

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/03/2018

latest unit price \$4.3603	return since inception (March 2009) 560.05%	return 1 month -2.69%	Morningstar rating* ★★★★★
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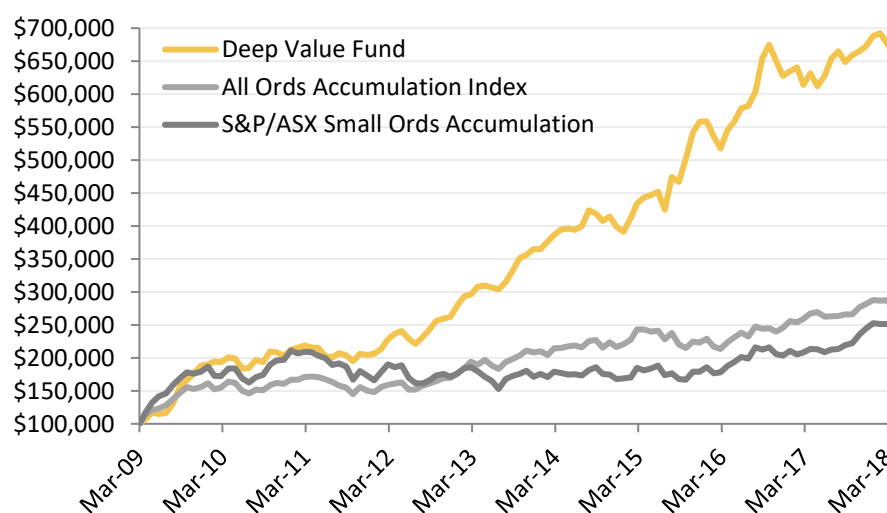
FUND OUTLINE

Fund Manager:

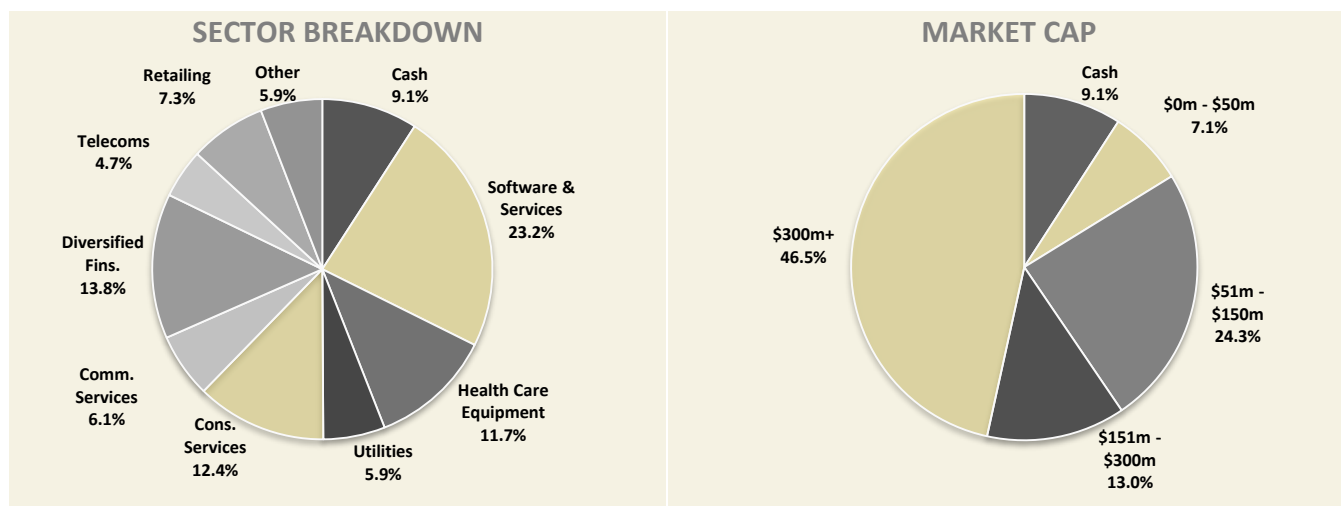
Carlos Gil (CIO)

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 > \$660,049



	1 Month	1 Year	3 Year	5 Year	7 Year	9 Year	Compound p.a. since inception	Total since inception
DVF	-2.69%	4.49%	14.19%	16.47%	17.29%	22.43%	23.09%	560.05%
All Ords Accum	-3.55%	3.65%	4.43%	7.86%	7.07%	10.39%	11.87%	177.06%
Outperformance	0.86%	0.84%	9.76%	8.61%	10.22%	12.04%	11.22%	382.99%



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MARKET UPDATE AND COMMENTARY

March was a month in which international trade dominated the market's attention as the US sought to redress its large trade deficit with China by imposing a set of tariffs aimed at imported steel and aluminium. The imposition of those tariffs was later followed by the Trump administration's intention to levy new tariffs targeting up to \$60b USD of Chinese imports. These new potential tariffs are supposedly aimed at what the administration considers unfair trade practices. So far, the Chinese response has been measured and whilst China has announced new tariffs affecting 128 classes of goods, it will only affect \$3b worth of trade. It is likely that the Trump administration is employing a hardened brinkmanship approach in order to lower a commercial trade deficit with China that has spiralled to \$375bn a year (and increasing). Trade and free trade at that, is the bedrock of market driven economies and propels economic development. China and the US are bound to a mutually dependent co-existence. Both sides know this, though neither would openly recognise it. The Trump posturing is about redressing some of the imbalances in that coexistence, not severing it.

Microequities Deep Value Fund returned -2.69% versus the All Ordinaries Accumulation Index -3.55% in March; this brings the total return net of fees to 560.05% for the Fund since inception in March 2009 compared to 177.06% for the All Ordinaries Accumulation Index.

It was an unusually active month for the Fund, with one business partnership in the media sector exited. Additionally, the Fund has acquired an initial stake in a very fast growing technology hardware business. Whilst the business sells technology hardware, it has a recurring revenue business model, with 85% of its revenue sourced internationally. The business has a very small market capitalisation but represents an exciting investment opportunity, and the investment management team is buying into the business at a value price point, whilst observing the usual price discipline during an accumulation phase.

The Capitol Health and Integral Diagnostics merger proposal failed to get sufficient support amongst Integral's shareholders, and though Microequities viewed the transaction as value accretive for both companies, we remain supportive of the investment case in each of the two companies in their present independent status. How long both companies remain independent is an entirely different question.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+24.7%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+26.3%

Number of companies	38
Top 5 Holdings % of NAV	32.5%
Top 10 Holdings % of NAV	50.1%
Top 20 Holdings % of NAV	72.6%
Cash Position % of NAV	9.1%

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. © 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.