

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 28/02/2018

latest unit price \$4.4809	return since inception (March 2009) 578.31%	return 1 month -2.03%	Morningstar rating* ★★★★★
--------------------------------------	-------------------------------------------------------	---------------------------------	-------------------------------------



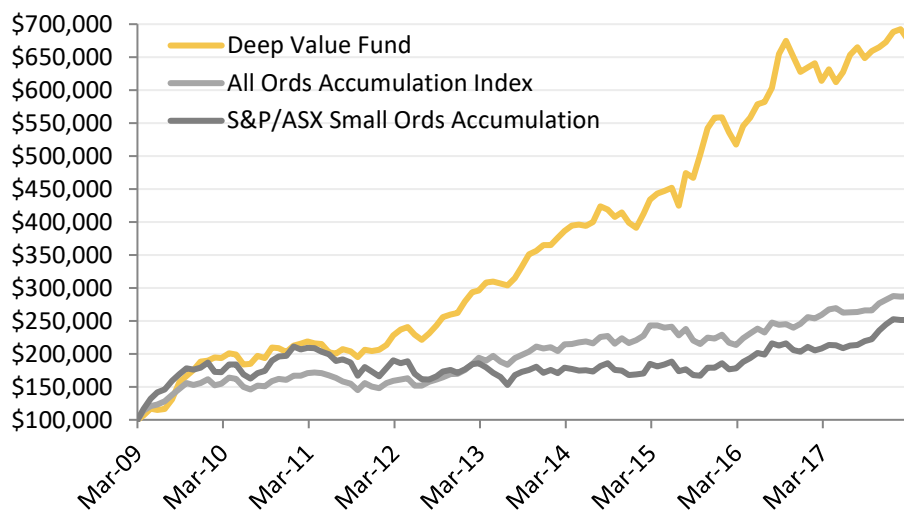
FUND OUTLINE

Fund Manager:

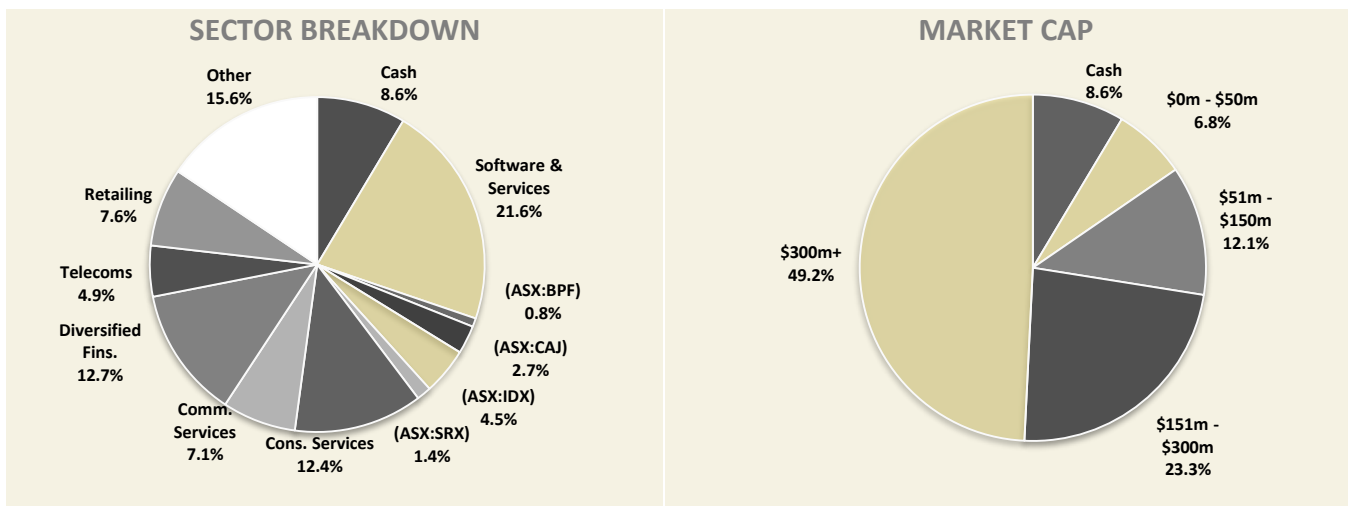
Carlos Gil (CIO)

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 > \$678,305



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Compound p.a. since inception	Total since inception
DVF	-2.03%	10.47%	16.05%	18.05%	17.55%	16.98%	23.70%	578.31%
All Ords Accum	0.18%	10.85%	5.68%	8.15%	7.72%	8.03%	12.44%	187.25%
Outperformance	-2.21%	-0.38%	10.37%	9.90%	9.83%	8.95%	11.26%	391.06%



DEEP VALUE FUND



MARKET UPDATE AND COMMENTARY

2018 beckons as a year of continued world economic expansion, with a significant expected recovery in both investment and trade. Some advanced economies, like the US, will see central banks gradually remove monetary stimulus due to the strength of labour markets and clear signs that the depressed inflationary pattern is changing. Just how accentuated the increase in inflation will be, remains difficult to forecast. The US labour department's latest figures saw hourly earnings rise by 2.9% during the year, the best gain since 2009. With the unemployment rate at 4.1% and the economy continuing to create a staggering amount of new jobs each month, economic theory would suggest upward pressure in wages will exacerbate during 2018. Domestically, we are facing a similar pattern. Whilst Australia has created 292,000 full time jobs over the last 12 months, unlike the US however our wage growth remains suppressed at 2.1%.

Microequities Deep Value Fund returned -2.03% versus the All Ordinaries Accumulation Index 0.18% in February; this brings the total return net of fees to 578.31% for the Fund since inception in March 2009 compared to 187.25% for the All Ordinaries Accumulation Index.

The reporting season saw 35 of our 39 business partnerships report their operating and financial performance in February or provide equivalent earnings guidance. Despite a few disappointing results, the reporting season was a solid one with the core of the portfolio meeting or exceeding our expectations. Out of the 7 businesses that missed our profit expectations the largest one had a weighting of 3.8% with the rest at under 3% weightings. Our business partnerships are well positioned for continued growth.

1H18 Financial Performance of Fund Constituents	No. of companies	Weighted % Basis
Exceeded our expectations	8	14.0%
Met our expectations	20	55.0%
Below our expectations	7	11.9%
Does not report during February	4	10.5%
Cash Assets		8.6%

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+22.4%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+24.5%

Number of companies	39
Top 5 Holdings % of NAV	31.4%
Top 10 Holdings % of NAV	49.7%
Top 20 Holdings % of NAV	72.9%
Cash Position % of NAV	8.6%

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. © 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.