DEEP VALUE FUND

Microequities Asset Management

MONTHLY PERFORMANCE AS AT 30/06/2018

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

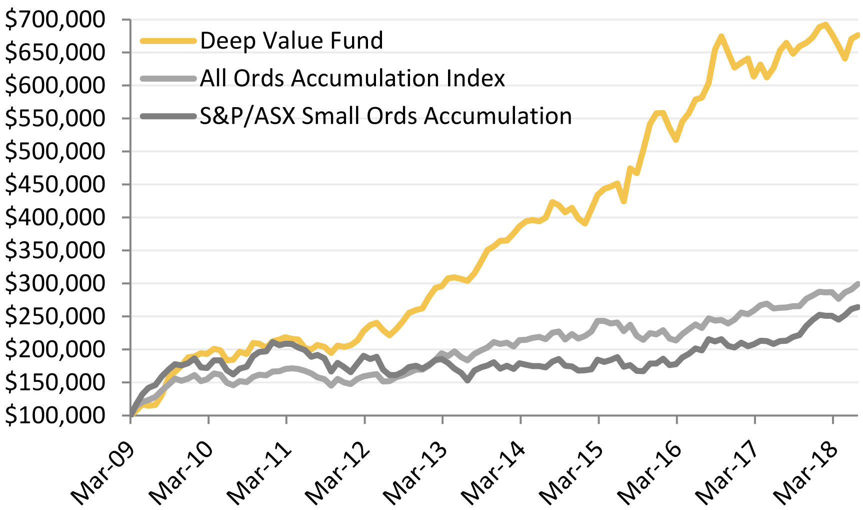
FUND OUTLINE

Fund Manager:

Carlos Gil (CIO)

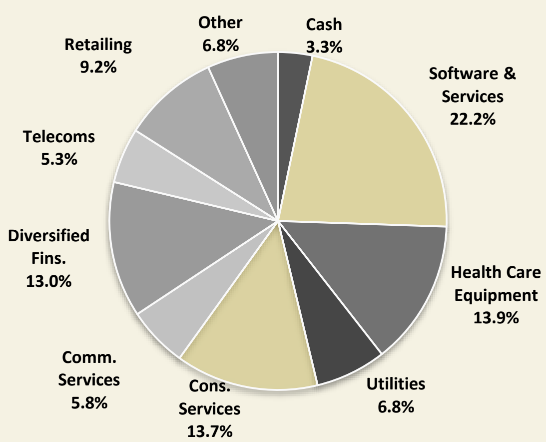
The Deep Value Fund is a wholesale fund investing in a concentrated portfolio of undervalued, profitable and growing ASX listed microcap and smallcap companies.

VALUE OF $100,000 INVESTED AT INCEPTION > $676,337

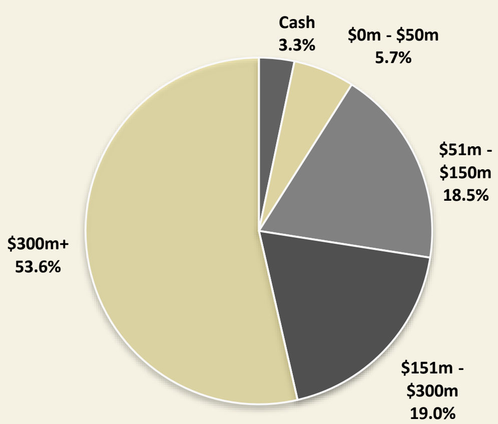


	1 Month	1 Year	3 Year	5 Year	7 Year	9 Year	Compound p.a. since Inception	Total since inception
DVF	**0.83%**	**3.53%**	**16.78%**	**17.34%**	**18.99%**	**21.59%**	**22.73%**	**576.34%**

SECTOR BREAKDOWN



MARKET CAP



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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%**