

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/09/2018

latest unit price \$4.2668	return since inception (March 2009) 587.77%	return 1 month -0.56%
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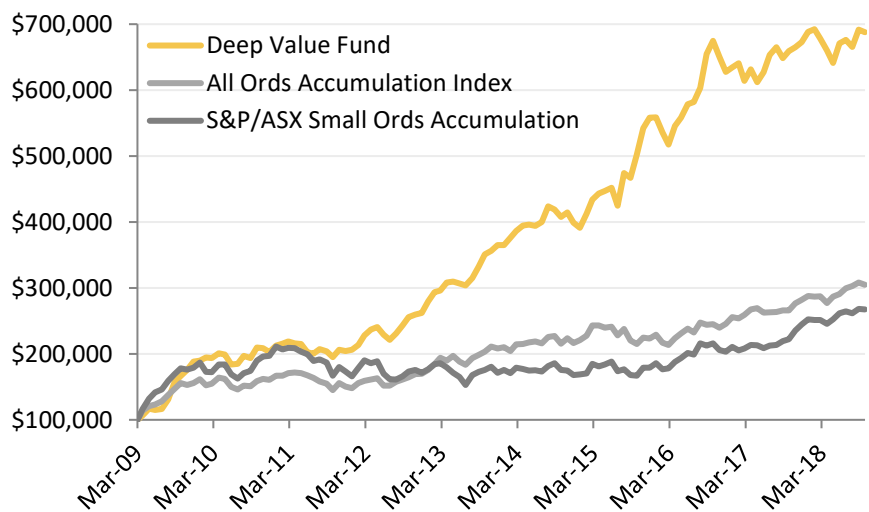
FUND OUTLINE

Fund Manager:

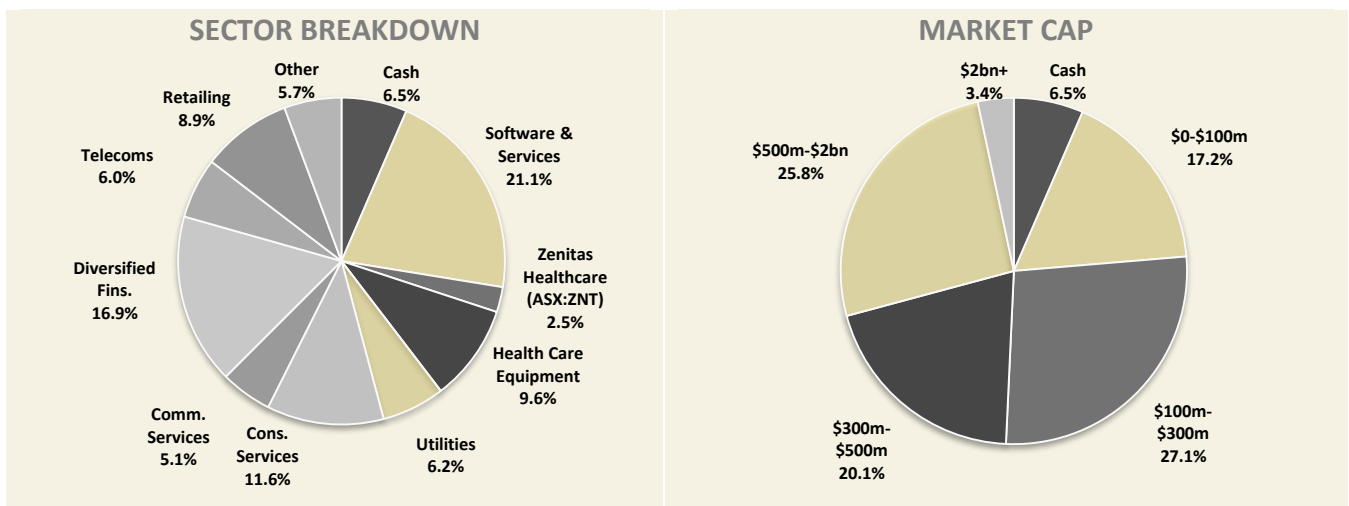
Carlos Gil (CIO)

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 > **\$687,769**



	1 Month	1 Year	3 Year	5 Year	7 Year	9 Year	Compound p.a. since Inception	Total since inception
DVF	-0.56%	4.32%	11.03%	14.41%	19.73%	17.08%	22.29%	587.77%



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MARKET UPDATE AND COMMENTARY

Last week the US Federal Reserve, as anticipated and well flagged, hiked rates by 25 basis points, lifting the overnight benchmark lending rate to 2.25%. The interest rate increase heralds the end of its accommodative monetary policy, which was hurriedly ushered in during the dark days of the GFC. The benchmark rate now sits in the band that economists consider a neutral policy stance; neither boosting nor restraining investment. We have been critical of the Fed's slow response to increasing rates. It is axiomatic that the US economic recovery has been gathering pace for some time. Whilst it is true that inflation has been relatively benign, there was no need to add greater stimulus to an economy that was already driven by internal demand expansion and rapid credit growth. Prudence should have dictated that the Fed needed to realign its monetary policy a lot earlier. We upheld this view even before the impact of the Trump administration's \$1.5 trillion of fiscal stimulus in the form of corporate and personal income tax cuts. The combination of various policies and the extremities that can result from unconstrained animal spirits has heightened the risks that the US economy will expand too rapidly. The latency in the policy response by the Fed may turn it into an involuntary culprit.

Microequities Deep Value Fund returned -0.56% in September; this brings the total return net of fees to 587.77% for the Fund since inception in March 2009.

The month saw the Fund sever three business partnerships taking the total number of investee companies down to 35. The Fund exited **Sirtex Ltd (ASX:SRX)** after successful completion of the scheme of implementation. We also fully divested out of **Pro Medicus Ltd (ASX:PME)**. The investment in Pro Medicus represented a six-year investment term and has been a formidable investment for the Fund. We acknowledge the great work of the company's management team and staff in driving long term shareholder returns. The decision to exit was based on valuation grounds and in no way reflects the highly credible and probable long term growth runway available to the company. We would welcome a second opportunity to become investors in this excellent business but that will depend upon the market affording us a great price. Lastly, we exited a small professional services firm that represented only 0.1% of the Fund's assets. Whilst the Fund's cash position remains at prudent levels we remain under invested in several investee companies.

Projected EPS Growth 1 Year Forward (on a weighted basis)	+23.2%
Projected EPS Growth 2 Years Forward (on a weighted basis)	+20.7%

Number of companies	35
Top 5 Holdings % of NAV	39.4%
Top 10 Holdings % of NAV	56.1%
Top 20 Holdings % of NAV	79.2%
Cash Position % of NAV	6.5%

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.