

# DEEP VALUE

## MICROCAP FUND



### MONTHLY PERFORMANCE AS AT 31/10/2016

latest unit price <b>\$4.7640</b>	return since inception (March 2009) <b>+550.24%</b>	return 1 month <b>-3.62%</b>	Morningstar rating* <b>★★★★★</b>
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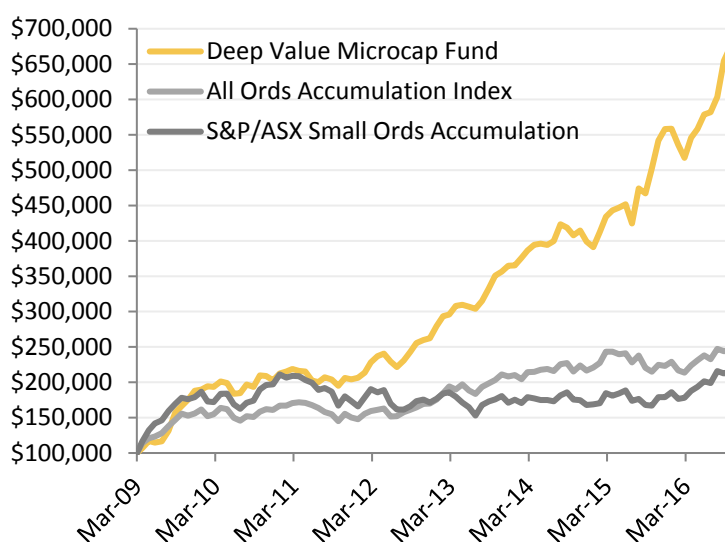
#### FUND OUTLINE

Fund Manager:

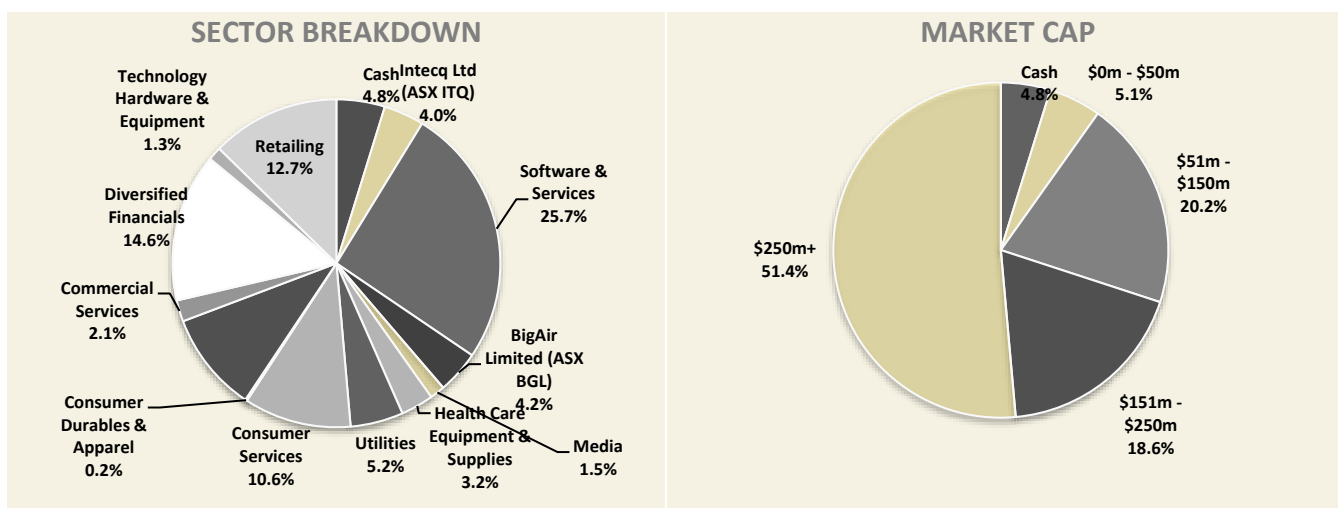
Carlos Gil (CIO)

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 > **\$650,238**



	1 Month	1 Year	3 Year	5 Year	7 Year	Total since inception	Compound p.a. since inception
<b>DVMF</b>	-3.62%	19.98%	22.19%	25.82%	20.58%	550.24%	27.66%
<b>All Ords Accum</b>	-2.18%	6.63%	4.30%	9.03%	6.64%	139.65%	12.08%
<b>Outperformance</b>	-1.44%	13.35%	17.89%	16.79%	13.94%	410.59%	15.58%



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### MARKET UPDATE AND COMMENTARY

During the 3<sup>rd</sup> quarter of 2016, The US economy grew at an annualised rate of +2.9%. That is the fastest quarterly rate of growth in two years and compares favourably to the average growth rate of +1.6% the economy experienced during the 2000s. The surge in the world's biggest economy was on the back of inventory replacement and increased capital expenditure in non-residential structures (+5.4%). Robust economic growth and sound economic indicators across the board have paved the way for the Federal Reserve to increase cash rates before the end of the year. An increase that should have been undertaken at the previous meeting. On the subject of cash rates, by the time you read this, our own RBA will have delivered its rate decision outcome and, if sanity has prevailed, rates should have remained on hold. The Australian economy will receive little boost from any further interest rate cuts and a rate cut would induce further asset class pricing distortion, heightening future market dislocation risk.

**Microequities Deep Value Microcap Fund returned -3.62% versus the All Ordinaries Accumulation Index -2.18% in October; this brings the total return net of fees to 550.24% for the Fund since inception in March 2009 compared to 139.65% for the All Ordinaries Accumulation Index.**

Our second largest business partnership incurred a significant fall in market value over the month without any change to intrinsic value thereby augmenting further the gap between its intrinsic value and current market value. Such are the vagaries of short term market pricing. We continued to further invest in this business partnership. We have a 5+ year investment time horizon and view its growth pathway as both credible and likely. The market might think otherwise but the application of value investing means we often hold minority views that contrast with the prevailing market view. Further purchases in a select few other owned business partnerships continued during the month. Three current businesses (ASG Ltd, Intecq Ltd and BigAir Ltd) remain under friendly takeovers (schemes of arrangements).

<b>Projected EPS Growth</b> FY17 (on a weighted basis)	<b>+22.1%</b>
<b>Projected EPS Growth</b> FY18 (on a weighted basis)	<b>+20.8%</b>

<b>Number of companies</b>	<b>38</b>
<b>Top 5 Holdings</b> % of NAV	<b>37.2%</b>
<b>Top 10 Holdings</b> % of NAV	<b>57.6%</b>
<b>Top 20 Holdings</b> % of NAV	<b>80.4%</b>
<b>Cash Position</b> % of NAV	<b>4.8%</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. © 2015 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.