

# DEEP VALUE FUND



## MONTHLY PERFORMANCE AS AT 31/12/2017

latest unit price <b>\$4.5479</b>	return since inception (March 2009) <b>588.45%</b>	return 1 month <b>2.32%</b>	Morningstar rating* <b>★★★★★</b>
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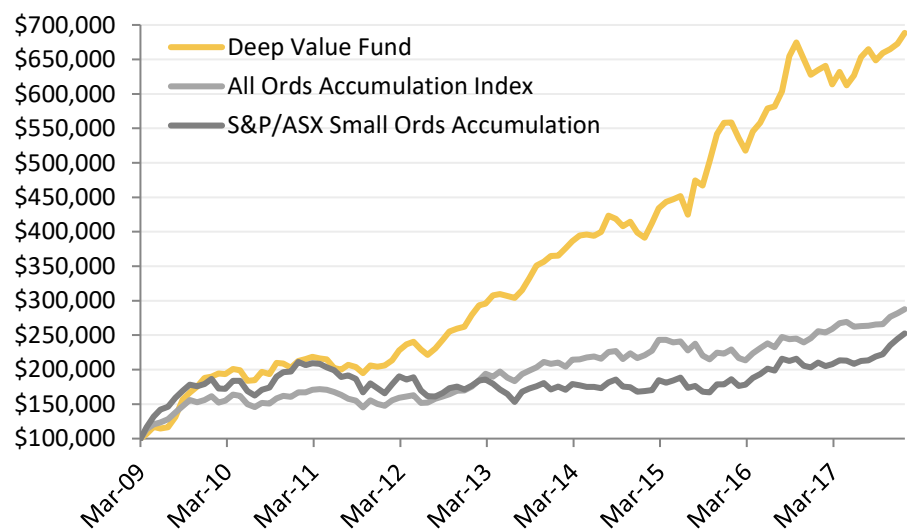
### FUND OUTLINE

Fund Manager:

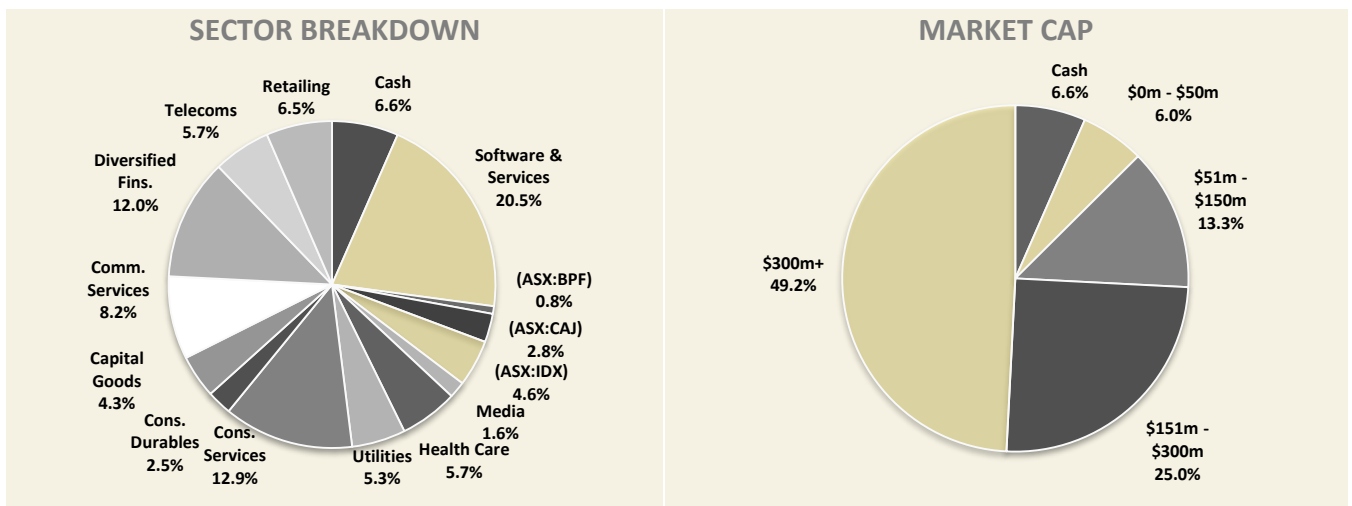
Carlos Gil (CIO)

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 > **\$688,447**



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Compound p.a. since Inception	Total since inception
<b>DVF</b>	2.32%	8.49%	20.74%	19.77%	18.28%	17.49%	24.41%	588.45%
<b>All Ords Accum</b>	2.03%	12.47%	9.23%	10.37%	8.09%	7.48%	12.71%	187.69%
<b>Outperformance</b>	<b>0.29%</b>	<b>-3.98%</b>	<b>11.51%</b>	<b>9.40%</b>	<b>10.19%</b>	<b>10.01%</b>	<b>11.70%</b>	<b>400.76%</b>



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## MARKET UPDATE AND COMMENTARY

In 2018 the world economy is set to grow at the fastest pace since the GFC. A strong US economy, a strengthening recovery in Europe and continued +6% growth in China will underpin momentum in the world economy. Japan is in the midst of the best economic run in decades with its economy posting seven consecutive quarters of economic growth and unemployment falling to a 24 year low. But Japan's economic run is emblematic of many Western economies post the GFC: its economic growth has been fuelled on expansionary monetary policy and quantitative easing via aggressive bond purchasing that has seen credit and capital flows injected into the economy, inflating asset prices upwards. Credit is flowing in abundance and risk appetite has increased measurably. Yet inflation and wage growth remains subdued across Japan and most Western economies. To create longer, more sustained and balanced economic growth, real wages must go up and that remains the big question mark for 2018. Will the ever tightening labour markets finally pave the way for substantive real wage growth?

**Microequities Deep Value Fund returned 2.32% versus the All Ordinaries Accumulation Index 2.03% in December; this brings the total return net of fees to 588.45% for the Fund since inception in March 2009 compared to 187.69% for the All Ordinaries Accumulation Index.**

The Deep Value Fund divested out of two of its business partnerships during the month taking the total number down to 38. The takeover bid by **Capitol Health (ASX:CAJ)** for **Integral Diagnostics (ASX:IDX)** remains in play. We are business partners in both companies and have publicly supported the bid which we believe is in the best interest of Integral Diagnostics. We expect the bid process will be quite protracted.

We disclosed last month the Fund also has another business partnership in **Bulletproof (ASX:BPF)** which is under a hostile takeover offer from **Macquarie Telecom (ASX:MAQ)**. We deem this takeover offer to be opportunistic and unreasonable based on the current consideration offered. The Fund increased its stake in Bulletproof and now owns over 8% of the company. Based on the current offer the bid is highly unlikely to be successful. Bulletproof has opened up its data room to allow due diligence by other parties who may wish to make alternative offers.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+26.1%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+25.1%</b>

<b>Number of companies</b>	<b>38</b>
<b>Top 5 Holdings</b> % of NAV	<b>30.7%</b>
<b>Top 10 Holdings</b> % of NAV	<b>49.8%</b>
<b>Top 20 Holdings</b> % of NAV	<b>74.6%</b>
<b>Cash Position</b> % of NAV	<b>6.6%</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.