

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/09/2017

latest unit price \$4.3551	return since inception (March 2009) 559.26%	return 1 month 1.65%	Morningstar rating* ★★★★★
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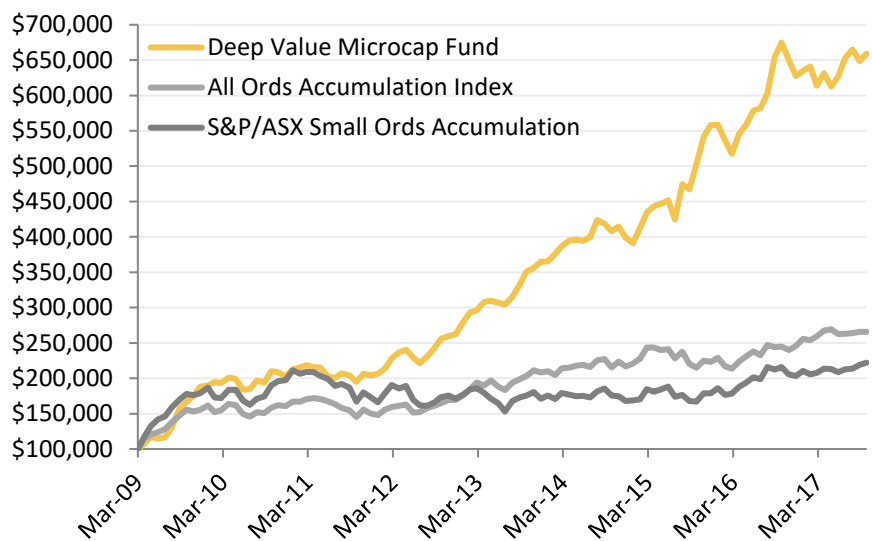
FUND OUTLINE

Fund Manager:

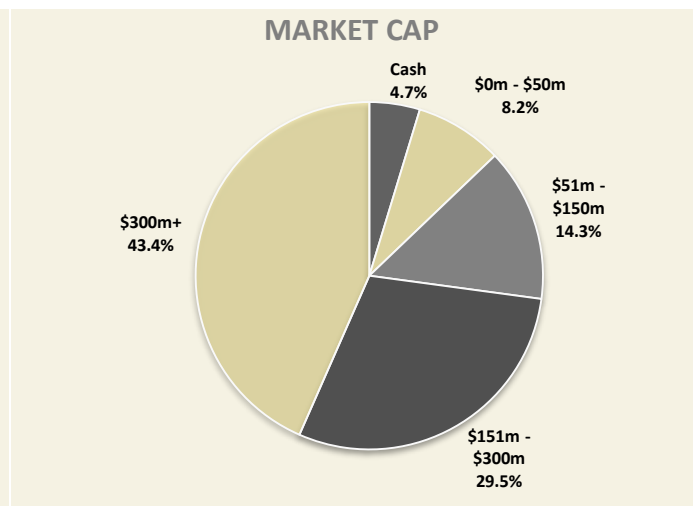
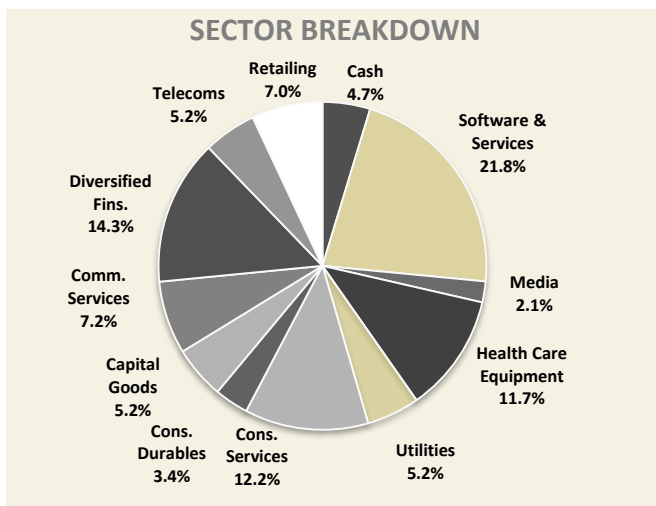
Carlos Gil (CIO)

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 > \$659,261



	1 Month	1 Year	3 Year	5 Year	7 Year	8 Year	Compound p.a. since inception	Total since inception
DVMF	1.65%	-2.28%	17.35%	20.87%	17.77%	18.78%	24.57%	559.26%
All Ords Accum	0.05%	8.53%	7.30%	10.08%	7.67%	6.91%	12.07%	165.88%
Outperformance	1.60%	-10.81%	10.05%	10.79%	10.10%	11.87%	12.50%	393.38%



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MARKET UPDATE AND COMMENTARY

Australia's labour market continues to strengthen and while caution needs to be applied to month on month figures, the underlying trend is evident, it is a strong labour market. During the month of August, Australia added 54,200 jobs of which 40,100 were full time. The indications are that the labour market will continue to strengthen with job vacancies hitting the highest level on record. The vacancies rate is a leading indicator of employment growth. The strength in employment contrasts with wage growth which has been a laggard. We do expect wage growth to pick up over the medium term and some industries are already increasing wages as tight labour supply dynamics kick in.

Internationally, the Bank of England has hinted it may raise rates for the first time since 2007 as inflation surged past its targeted 2% ceiling (current UK inflation is at 2.9%). Across the Atlantic, the US Federal Reserve will almost definitely increase rates one more time before the end of the 2017 as it seeks to remove monetary stimulus in a surging US economy.

Microequities Deep Value Fund returned 1.65% versus the All Ordinaries Accumulation Index 0.05% in September; this brings the total return net of fees to 559.26% for the Fund since inception in March 2009 compared to 165.88% for the All Ordinaries Accumulation Index.

The Deep Value Fund successfully exited two business partnerships during the month bringing the total number down to 42. We are also in the process of two further business partnership sell downs. Upon completion, the total number of companies will be back within our self-imposed limit of 40 companies.

FY18 presents an exciting year for our Deep Value Fund constituents with the year expected to deliver one of the best profit growth years on record since the Fund's inception (weighted portfolio projected EPS growth now at +27.2%). The growth will be driven by businesses involved in technology, financial services, tourism and health.

Investors should note that whilst we report market valuation based on unit pricing, the investment management team is exclusively focussed on intrinsic valuation. The EPS growth is a crude but acceptable proxy for the intrinsic valuation growth.

Projected EPS Growth FY18 (on a weighted basis)	+27.2%
Projected EPS Growth FY19 (on a weighted basis)	+22.4%

Number of companies	42
Top 5 Holdings % of NAV	30.3%
Top 10 Holdings % of NAV	47.4%
Top 20 Holdings % of NAV	72.5%
Cash Position % of NAV	4.7%

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. © 2017 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.