

DEEP VALUE

MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/01/2017

latest unit price \$4.6951	return since inception (March 2009) +540.83%	return 1 month +0.99%	Morningstar rating* ★★★★★
--------------------------------------	--	---------------------------------	-------------------------------------



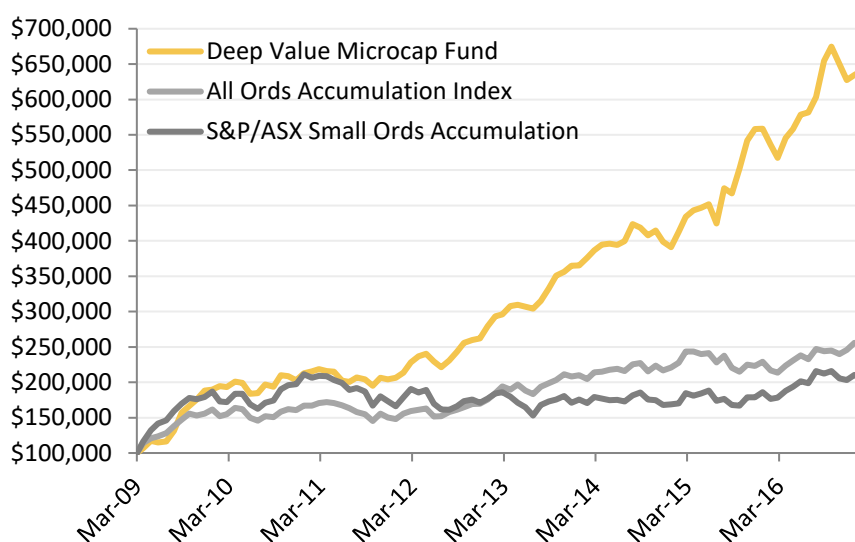
FUND OUTLINE

Fund Manager:

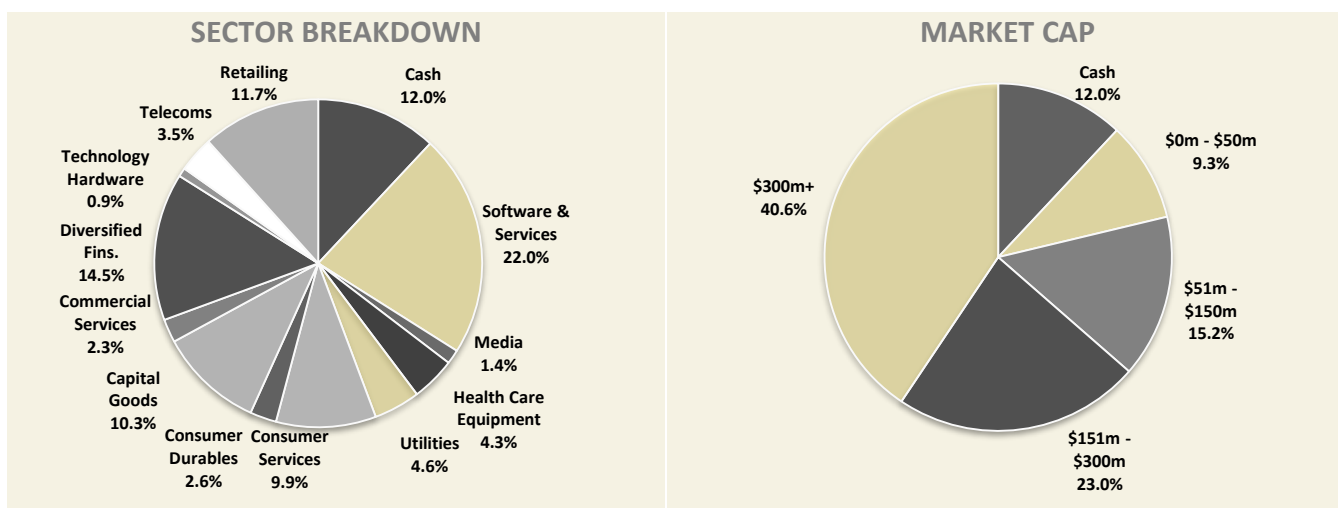
Carlos Gil (CIO)

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 > **\$640,834**



	1 Month	1 Year	3 Year	5 Year	7 Year	Total since inception	Compound p.a. since inception
DVMF	0.99%	19.61%	19.44%	24.58%	18.57%	540.83%	26.45%
All Ords Accum	-0.77%	17.09%	7.49%	10.29%	7.59%	153.83%	12.49%
Outperformance	1.76%	2.52%	11.95%	14.29%	10.98%	387.00%	13.96%



DEEP VALUE

MICROCAP FUND



MARKET UPDATE AND COMMENTARY

The UK economy remained buoyant during the last quarter of 2016 with its dominating services sector (80% of UK's GDP) continuing to strengthen. The UK consumer remains undeterred by Brexit (at least for now). Whilst the manufacturing sector (14% of GDP) is enjoying a competitive boost thanks to significantly weaker British Pound. The strong short term performance should not understate the fact the UK economy will face significant challenges throughout 2017. Inflationary pressures are increasing, the inflation rate is now at a two and a half year high and expected to increase further as the weaker British Pound raises imported input prices. Inflationary pressures could constrain consumption at a time when household real income growth is slowing down. If inflationary pressures do mount the Bank of England would then face the unenviable task of implementing rate rises just as economic growth slows down. At a political level, it's important the UK carves out a settlement framework that protects its important financial services sector which is not only a pillar of its economy but a significant export contributor. Many challenges to overcome but at least the UK is facing them with some positive economic momentum.

Microequities Deep Value Microcap Fund returned 0.99% versus the All Ordinaries Accumulation Index -0.77% in January; this brings the total return net of fees to 540.83% for the Fund since inception in March 2009 compared to 153.83% for the All Ordinaries Accumulation Index.

January has been an uneventful month for the Deep Value Fund with no new investments or exits. A small number of our existing business partnerships have continued to be purchased but the scale of these purchases have been of a marginal nature and have not materially affected our cash position, which remains historically high at 12%. February is always an interesting time for us given most of our business partnerships will be releasing 1st half financial reports. These financial reports provide us with a valuable report card on the progress of our business partnerships and allow us to update our intrinsic valuations.

Projected EPS Growth FY17 (on a weighted basis)	+18.5%
Projected EPS Growth FY18 (on a weighted basis)	+23.2%

Number of companies	38
Top 5 Holdings % of NAV	35.5%
Top 10 Holdings % of NAV	52.7%
Top 20 Holdings % of NAV	73.7%
Cash Position % of NAV	12.0%

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.