

DEEP VALUE

MICROCAP FUND



MONTHLY PERFORMANCE AS AT 31/05/2017

latest unit price \$4.5934	return since inception (March 2009) 526.95%	return 1 month 2.39%	Morningstar rating* ★★★★★
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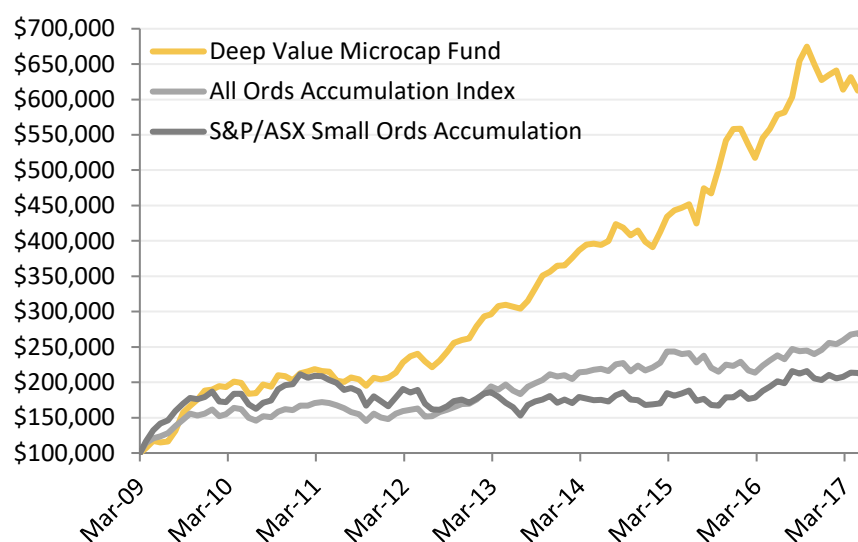
FUND OUTLINE

Fund Manager:

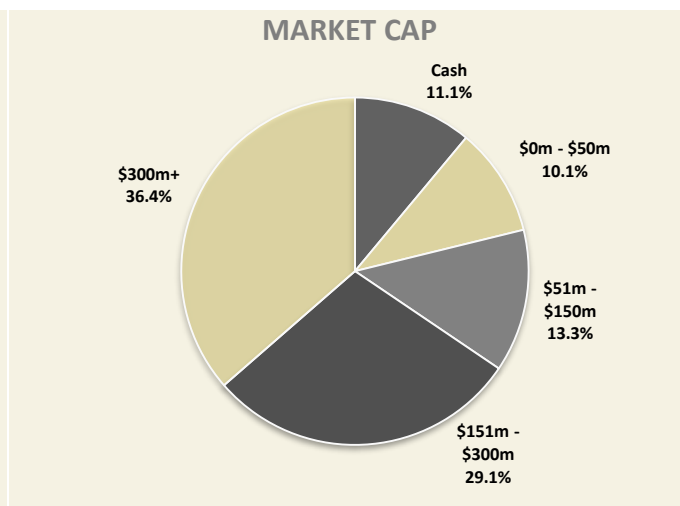
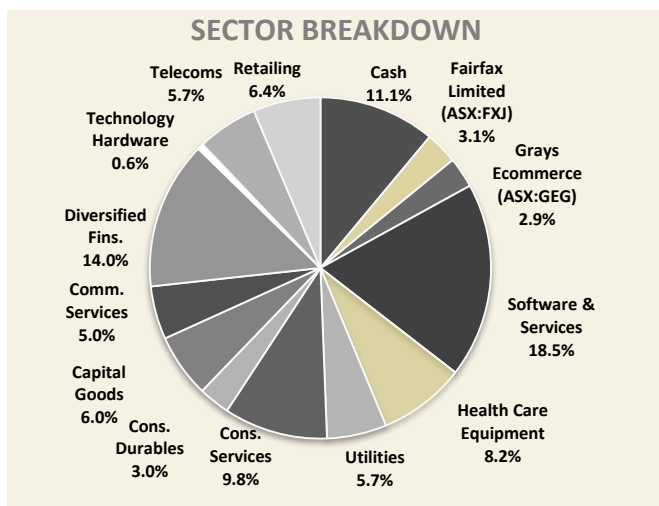
Carlos Gil (CIO)

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 > **\$626,953**



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Total since inception	Compound p.a. since Inception
DVMF	2.39%	8.33%	16.72%	22.29%	19.16%	23.65%	526.95%	24.92%
All Ords Accum	-2.58%	10.23%	6.23%	11.59%	8.35%	9.90%	162.45%	12.41%
Outperformance	4.97%	-1.90%	10.49%	10.70%	10.81%	13.75%	364.50%	12.51%



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MARKET UPDATE AND COMMENTARY

Europe's biggest and most important economy, Germany, is continuing a strong expansionary cycle. In its last reported quarter (January to March), it grew by 0.6% and forward looking indicators suggest that the pace of growth may have accelerated during the March to June quarter. The Purchasers Manager's Index (PMI) rose from 56.7 to 57.3 in April while the services sector is also displaying robust expansionary figures. Germany is an export driven powerhouse but its trade surplus stems not only from a sophisticated industrial base but by the fact that Germans save more than spend, a contrast to the US.

In our Australian economy, we are increasingly concerned that the prolonged residential price boom, particularly in Melbourne and Sydney, has seen prices rise beyond rational foundational levels. This rise of residential prices, which has also been accompanied by a corresponding commercial property boom, has significantly increased systemic risk in the Australian economy. A risk that, if crystallised, will put stress on the big four banks but would also have harmful resonating effects across many sectors of the economy.

Microequities Deep Value Microcap Fund returned 2.39% versus the All Ordinaries Accumulation Index -2.58% in May; this brings the total return net of fees to 526.95% for the Fund since inception in March 2009 compared to 162.45% for the All Ordinaries Accumulation Index.

Two of our business partnerships became subject to takeover proposals during the month. **Grays Ecommerce Ltd (ASX:GEG)** which represents 2.9% of the Fund's assets agreed to a friendly takeover from Eclipx Ltd (ASX:ECX), whilst one of our non-microcap business partnerships, **Fairfax Ltd (ASX:FXJ)**, has allowed due diligence from two prospective competing private equity firms. We have owned Fairfax Ltd since 2013 and bought the business on the basis of the market's poor understanding of the breakup value of the portfolio of businesses that Fairfax owns.

The Fund has been actively deploying cash and has bought into two new business partnerships. One is a very fast growing (30%+ p.a.) software as a service technology firm and the other, a professional services firm. We expect significant growth from both of these businesses. **Given a depletion of some of the cash reserves, the Fund will reopen for a small capital raising in the month of June.**

Projected EPS Growth FY17 (on a weighted basis)	+19.8%
Projected EPS Growth FY18 (on a weighted basis)	+21.2%

Number of companies	42
Top 5 Holdings % of NAV	29.2%
Top 10 Holdings % of NAV	45.4%
Top 20 Holdings % of NAV	70.4%
Cash Position % of NAV	11.1%

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. © 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.