

# DEEP VALUE

## MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/03/2017

latest unit price <b>\$4.6280</b>	return since inception (March 2009) <b>531.68%</b>	return 1 month <b>+2.88%</b>	Morningstar rating* <b>★★★★★</b>
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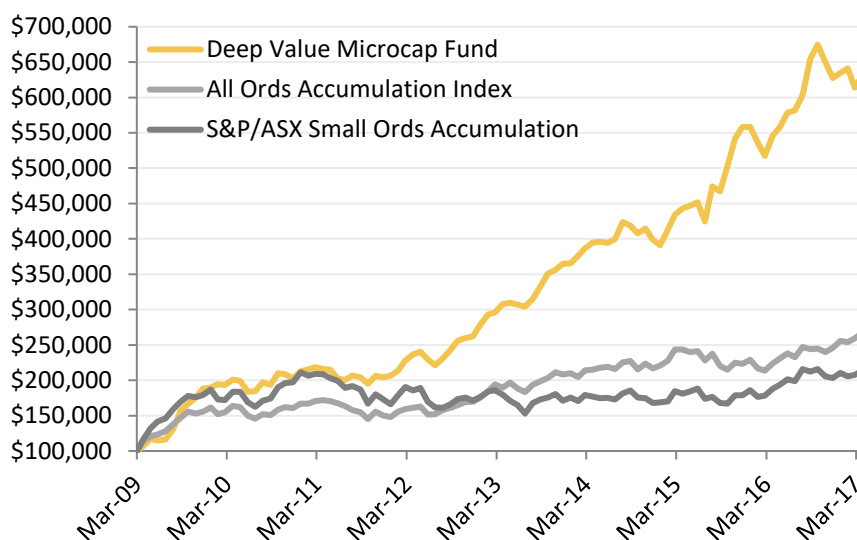
#### FUND OUTLINE

Fund Manager:

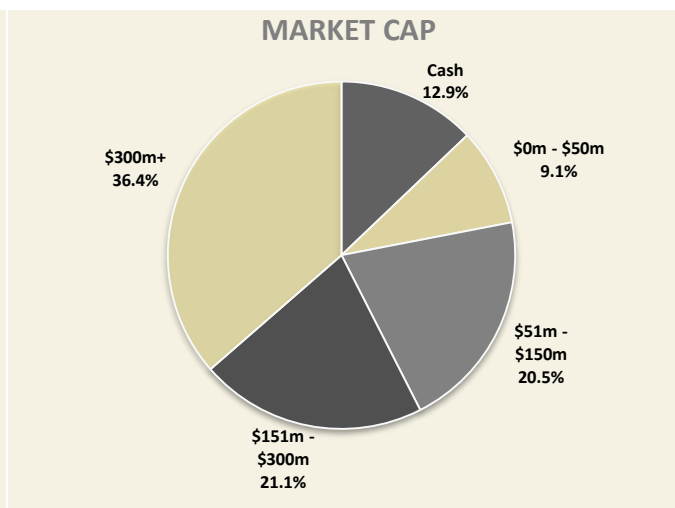
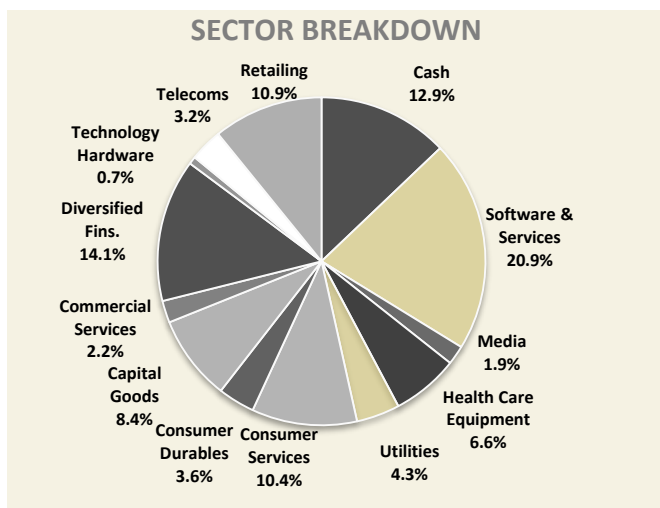
Carlos Gil (CIO)

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 > **\$631,675**



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Total since inception	Compound p.a. since Inception
<b>DVMF</b>	2.88%	15.76%	16.99%	21.67%	17.76%	25.61%	531.68%	25.61%
<b>All Ords Accum</b>	3.16%	19.49%	7.56%	10.66%	7.24%	11.26%	167.31%	12.93%
<b>Outperformance</b>	<b>-0.28%</b>	<b>-3.73%</b>	<b>9.43%</b>	<b>11.01%</b>	<b>10.52%</b>	<b>14.35%</b>	<b>364.37%</b>	<b>12.68%</b>



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### MARKET UPDATE AND COMMENTARY

During the month, the US Federal Reserve raised its benchmark interest rate from 0.75% to 1.00%. The rate rise is academic in nature and will not have any noticeable effect on the US economy. Surprisingly however, despite the US inflation rising above the Fed's preferred 2% target, the policy setting committee did not see fit to accelerate the pace of monetary tightening. The Fed is clearly now willing to tolerate a higher pace of price rises. It is a surprisingly dovish stance which entails medium term risks for the US economy and given the strength of the labour market and widespread robust economic data, it is a policy stance that is difficult to reconcile. Across in the UK we remain vigilant as early signs point to the economy entering a more difficult economic environment. Real household income fell by 0.4% in the last quarter of 2016 and the household savings ratio fell to a 50 year low of 3.3% indicating there is little scope for households to increase their consumption. How the headlines of global financial headquarters been uprooted from the city of London will affect economic confidence over the short term, remain a cause of concern.

**Microequities Deep Value Microcap Fund returned +2.88% versus the All Ordinaries Accumulation Index 3.16% in March; this brings the total return net of fees to 531.68% for the Fund since inception in March 2009 compared to 167.31% for the All Ordinaries Accumulation Index.**

The month saw us make small adjustments to our portfolio of business partnerships in our Deep Value Microcap Fund. We exited Macmahon Holdings Ltd (ASX MAH) which represented a very small weighting in the Fund (circa 1%), but an investment that delivered a very high return on our investment. Concurrently, we have entered into a new business partnership in the Health Care Services sector. Our initial stake has been purchased at a price that represents a very material discount to our assessed intrinsic valuation at a point in time in which investor sentiment for the business is weak but we see a normalisation of its growth cadence back to recent historical levels. Several small recalibration actions were taken during the month in keeping with our risk/reward weighting directive.

<b>Projected EPS Growth FY17</b> (on a weighted basis)	<b>+19.9%</b>
<b>Projected EPS Growth FY18</b> (on a weighted basis)	<b>+22.0%</b>

<b>Number of companies</b>	<b>39</b>
<b>Top 5 Holdings</b> % of NAV	<b>33.6%</b>
<b>Top 10 Holdings</b> % of NAV	<b>51.1%</b>
<b>Top 20 Holdings</b> % of NAV	<b>72.7%</b>
<b>Cash Position</b> % of NAV	<b>12.9%</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.