

DEEP VALUE

MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/07/2017

latest unit price \$4.3926	return since inception (March 2009) 564.94%	return 1 month 1.79%	Morningstar rating* ★★★★★
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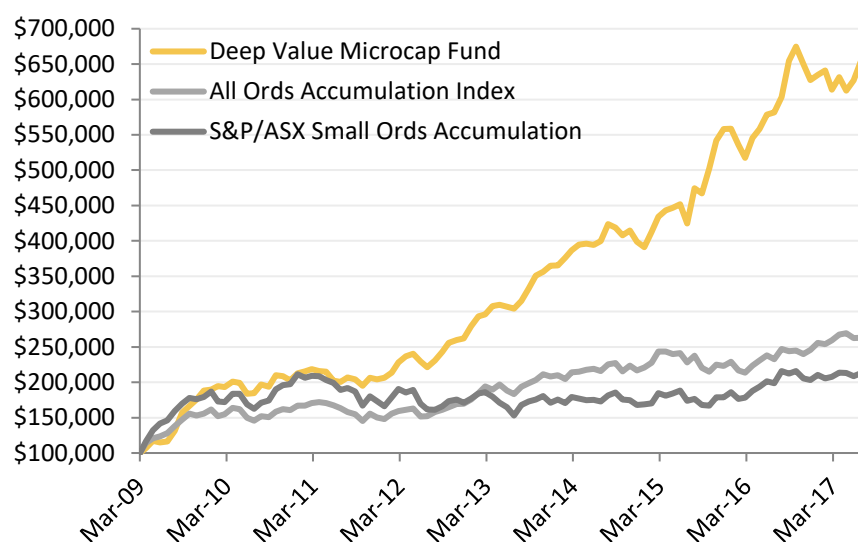
FUND OUTLINE

Fund Manager:

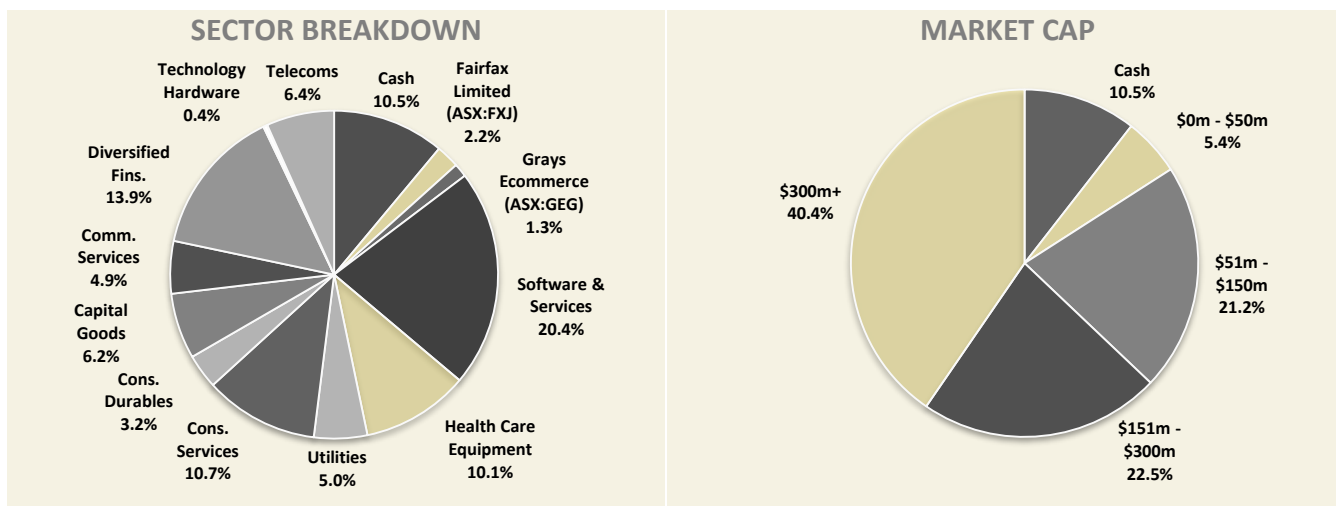
Carlos Gil (CIO)

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 > **\$664,939**



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Total since inception	Compound p.a. since Inception
DVMF	1.79%	10.16%	16.22%	23.57%	18.98%	22.49%	564.94%	25.24%
All Ords Accum	0.18%	6.62%	5.34%	10.82%	8.19%	8.43%	163.66%	12.21%
Outperformance	1.61%	3.54%	10.88%	12.75%	10.79%	14.06%	401.28%	13.03%



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MARKET UPDATE AND COMMENTARY

Despite solid employment growth, Australia remains in a low wage growth climate with the four-year moving average at around 2% pa, well below its 20-year average of 4%. However, these depressed numbers are likely to see a significant turnaround as the recent 3.3% annual rise in minimum wage growth will fuel overall wage growth to a likely 3% rate. Wage growth will also spur inflation which is why the RBA flagged the official cash rates are likely to rise. The timing of a rate rise is still uncertain but by mid 2018 Australia should be into a new cycle of monetary policy tightening.

We question the sustainability of the strong resurgent Australian dollar in July. The US Federal Reserve needs to raise rates, given the strength of the US economy is incongruent with a monetary policy that is overtly expansionary. We suspect some of the US Dollar weakness was due to political developments or more precisely reform ineffectiveness. Ironically, a weaker dollar will suit Trump's administration just fine.

Microequities Deep Value Microcap Fund returned 1.79% versus the All Ordinaries Accumulation Index 0.18% in July; this brings the total return net of fees to 564.94% for the Fund since inception in March 2009 compared to 163.66% for the All Ordinaries Accumulation Index.

As noted last month the investment team will be reducing the total number of business partnerships in the fund and we continue to divest several ancillary business partnerships. One professional services business was fully divested during the month of July taking the total number of business partnerships down to 43. An orderly sell down of Grays Ecommerce (ASX:GEG) continues and we expect the total number of business partnerships to continue to come down towards our self-imposed limit of 40.

The investment team is selectively increasing the Fund's investments in several business partnerships that are executing above expectations and represent compelling long-term investment opportunities. These recalibrations will, over time, adjust the concentration levels in the Fund back to levels more consistent with historical figures.

Projected EPS Growth FY17 (on a weighted basis)	+19.5%
Projected EPS Growth FY18 (on a weighted basis)	+22.8%

Number of companies	43
Top 5 Holdings % of NAV	28.2%
Top 10 Holdings % of NAV	44.7%
Top 20 Holdings % of NAV	68.9%
Cash Position % of NAV	10.5%

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.