

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/06/2018

latest unit price \$4.4679 (cum-distribution)	return since inception (March 2009) 576.34%	return 1 month 0.83%	Morningstar rating* ★★★★
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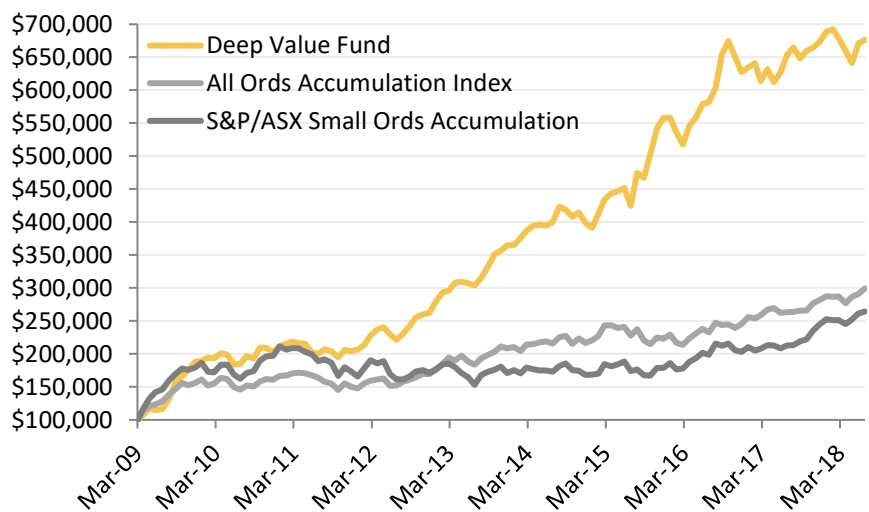
FUND OUTLINE

Fund Manager:

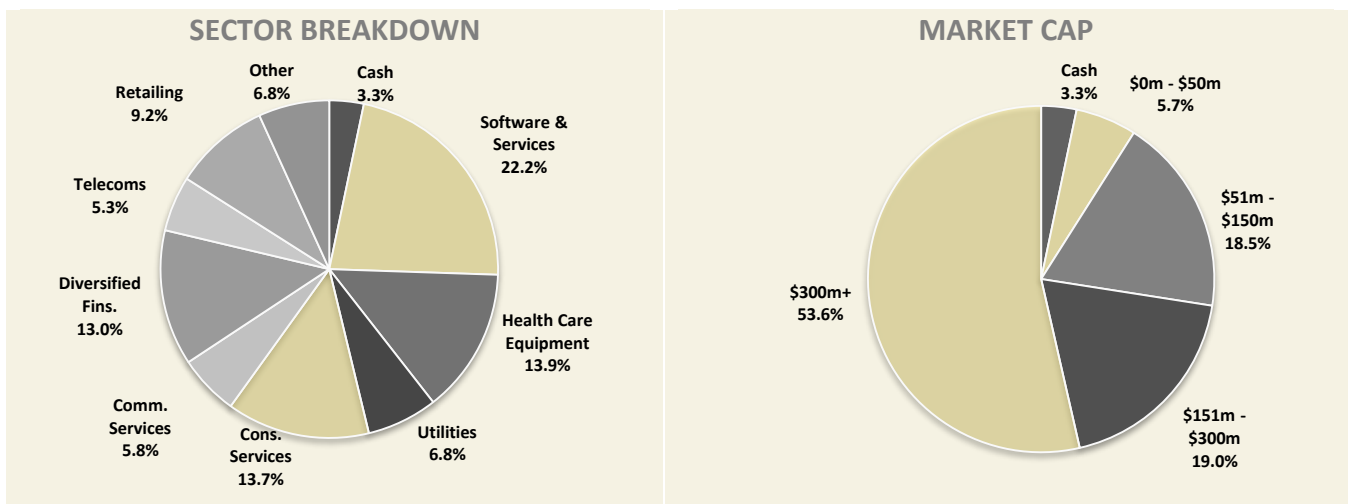
Carlos Gil (CIO)

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 > **\$676,337**



	1 Month	1 Year	3 Year	5 Year	7 Year	9 Year	Compound p.a. since Inception	Total since inception
DVF	0.83%	3.53%	16.78%	17.34%	18.99%	21.59%	22.73%	576.34%



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MARKET UPDATE AND COMMENTARY

Trying to forecast when the RBA will next raise rates is a somewhat perilous exercise. Several opposing forces are currently being observed which makes the Bank's job of deciding when to start removing an accommodative monetary policy, a complex undertaking. Clearly, the Australian labour market is in an excellent shape, with economic growth now above 3%, and a resurgent resources sector. There are strong arguments to raise rates. A hawkish stance, of which we are advocates, however is somewhat undermined by a low inflationary environment, elusive wages growth and a weakening property market which risks a sharp fall in the face of higher interest rates. Further complicating the task is that some banks are already increasing mortgage rates out of cycle due to sustained increased costs in their short-term funding. In our view, the RBA needs to prudently move towards a neutral stance and raise rates. It does not have a mandate to shield asset prices nor can it afford to idly wait for businesses to responsibly increase wages. It must look beyond this expansionary cycle knowing full well that failure to raise rates now will undermine its capability to stimulate the economy in the next slowdown. It should raise rates this year, the sooner the better.

Microequities Deep Value Fund returned 0.83% in June; this brings the total return net of fees to 576.34% for the Fund since inception in March 2009.

It was a quiet month for the Fund with no new exits or entrants. We continue to own 38 businesses in the Fund. Whilst there were no changes in the constituents of the Fund, the investment management team continued to selectively increase stakes in businesses in which significant pricing divergencies have expanded. As a result, cash holdings in the Fund continue to decline from 5.5% last month to 3.3%. The investment team currently has identified more opportunities than cash available, which is a pleasant change from the pricing environment we had observed 18 months ago. Specifically, there are several businesses which we deem to be highly undervalued and would look to deploy capital if we had further cash available.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+21.3%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+26.7%

Number of companies	38
Top 5 Holdings % of NAV	37.2%
Top 10 Holdings % of NAV	55.9%
Top 20 Holdings % of NAV	80.1%
Cash Position % of NAV	3.3%

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 Asset Management Group Limited 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. © 2018 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.