

# DEEP VALUE

## MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 30/06/2017

latest unit price <b>\$4.7861</b>	return since inception (March 2009) <b>553.25%</b>	return 1 month <b>4.20%</b>	Morningstar rating* <b>★★★★★</b>
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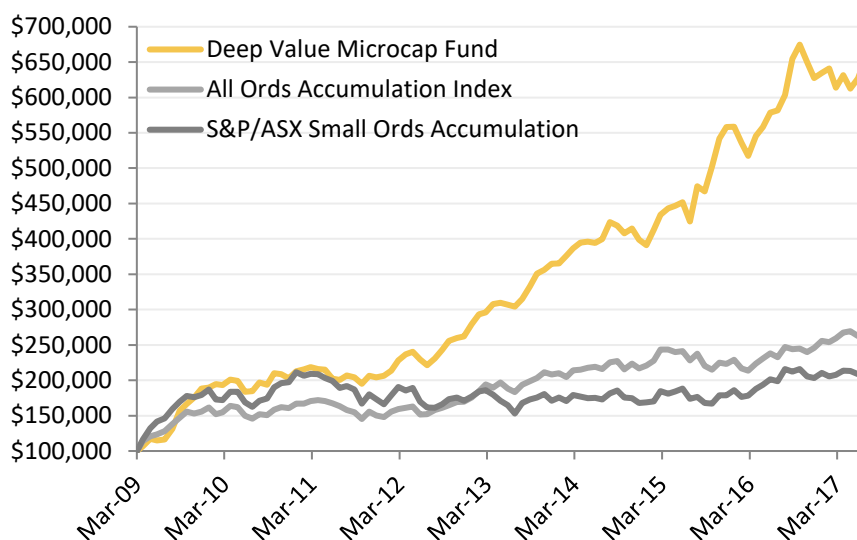
#### FUND OUTLINE

Fund Manager:

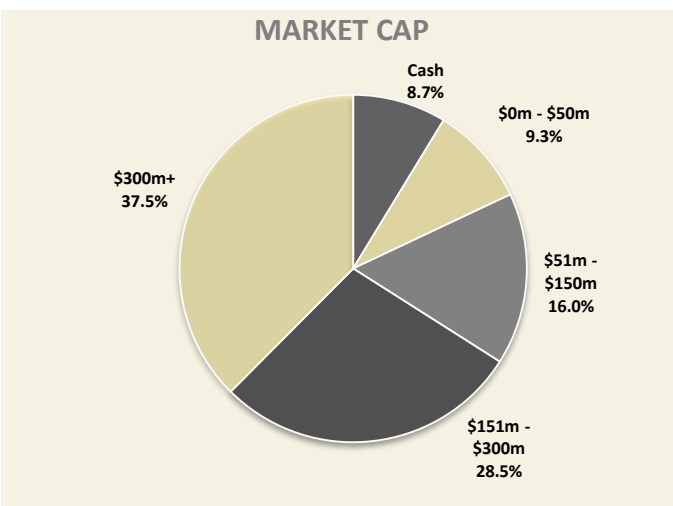
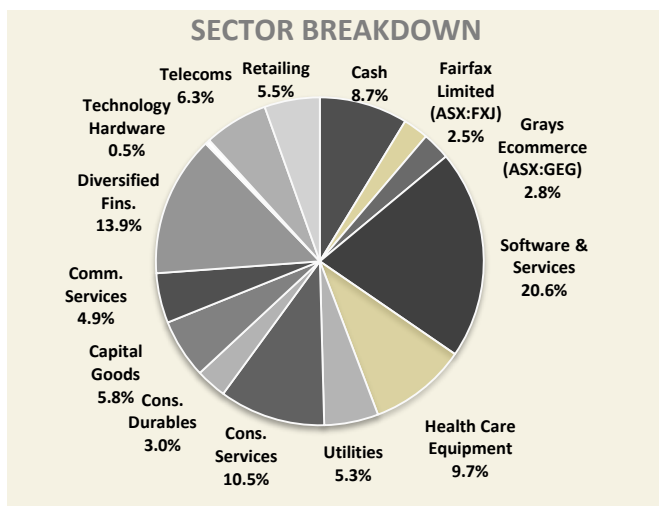
Carlos Gil (CIO)

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 > **\$653,254**



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Total since inception	Compound p.a. since Inception
<b>DVMF</b>	4.20%	12.28%	17.78%	24.15%	19.78%	24.06%	553.25%	25.26%
<b>All Ords Accum</b>	0.28%	13.12%	6.83%	11.60%	8.80%	9.41%	163.19%	12.31%
<b>Outperformance</b>	<b>3.92%</b>	<b>-0.84%</b>	<b>10.95%</b>	<b>12.55%</b>	<b>10.98%</b>	<b>14.65%</b>	<b>390.06%</b>	<b>12.95%</b>



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### MARKET UPDATE AND COMMENTARY

The US economy is essentially at full employment. US Department of Labor figures released at the beginning of the month put the unemployment rate at 4.3%, a 16 year low. A rate below 5% implies full employment, that is, it is full employment from an economic perspective because it is the rate at which an economy can sustain a component of the labour force still seeking work but not adding to wage inflationary pressures. This is important because the Federal Reserve has consistently signalled it considers the current US labour market at full employment. To maintain its other mandated objective of core inflation at or close to 2%, it needs to judiciously observe that the labour market does not become too tight. This has important implications for US interest rates as we would expect a tightening of monetary policy, effectively withdrawing the stimulus afforded to the economy since the GFC. This means that the Australian Dollar should come under downward pressure against the US Dollar over the medium term as the positive Australian risk rate differential dissipates.

**Microequities Deep Value Microcap Fund returned 4.20% versus the All Ordinaries Accumulation Index 0.28% in June; this brings the total return net of fees to 553.25% for the Fund since inception in March 2009 compared to 163.19% for the All Ordinaries Accumulation Index.**

The total number of business partnerships owned by the Fund has temporarily bloated to 44. Whilst this number is above our self-imposed limit of 40 there are number of exits that will be made in the coming months. In addition to the two business partnerships that became subject to takeover proposals last month (**Grays Ecommerce Ltd (ASX:GEG)** and **Fairfax Ltd (ASX:FXJ)**) the Fund is also selling down two business partnerships which account for less than 2% of the Fund’s total asset value. These planned exits will bring down the total number of business partnerships over the ensuing months.

Contributing to the rise in number of business partnerships since last month were two new businesses that were acquired during the month. One of these is a fast-growing software as a service business with almost 100% recurring revenue. The second business is a telecommunications provider, previously owned by the Fund and very well known to us.

<b>Projected EPS Growth FY17</b> (on a weighted basis)	<b>+20.4%</b>
<b>Projected EPS Growth FY18</b> (on a weighted basis)	<b>+21.5%</b>

<b>Number of companies</b>	<b>44</b>
<b>Top 5 Holdings</b> % of NAV	<b>28.1%</b>
<b>Top 10 Holdings</b> % of NAV	<b>45.1%</b>
<b>Top 20 Holdings</b> % of NAV	<b>70.4%</b>
<b>Cash Position</b> % of NAV	<b>8.7%</b>

**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](http://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.