

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/11/2017

latest unit price \$4.4449	return since inception (March 2009) 572.86%	return 1 month 1.17%	Morningstar rating* ★★★★★
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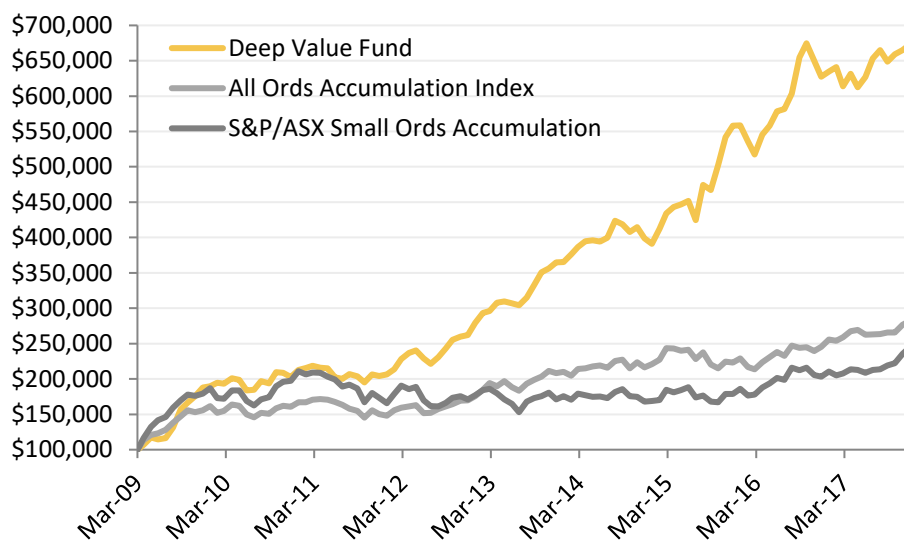
FUND OUTLINE

Fund Manager:

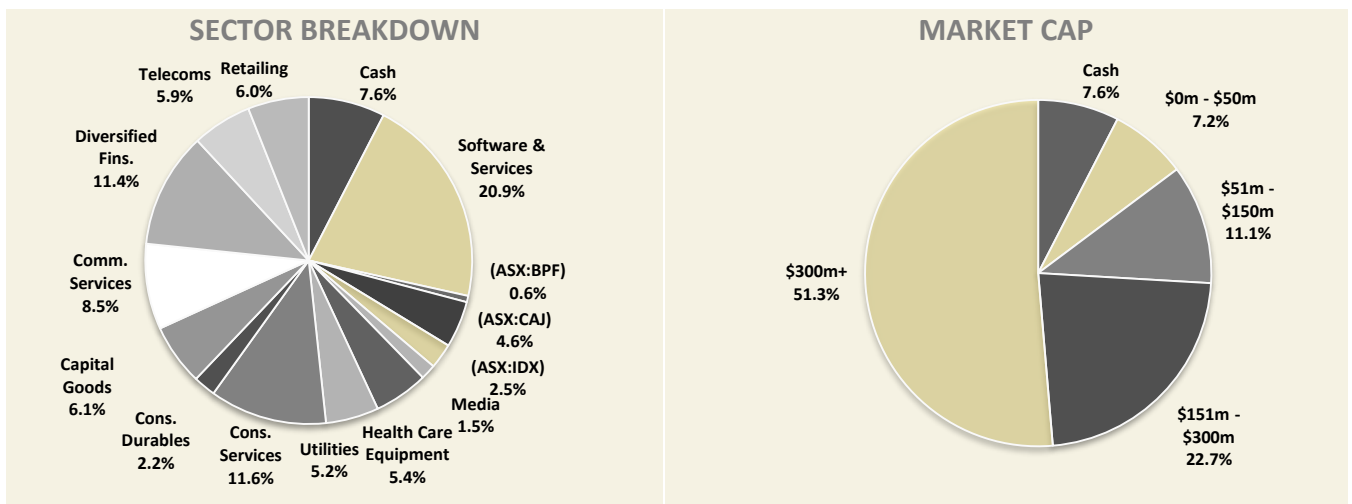
Carlos Gil (CIO)

The Deep Value Fund is a wholesale fund investing in a concentrated portfolio of undervalued, profitable and growing ASX listed microcap and smallcap companies.

VALUE OF \$100,000 INVESTED AT INCEPTION > \$672,856



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Compound p.a. since inception	Total since inception
DVF	1.17%	7.22%	19.03%	20.74%	18.69%	17.27%	24.34%	572.86%
All Ords Accum	1.91%	14.83%	9.19%	10.67%	8.35%	7.70%	12.58%	181.96%
Outperformance	-0.74%	-7.61%	9.84%	10.07%	10.34%	9.57%	11.76%	390.90%



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MARKET UPDATE AND COMMENTARY

We expect the US Federal Reserve (Fed) to raise rates this month in what has been a highly signalled intention. Whilst the US economy has been powering along, inflation remains subdued (currently at 2%) and we believe the Fed remains cautious and dovish (we consider this a flawed policy stance) unless it sees evidence of a pickup in inflation. Our view on the overly dovish policy is on record. Domestically, whilst the labour market continues to strengthen, wage growth remains sluggish, keeping inflation low. A competitive retail environment is, for the time being, offsetting inflationary pressures. We still expect that the continuing strength in employment growth coupled with a lower Australian Dollar (already starting to manifest itself) will lead to higher inflation. The overall inflation rate is still lower than we expected, and we therefore think that it is unlikely the RBA will raise rates during the first half of calendar 2018.

Microequities Deep Value Fund returned 1.17% versus the All Ordinaries Accumulation Index 1.91% in November; this brings the total return net of fees to 572.86% for the Fund since inception in March 2009 compared to 181.96% for the All Ordinaries Accumulation Index.

It was a busy month for the Deep Value Fund. The Fund divested out of a software company. The business is a global leader in its field with Fortune 100 clients. However, the extreme market exuberance meant the shares were trading at 32x FY18 PE and assumed double-digit profit growth for 3-4 years. Adhering to our value discipline, we decided it was prudent to exit this investment.

The Fund received a cash and scrip takeover offer from **Capitol Health (ASX:CAJ)** for our shares in radiology company **Integral Diagnostics (ASX:IDX)**. We are business partners in both companies and see the industrial logic in a combination of the two companies. The Fund also received a takeover proposal from **Macquarie Telecom (ASX:MAQ)** for **Bulletproof (ASX:BPF)**. Whilst Bulletproof represents a relatively small investment for the Fund based on the current share price, we deem the current offer by Macquarie Telecom to be unsatisfactory and note that the management accounts, as published, in the bidder's statement show a noticeable financial turnaround in the business in 1Q18. The Deep Value Fund now has 40 business partnerships and is within our self-imposed limit. Further disinvestments are likely to take place over coming periods.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+25.0%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+23.8%

Number of companies	40
Top 5 Holdings % of NAV	28.5%
Top 10 Holdings % of NAV	48.4%
Top 20 Holdings % of NAV	72.5%
Cash Position % of NAV	7.6%

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.