

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/07/2018

latest unit price \$4.1288 Ex-distribution	return since inception (March 2009) 565.53%	return 1 month -1.60%	Morningstar rating* ★★★★★
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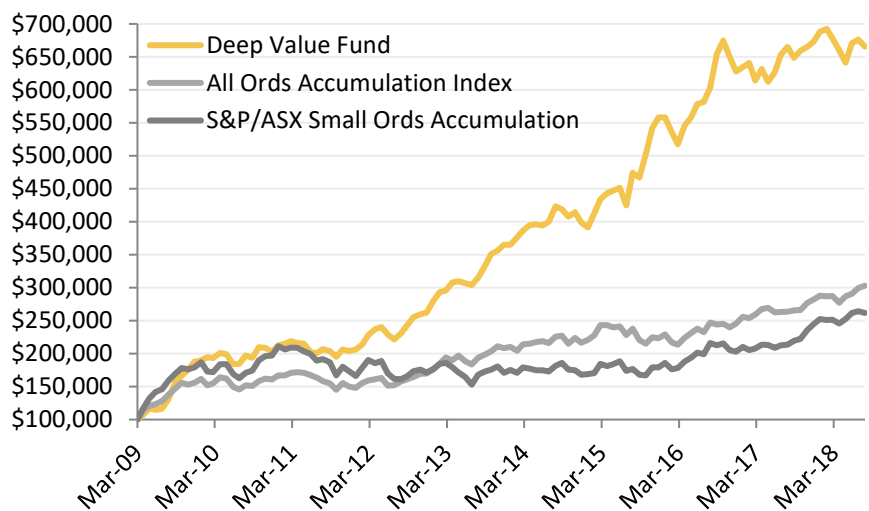
FUND OUTLINE

Fund Manager:

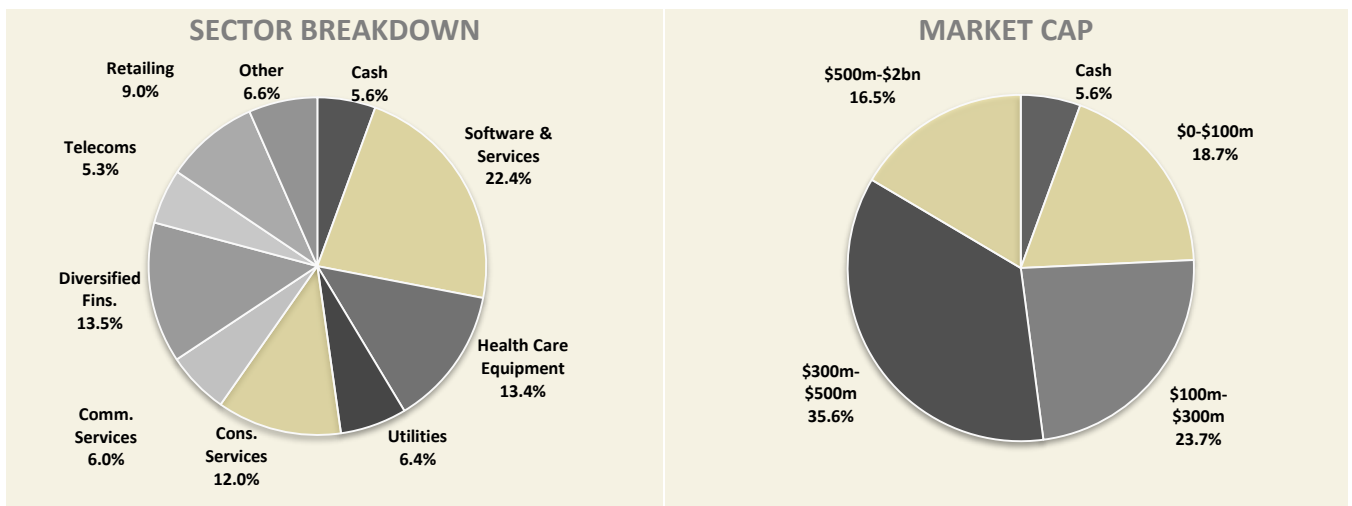
Carlos Gil (CIO)

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 > **\$665,525**



	1 Month	1 Year	3 Year	5 Year	7 Year	9 Year	Compound p.a. since inception	Total since inception
DVF	-1.60%	0.09%	11.96%	16.13%	18.16%	19.77%	22.30%	565.53%



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MARKET UPDATE AND COMMENTARY

The United States, the world largest economy, accelerated the pace of its economic expansion during the second quarter of 2018. GDP grew at an annualised rate of 4.1%, marking the fastest rate of growth in almost 4 years. Capital investment continued to improve which suggests that tax cuts are having the desired effect on investment. However, we question the sustainability of consumer spending growth which surged in the quarter. How much of the increase in spending was due to consumers bringing forward consumption ahead of the impending tariff increases, remains to be seen. Wages growth has been steadily increasing, though still subdued at +2.7% and will need to rise further if the Fed is to meet its stated objective of four (two done, two more to go) interest rate hikes for 2018. In Australia, the economy continued to produce strong jobs growth, with the economy adding 317,000 jobs over the past 12 months. We expect employment growth to moderate over the second half of the year, though this does not imply that unemployment will rise as we see overall domestic economic conditions as remaining conducive to growth.

Microequities Deep Value Fund returned -1.60% in July; this brings the total return net of fees to 565.53% 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 where significant pricing divergencies have expanded. The investment team has identified more opportunities than cash available, which is a pleasant change from the pricing environment we 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 more cash available.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+21.9%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+27.3%

Number of companies	38
Top 5 Holdings % of NAV	35.4%
Top 10 Holdings % of NAV	54.9%
Top 20 Holdings % of NAV	78.8%
Cash Position % of NAV	5.6%

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 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.