

DEEP VALUE

MICROCAP FUND

MICROEQUITIES
ASSET MANAGEMENT

MONTHLY PERFORMANCE AS AT 31/07/2016

| | | | |
|--------------------------------------|--------------------------------------------------------|---------------------------------|-------------------------------------|
| latest unit price \$4.4222 | return since inception (March 2009) +503.59% | return 1 month +3.74% | Morningstar rating* ★★★★★ |
|--------------------------------------|--------------------------------------------------------|---------------------------------|-------------------------------------|



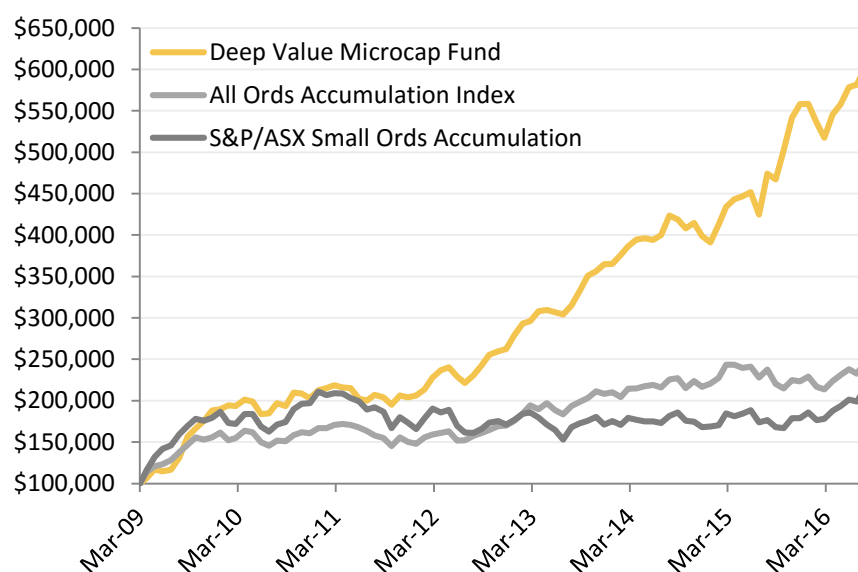
FUND OUTLINE

Fund Manager:

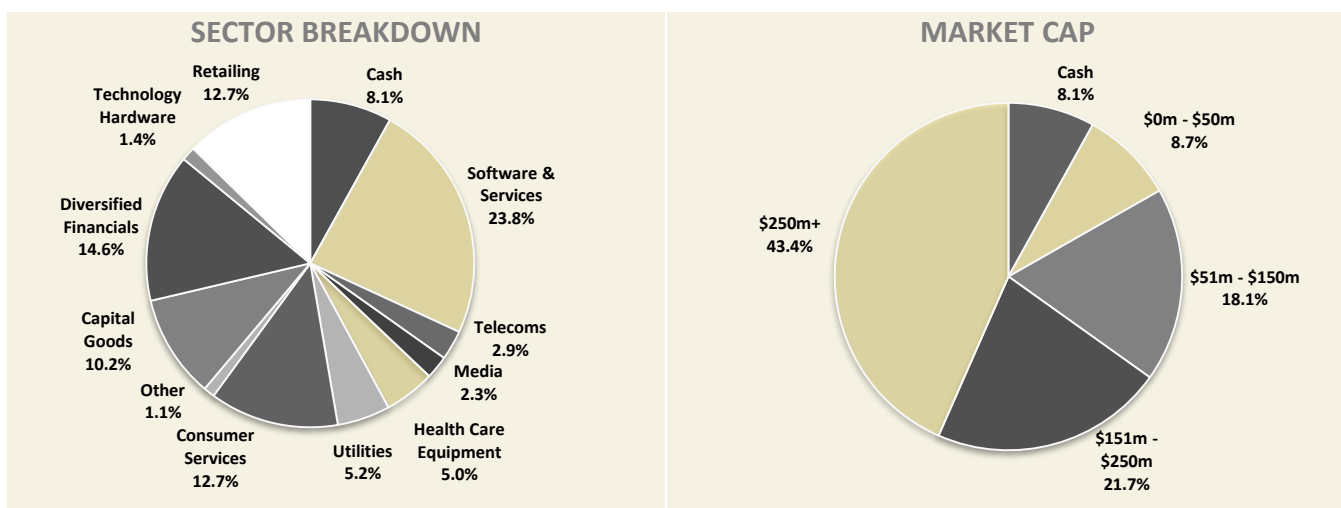
Carlos Gil (CIO)

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 > **\$603,586**



| | 1 Month | 1 Year | 3 Year | 5 Year | 7 Year | Total since inception | Compound p.a. since inception |
|-----------------------|---------|--------|--------|--------|--------|-----------------------|-------------------------------|
| DVMF | 3.74% | 27.27% | 24.20% | 23.87% | 24.36% | 503.59% | 27.43% |
| All Ords Accum | 6.29% | 4.02% | 8.52% | 9.37% | 8.69% | 147.29% | 12.98% |
| Outperformance | -2.54% | 23.26% | 15.68% | 14.50% | 15.67% | 356.30% | 14.45% |



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MARKET UPDATE AND COMMENTARY

The US 2nd quarter GDP number provides a misleading picture of the underlying strength of the US economy. The headline GDP growth rate of 1.2% was significantly below the 2.6% consensus forecast but the principal driver of the lower than expected number was due to inventory drawdown. Businesses did not replenish their stocks, causing overall production levels to decline. This is consistent with the fall in US industrial production numbers which was down by 1% during the second quarter. The key takeaway is that the lower level of GDP growth was supply driven not demand driven. More importantly, the employment cost index rose by 2.4% for the year to June 2016, up from 1.9% the previous year. The strength of the labour market and increases in wages bode well for the continuing strength of the US consumer, the bedrock of the US economy.

Microequities Deep Value Microcap Fund returned 3.74% versus the All Ordinaries Accumulation Index 6.29% in July; this brings the total return net of fees to 503.59% for the Fund since inception in March 2009 compared to 147.29% for the All Ordinaries Accumulation Index.

Last month's surge in equity prices has made additional investment into the small number of business partnerships we were pursuing inappropriate. We are finding the current pricing environment challenging and in keeping with our strict value discipline, we will not make purchases unless we can transact at deep value price points. Market values, unlike intrinsic valuations, can change quickly and for patient investors like us, sometimes the best thing to do is to do nothing.

We are in the process of exiting a number of small weighted business partnerships and we expected the total number of business partnerships we own to decline in coming months.

| | |
|--------------------------------------------------------------|---------------|
| Projected EPS Growth FY16 (on a weighted basis) | +21.0% |
| Projected EPS Growth FY17 (on a weighted basis) | +31.9% |

| | |
|------------------------------------|--------------|
| Number of companies | 37 |
| Top 5 Holdings % of NAV | 36.7% |
| Top 10 Holdings % of NAV | 54.0% |
| Top 20 Holdings % of NAV | 77.9% |
| Cash Position % of NAV | 8.1% |

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. © 2015 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.