

# DEEP VALUE FUND



## MONTHLY PERFORMANCE AS AT 31/05/2019

latest unit price <b>\$3.7371</b>	return since inception (March 2009) <b>502.39%</b>	return 1 month <b>-2.73%</b>
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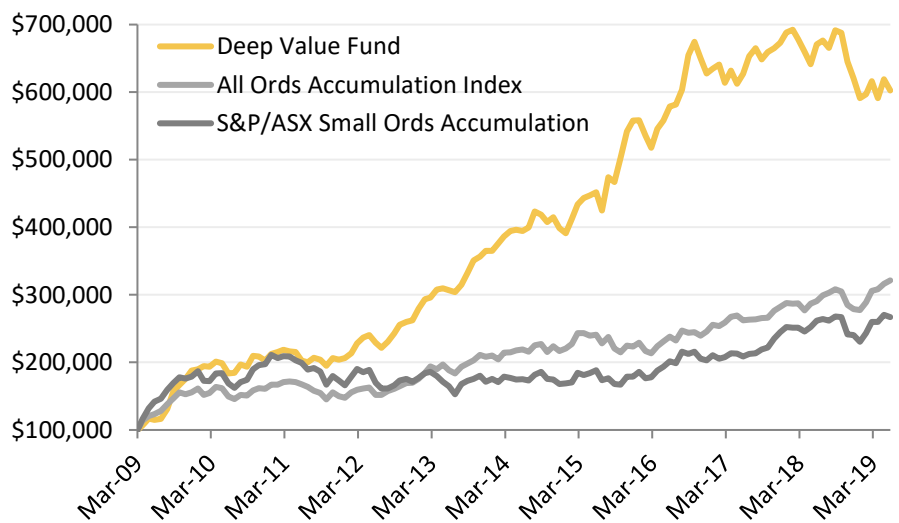
### FUND OUTLINE

Fund Manager:

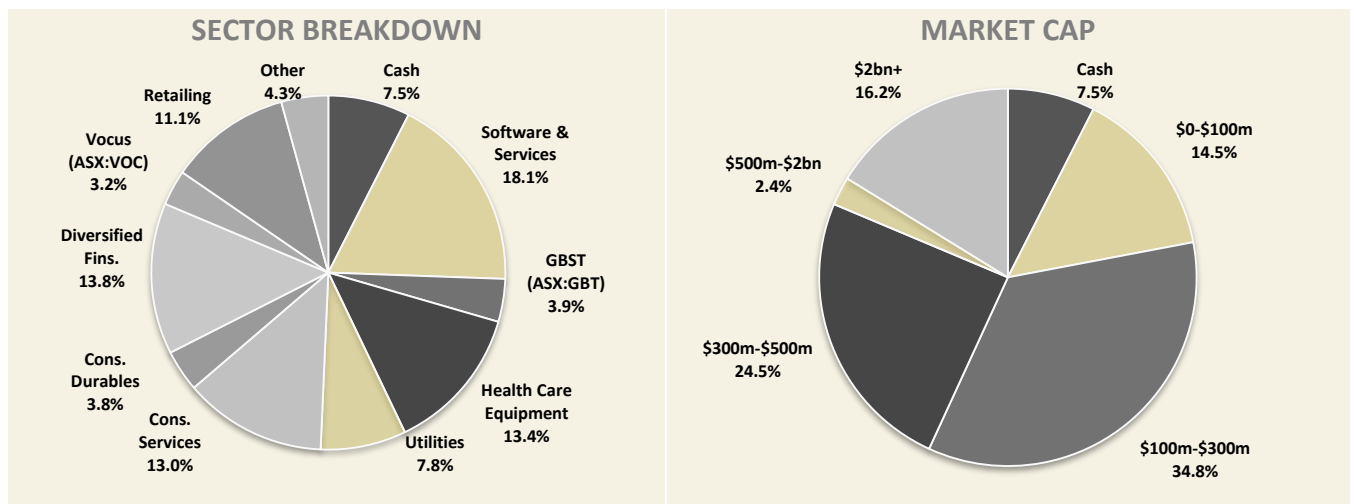
Carlos Gil (CIO)

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 > **\$602,386**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	19.15%	502.39%	18.04%	14.80%	8.84%	1.34%	-10.20%	-2.73%



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## MARKET UPDATE AND COMMENTARY

Escalating tensions pertaining to the Sino-US trade war is currently front of mind for investors. Unlike other equity market preoccupations, the economic fallout from this will be very real. So far, trade tariffs from both sides will affect products worth over \$300b in trade. The US has already announced measures to widen the tariff net, a measure that will inevitably be countered by China. Whilst most US businesses initially supported the Trump administration's heavy handed approach to China trade policy, that support will likely weaken as the tariffs begin to bite at consumer demand. Whilst the rhetoric has hardened on both sides, we still believe a trade deal is the more likely outcome, for the simple fact that it remains in both sides' interest to strike one. Rational behaviour does not guarantee an outcome but does make it the most probable. Domestically, the Coalition victory at the federal election was the best possible outcome to restore consumer confidence and stabilise a weakening property market. One word defines the prevailing mood around Australian businesses, relief.

**Microequities Deep Value Fund returned -2.73% in May; this brings the total return net of fees to 502.39% for the Fund since inception in March 2009.**

We are pleased to announce that **Vocus (ASX:VOC)** which represents 3.2% of the total assets of the Fund received a takeover approach by EQT Infrastructure at \$5.25 per share, a significant premium to the market price before the bid. The takeover approach follows last month's announcement that **GBST Holdings (ASX:GBT)**, representing 3.9% of the total assets of the Fund, had also received an offer from its listed competitor **Bravura Solutions (ASX:BVS)**.

We received negative trading updates from **Experience Co (ASX:EXP)** and **Citadel Group (ASX:CGL)**. Experience Co's new earnings guidance was slightly down on previous guidance (4% decrease on previous guidance) whilst Citadel's was more material, with some contracts slipping from 2H19 into 1H20. We believe Citadel was also adversely impacted by the Federal government budget freeze during the election period. Whilst the earnings downgrade from Citadel was particularly disappointing, the investment management team remains positive on the long-term growth outlook for both businesses. On the positive side, payments provider **EML Payments (ASX:EML)** has continued to win significant contracts and announced a significant strategic acquisition during the month which will help its earnings growth into FY20 and beyond.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+19.2%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+16.0%</b>

<b>Number of companies</b>	<b>31</b>
<b>Top 5 Holdings</b> % of NAV	<b>41.9%</b>
<b>Top 10 Holdings</b> % of NAV	<b>59.7%</b>
<b>Top 20 Holdings</b> % of NAV	<b>83.8%</b>
<b>Cash Position</b> % of NAV	<b>7.5%</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.