

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/07/2020

latest unit price \$3.8835	return since inception (March 2009) 578.07%	return 1 month 2.74%
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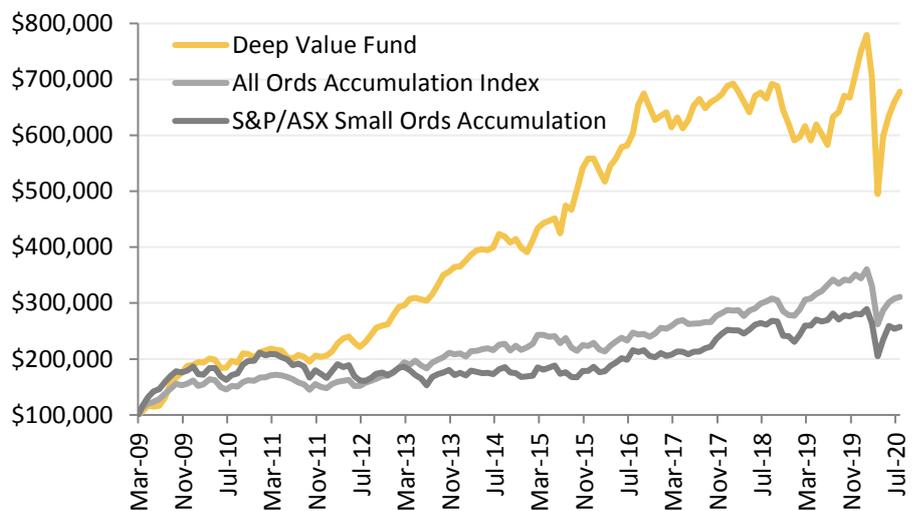
FUND OUTLINE

Fund Manager:

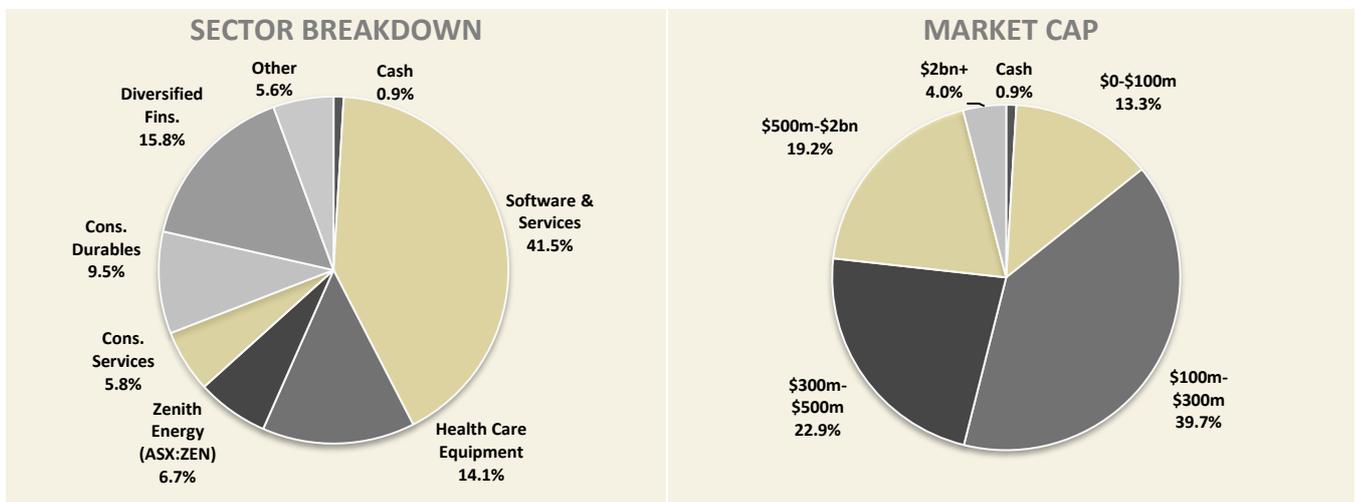
Carlos Gil (CIO)

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 > **\$678,070**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	18.25%	578.07%	13.16%	11.57%	7.41%	0.65%	7.08%	2.74%



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MARKET UPDATE AND COMMENTARY

The US GDP declined by 8.4% during the second quarter of 2020. Care should be taken not to extrapolate this number as the current heartbeat of the US economy; it is not. The US economy is going to decline this year, but its decline will likely be at a lower level than the second quarter numbers suggest. The government-imposed shutdowns during March and April severely impacted the US economy and would have had a very material impact on economic activity during the second quarter. The focus in coming weeks will now shift to the second stimulus package. The Republicans and Democrats will need to carve out a deal, but the scale of the stimulus package is likely to be enormous and will provide fresh support to an economy that will face a challenging outlook.

Domestically, the Australian government also announced extensions to its JobKeeper and JobSeeker programs. In all, the extensions are worth \$20b+. It is probable that the federal government will provide further stimuli as fiscal restraints are deprioritised and economic growth takes precedence.

Microequities Deep Value Fund returned 2.74% in July; this brings the total return net of fees to 578.07% for the Fund since inception in March 2009.

There were no changes to the Fund's constituents, and we remain close to fully invested. **Zenith Energy (ASX:ZEN)** which currently represents 6.7% of the total assets of the Fund received an improved offer of \$1.05 per share compared to the previous offer of \$1.01. The price under the improved offer represents a +51.1% premium to the market price before the takeover was announced. The majority of shareholders have approved the takeover and we expect to receive cash proceeds during August.

Several positive operational updates and some contract wins from some of the portfolio constituents were announced during the month. Since the outbreak of Covid-19 there has been a significant number of operational updates provided by the portfolio constituents. The investment management team has also markedly increased the engagement and communication intensity with the investee companies. The result is we enter the FY20 reporting month with a very good sense of financial and operational performance. There should be very few surprises. We expect our businesses to provide outlook statements which we are keenly watching. We still remain relatively underweight in some constituent companies and will look to opportunistically increase our stakes in these companies should there be any short-term market pricing weakness.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+8.1%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+15.9%

Number of companies	33
Top 5 Holdings % of NAV	43.6%
Top 10 Holdings % of NAV	67.7%
Top 20 Holdings % of NAV	90.7%
Cash Position % of NAV	0.9%

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.