

# DEEP VALUE

## MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/12/2016

latest unit price <b>\$4.6492</b>	return since inception (March 2009) <b>+534.57%</b>	return 1 month <b>+1.12%</b>	Morningstar rating* <b>★★★★★</b>
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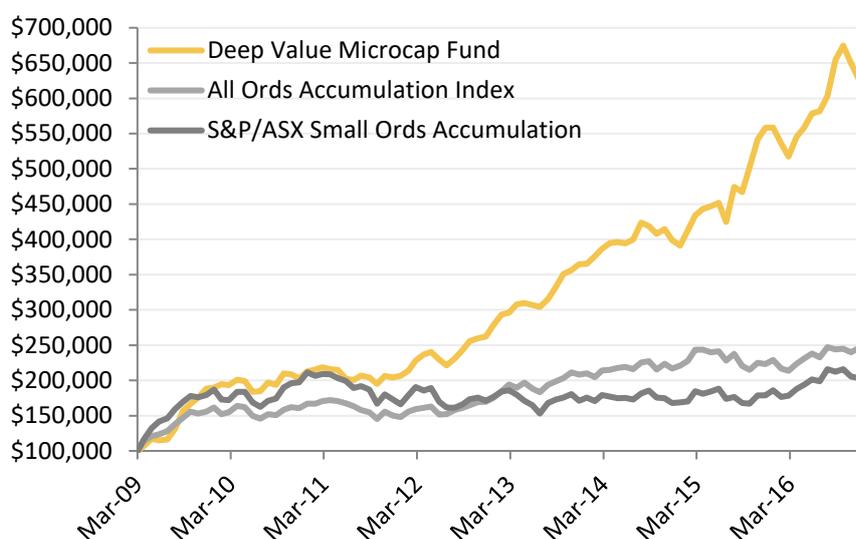
#### FUND OUTLINE

Fund Manager:

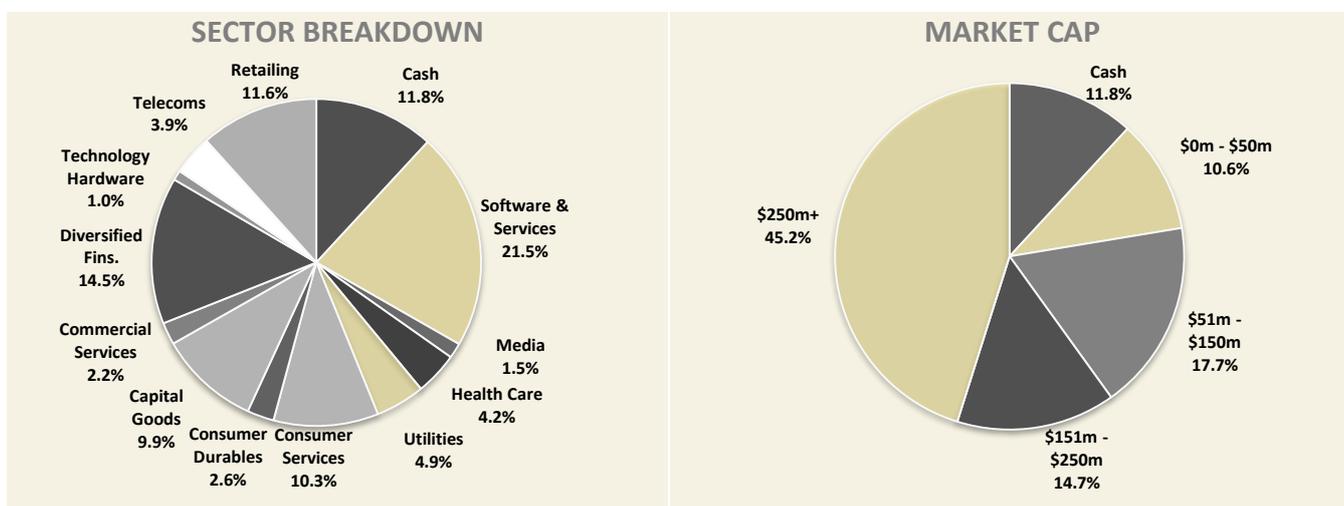
Carlos Gil (CIO)

The Deep Value Microcap Fund is a wholesale fund investing in a concentrated portfolio of selected ASX listed microcap companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > **\$634,569**



	1 Month	1 Year	3 Year	5 Year	7 Year	Total since inception	Compound p.a. since inception
<b>DVMF</b>	1.12%	13.62%	20.22%	25.20%	18.83%	534.57%	26.60%
<b>All Ords Accum</b>	4.17%	11.65%	6.76%	11.59%	6.78%	155.79%	12.74%
<b>Outperformance</b>	-3.05%	1.97%	13.46%	13.61%	12.05%	378.78%	13.87%



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### MARKET UPDATE AND COMMENTARY

We expect the Australian economy to continue to grow at +2% rates. The decline in new capital expenditure from the resources sector will stabilise into 2017 and whilst business investment remains weak, infrastructure investment and the household sector will underpin economic growth. Services industries like tourism, education, finance and health will offset weaker sectors of the economy. Employment levels should remain robust, however there will continue to be significant differences across the states. Australia's labour market is likely to experience modest employment growth for 2017.

Internationally, Chinese growth should continue to moderate but maintain a pace well ahead of its industrialised peers. The shift of China to a consumer and household driven economy will continue to play out. The US economy enters 2017 at an above average growth rate. The change in presidency and balance of power in both houses paves the way for significant fiscal stimulus and a much-needed infrastructure refresh program. In all, despite the negative media reporting bias, we look at 2017 as a year of relatively benign economic conditions conducive to business investment.

**Microequities Deep Value Microcap Fund returned 1.12% versus the All Ordinaries Accumulation Index 4.17% in December; this brings the total return net of fees to 534.57% for the Fund since inception in March 2009 compared to 155.79% for the All Ordinaries Accumulation Index.**

While the total number of business partnerships remain unchanged, there has been a change in the constituents. Two business partnerships (ASG Ltd and Intecq Ltd) were exited during the month as a result of friendly takeovers. These two disinvestments were offset by new investments. One of these investments was accessed through an IPO and marks the first IPO in a long time that we have supported. We have not been supporting IPOs given the opportunities available have not jointly possessed quality businesses and deep value pricing. We have supported this IPO because it united both these elements and the business provides us with a credible and probable long term growth pathway in a significant product market that is highly fragmented. The Fund maintains a strong cash position of 11.8%.

<b>Projected EPS Growth</b> FY17 (on a weighted basis)	<b>+19.6%</b>
<b>Projected EPS Growth</b> FY18 (on a weighted basis)	<b>+22.9%</b>

<b>Number of companies</b>	<b>38</b>
<b>Top 5 Holdings</b> % of NAV	<b>35.1%</b>
<b>Top 10 Holdings</b> % of NAV	<b>53.0%</b>
<b>Top 20 Holdings</b> % of NAV	<b>74.1%</b>
<b>Cash Position</b> % of NAV	<b>11.8%</b>

**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](http://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.