

DEEP VALUE

MICROCAP FUND

MICROEQUITIES
ASSET MANAGEMENT

MONTHLY PERFORMANCE AS AT 31/08/2016

latest unit price \$4.7960	return since inception (March 2009) +554.61%	return 1 month +8.45%	Morningstar rating* ★★★★★
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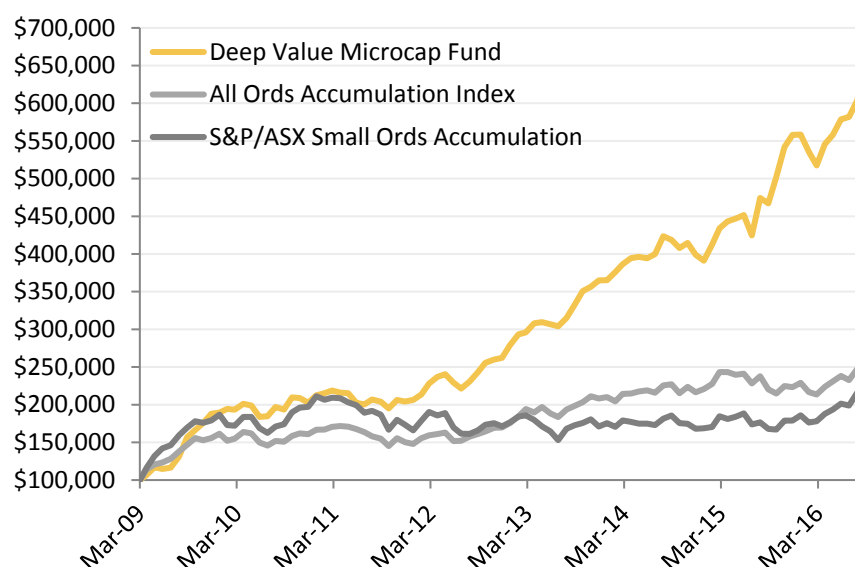
FUND OUTLINE

Fund Manager:

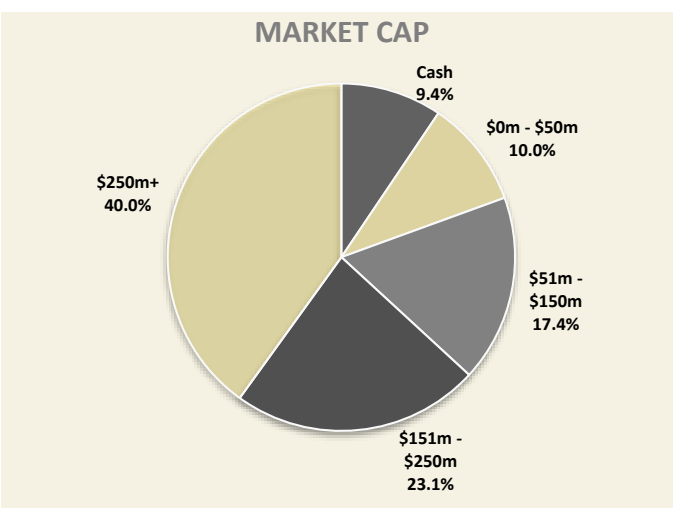
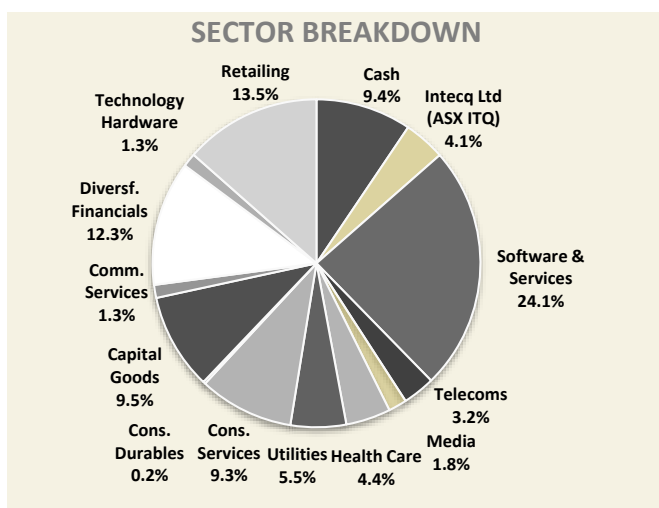
Carlos Gil (CIO)

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 > **\$654,606**



	1 Month	1 Year	3 Year	5 Year	7 Year	Total since inception	Compound p.a. since inception
DVMF	8.45%	40.12%	25.32%	26.27%	22.62%	554.61%	28.47%
All Ords Accum	-1.33%	10.72%	7.12%	9.52%	7.52%	144.01%	12.63%
Outperformance	9.78%	29.41%	18.19%	16.75%	15.11%	410.60%	15.84%



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MARKET UPDATE AND COMMENTARY

A lot of time and energy is being wasted speculating whether the US Federal Reserve will hike rates next month from 0.50% to 0.75%. Whether the Fed raises rates or not will not affect the direction of the US economy which is now close to achieving a full strength job market. Wages growth in non-oil states is tracking +2.9% and has increased sharply over the past two years. The tighter labour market conditions point to further strengthening in wages. This is good news for the US economy because it will underpin its economic growth for the foreseeable future as higher incomes will stimulate the consumer driven US economy.

Microequities Deep Value Microcap Fund returned 8.45% versus the All Ordinaries Accumulation Index -1.33% in August; this brings the total return net of fees to 554.61% for the Fund since inception in March 2009 compared to 144.01% for the All Ordinaries Accumulation Index.

The reporting season saw 33 of our total 37 business partnerships report their operating and financial performance in August. Overall, it has been a very solid year in which most of our business partnerships (91% of those that reported) either met or exceeded our expectations. It is pleasing for us to report that we expect the vast majority of business partnerships to increase their intrinsic value over FY17 via continued revenue and profit growth.

One of our business partnerships, Intecq Ltd (ASX ITQ) became the subject of a friendly takeover by Tabcorp (ASX TAH). Intecq currently represents 4.1% of the total portfolio.

FY16 Financial Performance of Deep Value Microcap Fund Constituents		
Exceeded our expectations No. of constituents	11	33%
Met our expectations No. of constituents	19	58%
Below our expectations No. of constituents	3	9%
Company does not report during August No. of constituents	4	

Projected EPS Growth FY17 (on a weighted basis)	+25.5%
Projected EPS Growth FY18 (on a weighted basis)	+21.2%

Number of companies	37
Top 5 Holdings % of NAV	35.9%
Top 10 Holdings % of NAV	54.7%
Top 20 Holdings % of NAV	77.2%
Cash Position % of NAV	9.4%

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. 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.