

# DEEP VALUE FUND



## MONTHLY PERFORMANCE AS AT 31/03/2019

latest unit price <b>\$3.6660</b>	return since inception (March 2009) <b>490.93%</b>	return 1 month <b>-4.13%</b>
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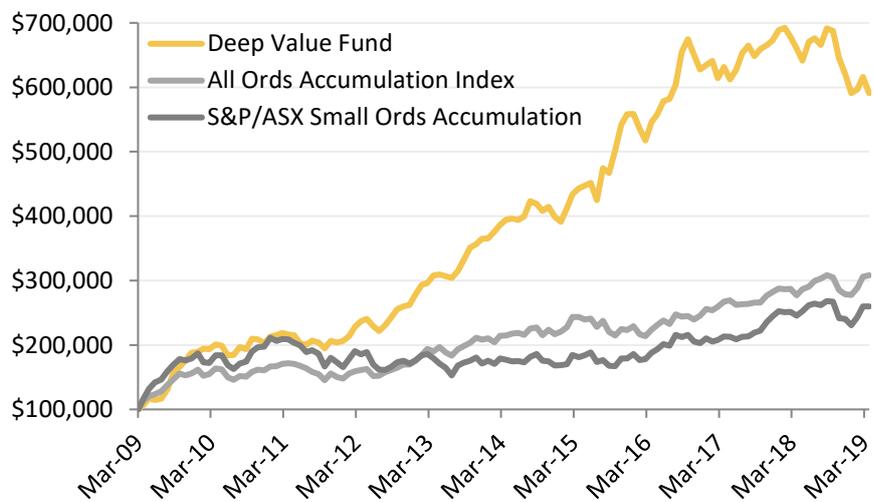
### FUND OUTLINE

Fund Manager:

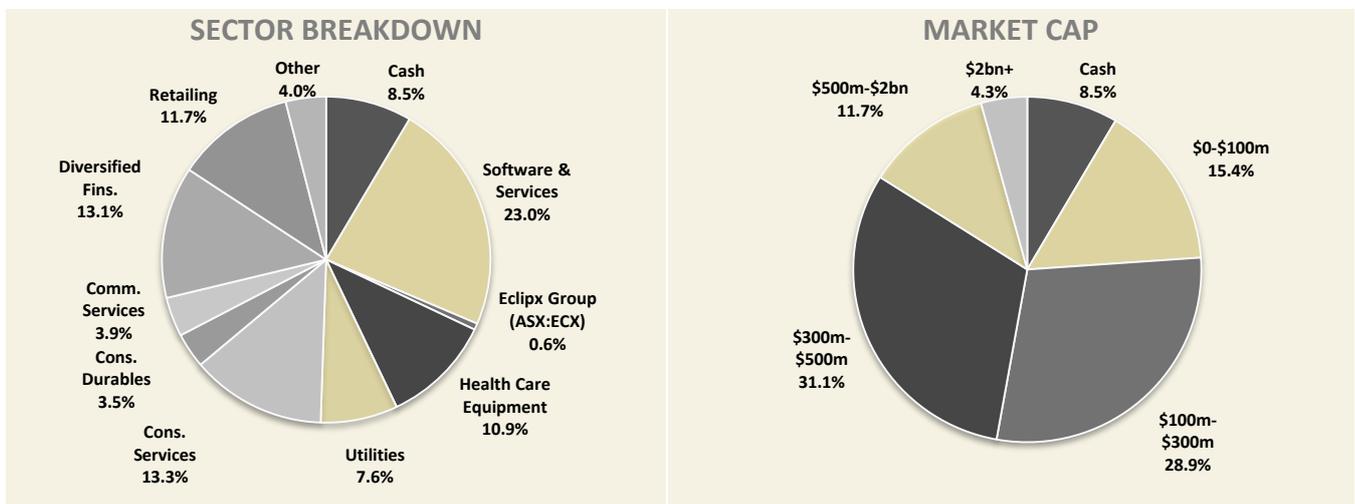
Carlos Gil (CIO)

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 > **\$590,926**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	19.27%	490.93%	18.66%	13.95%	8.41%	2.69%	-10.47%	-4.13%



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## MARKET UPDATE AND COMMENTARY

The most significant financial market occurrence during the month was the inversion of US treasury yield curve. During the month, the 10-year US treasury was trading at a lower yield than the 3-month US treasury as investors bought up the longer duration bonds sending yields down. The inversion of the US bond yield has normally been an indicator of a forthcoming economic recessions. Whilst that might be a historical trend, this latest inversion has been triggered by a change in the US Federal Reserve monetary policy stance. US Federal Reserve Chairman Jerome Powell stated that the Federal Reserve would indefinitely stick with an extended pause on rate changes and there would be no rate hikes for the remainder of 2019. At the same time, Fed officials downgraded US GDP growth rate from +2.3% to +2.1% for 2019. The more dovish stance coincides with the world economy facing increased risk of a slowdown across several of its geographies.

**Microequities Deep Value Fund returned -4.13% in March; this brings the total return net of fees to 490.93% for the Fund since inception in March 2009.**

Our top four largest investments, which collectively made up 37% of the total assets of the Fund at the start of the month, experienced market price falls in excess of 6% during the month of March. In three of these four companies, the market price falls were not subject to any fundamental events and occurred in the absence of any company announcements; in other words, pure market price movements. The fourth company provided FY19 earnings guidance which was in line with market expectations but referenced slower revenue growth than it had experienced in 1H19.

In April, the Fund will be investing in a software as a service (SaaS) business. The business has a large diversified customer base with very high levels of recurring revenues and high contract renewal rates. The business has a significant growth runway. Additionally, we are seeking to acquire a stake in a small education business that is at an inflection point in terms of its earnings. The share price of the business has declined over the past 12 months after it invested in expanding capacity, which temporarily impacted its profitability.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+18.0%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+18.3%</b>

<b>Number of companies</b>	<b>32</b>
<b>Top 5 Holdings</b> % of NAV	<b>42.3%</b>
<b>Top 10 Holdings</b> % of NAV	<b>59.2%</b>
<b>Top 20 Holdings</b> % of NAV	<b>81.8%</b>
<b>Cash Position</b> % of NAV	<b>8.5%</b>

**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.