

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/01/2020

latest unit price \$4.5742	return since inception (March 2009) 679.45%	return 1 month 3.82%
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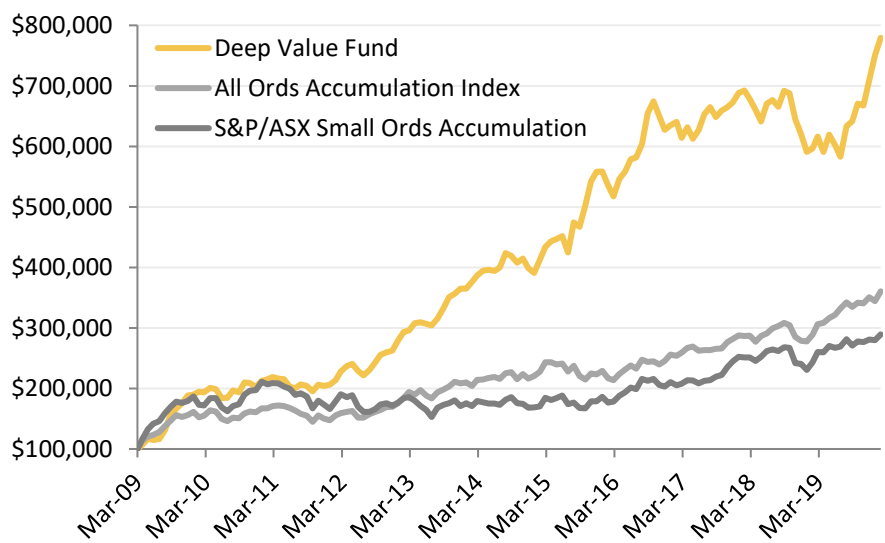
FUND OUTLINE

Fund Manager:

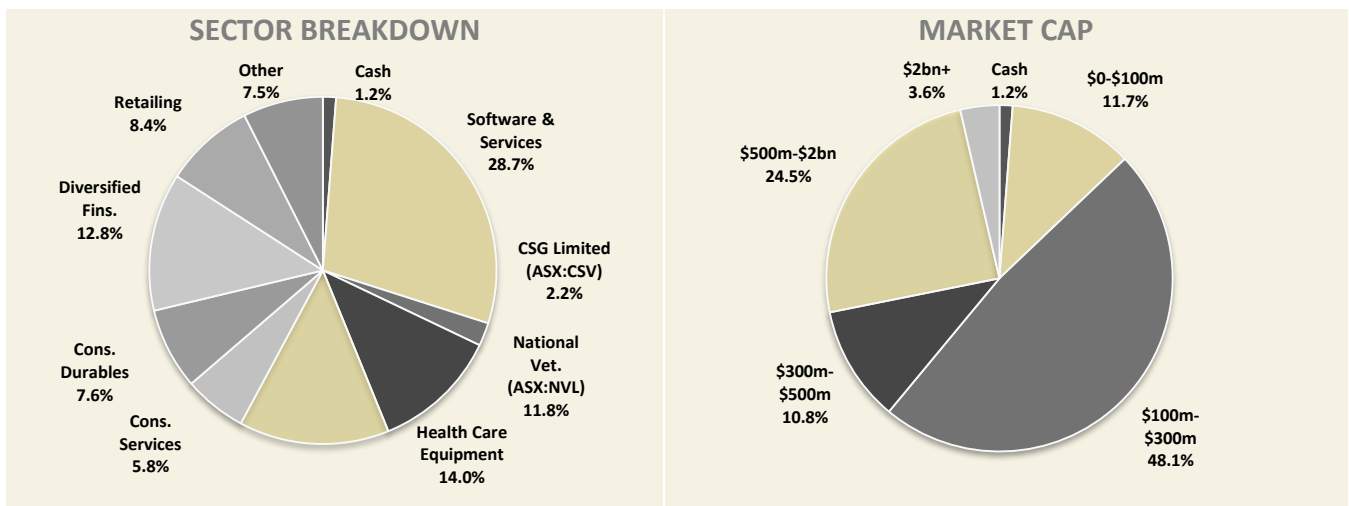
Carlos Gil (CIO)

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 > **\$779,452**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	20.70%	679.45%	14.89%	14.98%	13.57%	6.75%	30.60%	3.82%



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MARKET UPDATE AND COMMENTARY

The US economy heads into 2020 at a solid pace of growth with the world's largest economy registering a GDP growth rate of +2.1%. That rate is slightly below the 2019 overall growth rate of +2.3% but a solid result in the context of a major trade dispute with the world's second largest economy, China. Robust yet unspectacular growth in personal and household income and sustained employment growth bode well for a continuation of trend like growth for the US economy into 2020. Notwithstanding the positive outlook, we expect the second phase of US-Sino trade negotiations to come into the fore towards the end of 2020 as the US presidential elections comes to its conclusion.

The end of the month saw financial markets become increasingly focused on a new coronavirus which originated in China. Whilst we do not profess to be genome or pandemic experts, there are several factors in the virus' development that leads us to think that the overall economic impact will be mild, meaning that short term weaknesses in markets may present a window of investment opportunity.

Microequities Deep Value Fund returned 3.82% in January; this brings the total return net of fees to 679.45% for the Fund since inception in March 2009.

The Deep Value acquired an initial stake in an IT services and software business. We expect the business which has a market capitalisation less than \$50m, to grow aggressively via a combination of organic and acquisitions routes.

As we heard into the 1H20 earnings reporting season, the investment management team has been actively deploying cash resources into some highly compelling investment opportunities, leaving the cash holdings of the Fund at relatively low levels. We are actively seeking more cash to pursue some of these opportunities including:

New Investment: **New investment opportunity** in one of the cheapest ASX software businesses (which has endured a dramatic share price fall over the past 24 months), with a sound balance sheet, and high proportion of recurring revenue. **Targeting a \$7m investment into this company.**

Current investment in an industry-leading fintech company which is only weighted at 1.2% of the fund's assets. Investment management team wants to increase its stake further. **Targeting an additional \$5m into this high-quality, industry-leading business.**

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+19.5%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+18.1%

Number of companies	32
Top 5 Holdings % of NAV	46.4%
Top 10 Holdings % of NAV	69.7%
Top 20 Holdings % of NAV	89.7%
Cash Position % of NAV	1.2%

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.