

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/10/2018

latest unit price \$4.0012	return since inception (March 2009) 544.96%	return 1 month -6.22%
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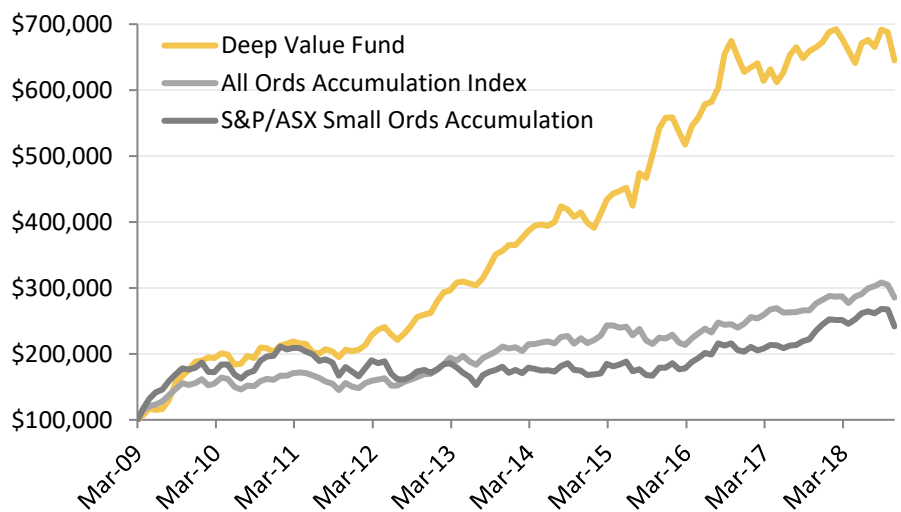
FUND OUTLINE

Fund Manager:

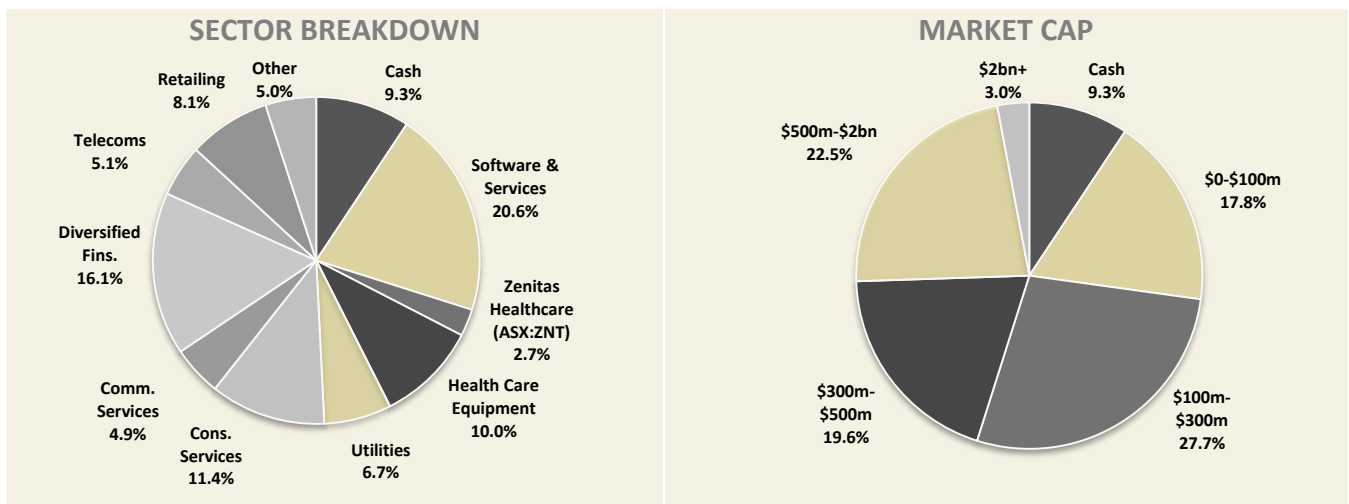
Carlos Gil (CIO)

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 > **\$644,957**



	Compound p.a. since Inception	Total since inception	9 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	21.27%	544.96%	15.56%	17.69%	12.60%	5.97%	-3.02%	-6.22%



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MARKET UPDATE AND COMMENTARY

We will refrain from using euphemisms such as “heightened volatility” and “volatile markets”. Instead, we will immerse ourselves in the reality which saw October register widespread market price falls across world equity markets. The MSCI World Microcap Index fell -8.2% in Australian Dollar terms. In Australia, the All Ordinaries Index fell -6.5%, the Small Ordinaries Index fell -9.6% and the Emerging Companies Index fell -10.9%. Whilst trying to articulate the reason behind most market price falls is an inherently nebulous and treacherous exercise, this most recent price fall has a clear plausible causality, risk-free rates. Or more precisely, increasing risk-free rates. The US 10-year government treasury bond yield has been creeping upwards since July 2016 when it reached a post GFC low of +1.35%. Since July 2016 the 10-year treasury bond has been on a slow upward climb. Over the last quarter the yield broke through the psychological +3.00% barrier and last month climbed as high as +3.22%. Risk-free rates affect valuations of all financial assets, including equities, and have an inverse effect on them. Equity markets had, until October, been slow to absorb and reposition the risk-free rate in their valuation models. They looked to grasp and reset a different risk-free rate reality rather abruptly. Microequities has been using a risk-free rate of +3.25% for some time, well ahead of the current 10-year Australian government bond yield which sits at +2.6%.

Microequities Deep Value Fund returned -6.22% in October; this brings the total return net of fees to 544.96% for the Fund since inception in March 2009.

Whilst the investment management team continues to closely monitor various profitable industrial companies as possible future investments, the month saw the team actively sell down one of our IT business partnerships which has a market capitalisation well ahead of what we consider to be its current fair intrinsic value. Despite the business having a formidable business model and compelling call to market, we need to maintain our value discipline across all our investments. Post the selldown, this investment represents 0.9% of the assets of the Deep Value Fund. The investment management team will continue to sell down the remaining stake, subject to appropriate pricing.

The **Zenitas Healthcare Ltd (ASX:ZNT)** takeover via a scheme of arrangement continues to be on course for completion, which is expected to take place in mid-December 2018.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+23.5%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+18.4%

Number of companies	34
Top 5 Holdings % of NAV	39.9%
Top 10 Holdings % of NAV	55.5%
Top 20 Holdings % of NAV	77.8%
Cash Position % of NAV	9.3%

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.