	44
Top 5 Holdings % of NAV	31.2%
Top 10 Holdings % of NAV	47.7%
Top 20 Holdings % of NAV	70.7%
Cash Position % of NAV	5.7%

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 Ltd 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. © 2017 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.