

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/01/2018

latest unit price \$4.5737	return since inception (March 2009) 592.35%	return 1 month 0.57%	Morningstar rating* ★★★★★
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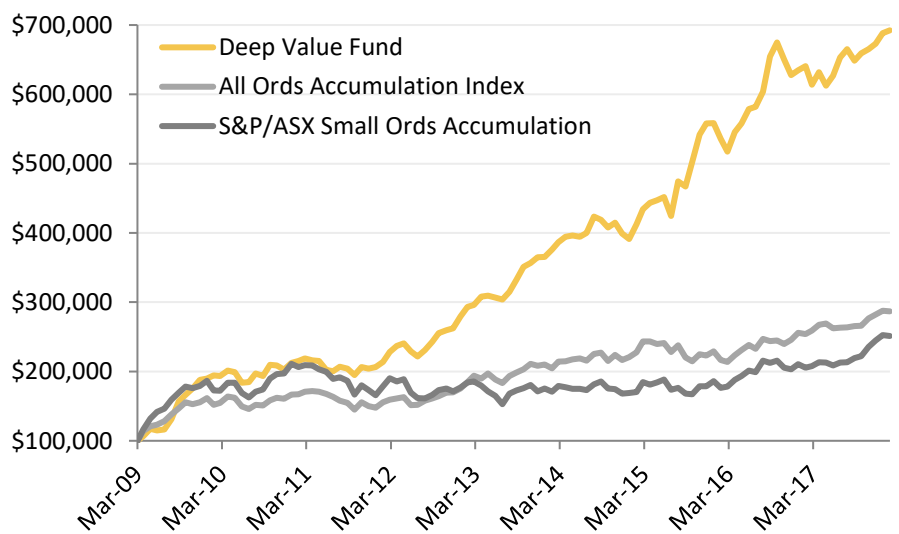
FUND OUTLINE

Fund Manager:

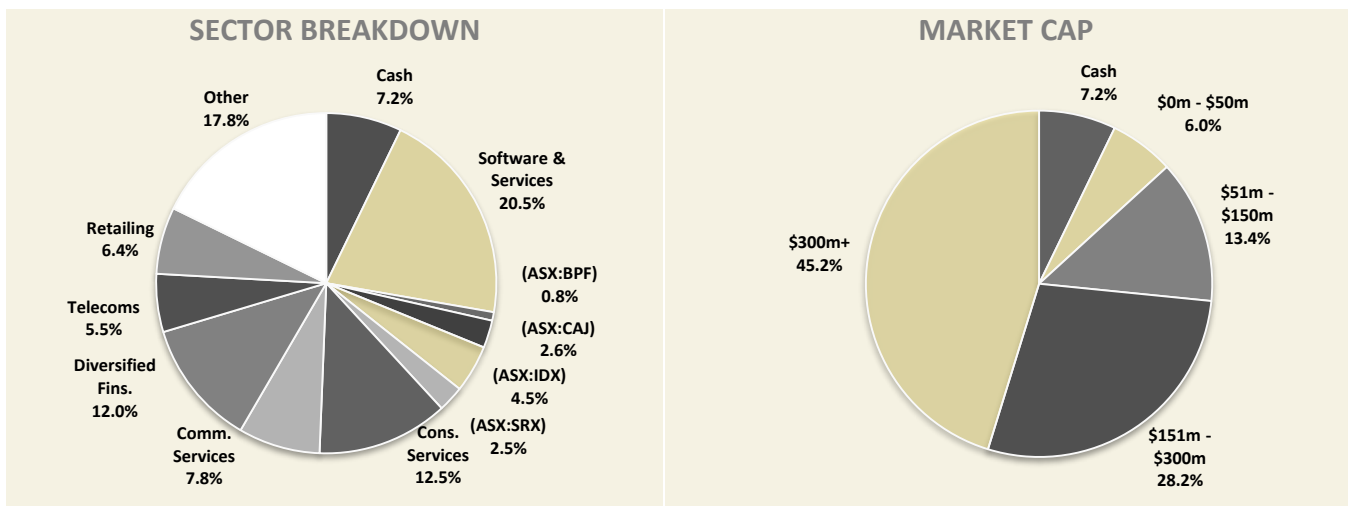
Carlos Gil (CIO)

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 > \$692,353



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Compound p.a. since inception	Total since inception
DVF	0.57%	8.04%	18.83%	18.73%	18.16%	17.20%	24.23%	592.35%
All Ords Accum	-0.33%	12.96%	8.03%	9.21%	8.03%	8.25%	12.54%	186.74%
Outperformance	0.90%	-4.92%	10.80%	9.52%	10.13%	8.95%	11.69%	405.61%



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MARKET UPDATE AND COMMENTARY

Unsurprisingly, US treasury notes fell significantly last month sending 10-year treasury yields above 2.7% for the first time since 2015. The overdue upward movement also coincided with the German 5-year Bund moving above a zero yield as the ECB is signalling the end of quantitative easing. Bond prices have remained stubbornly high despite clear evidence that world economic growth is accelerating in a near synchronised manner. Inflation is likely to have bottomed across many economies last year and 2018 should see the beginning of an inflationary cycle triggered by rising wages as labour markets continue to tighten. Domestically, the headline CPI number of 1.8% that was released yesterday might have been below market expectations, but it is well above the low of 1% in 2016. Inflationary pressures are already building in the Australian economy, the non-tradable component of the CPI which comprises many services not subject to foreign competition is up 3.1% year on year. There are also upward movements in wages which will filter through the economy over the course of the year. We maintain our view that the RBA will raise rates towards the end 2018.

Microequities Deep Value Fund returned 0.57% versus the All Ordinaries Accumulation Index -0.33% in January; this brings the total return net of fees to 592.35% for the Fund since inception in March 2009 compared to 186.74% for the All Ordinaries Accumulation Index.

One of our business partnerships, **Sirtex Medical Ltd (ASX:SRX)** received a \$1.6b binding offer from US based Varian Medical Systems. The offer represents a 46% premium to the last traded price of Sirtex. Post the announcement of the offer, Sirtex accounted for 2.5% of the Fund. The offer represents an attractive premium and excellent outcome for our investors. The investment management team will be supportive of the offer.

Another one of our business partnerships, **Bulletproof (ASX:BPF)**, which received a hostile takeover offer from **Macquarie Telecom (ASX:MAQ)** at 11 cents, received an indicative non-binding proposal from a new bidder at 15.2 cents cash, materially higher than Macquarie Telecom's bid which we have already publicly rejected.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+26.0%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+24.6%

Number of companies	38
Top 5 Holdings % of NAV	29.8%
Top 10 Holdings % of NAV	48.8%
Top 20 Holdings % of NAV	73.7%
Cash Position % of NAV	7.2%

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.