

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/08/2020

latest unit price \$4.3679	return since inception (March 2009) 662.65%	return 1 month 12.47%
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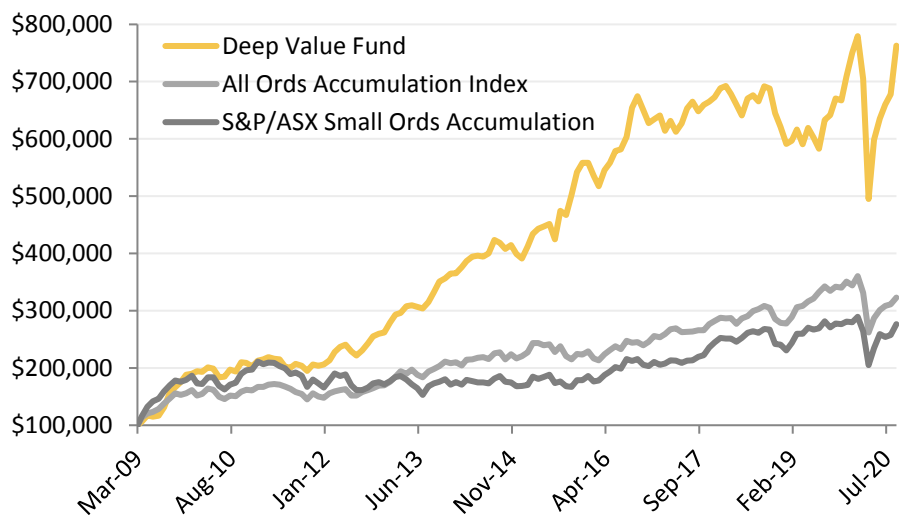
FUND OUTLINE

Fund Manager:

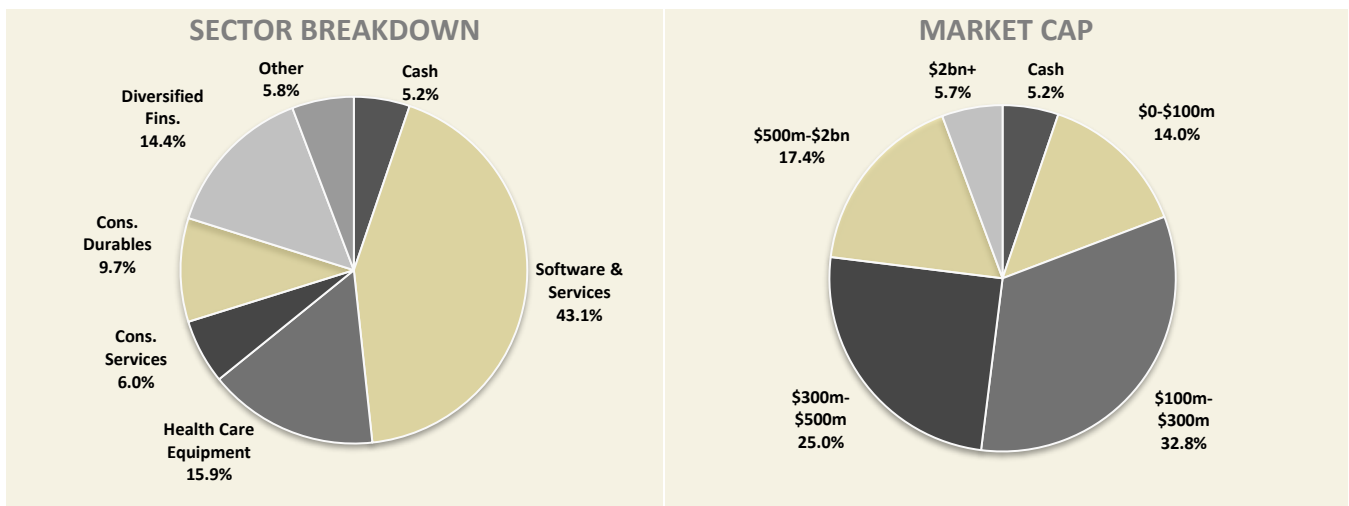
Carlos Gil (CIO)

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 > **\$762,648**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	19.32%	662.65%	14.70%	12.58%	10.30%	5.55%	18.90%	12.47%



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MARKET UPDATE AND COMMENTARY

The Chinese economy is recovering quickly from the effects of the Covid-19 pandemic. In data published last week, domestic air travel bookings are at 98% of the level of 2019, marking the first domestic aviation market anywhere in the world that is back to normal pre-Covid levels. The aviation data is coherent with the recovery seen across the overall Chinese economy which expanded by +3.2% in the second quarter of 2020. Interestingly some major luxury brands across fashion to car manufacturing have reported double digit revenue growth in China over the second quarter. The Chinese economy was of course the first economy to feel the brunt of the effects of the Covid-19 so its recovery will be an indicator of the potential speed of recovery in other economies that manage to contain Covid-19.

Microequities Deep Value Fund returned 12.47% in August; this brings the total return net of fees to 662.65% for the Fund since inception in March 2009.

Despite the second half of FY20 which was materially impacted by the distortive disruptions caused by the Covid-19 outbreak, the portfolio still managed to deliver EPS growth in a highly unusual year. **Importantly, the underlying quality of the results and the outlook's in aggregate for the Fund point to a resumption of an EPS growth rate of FY21 that is consistent and within the historical range delivered by the Deep Value Fund.** Notwithstanding a more challenging macroeconomic environment the engendered growth of our investee companies are expected to produce high teen double digit EPS growth for FY21.

	FY20 EPS Growth Weighted Average
27 companies of the total 32 companies reported FY20 financial results in August. (The 27 companies represent 80.5% of the non-cash assets of the Deep Value Fund)	+2.5%

During the month we received the cash proceeds for the sale of **Zenith Energy (ASX:ZEN) which has now been fully exited out of the Deep Value Fund.** The exit was followed by a new entrant. The team has followed this business for several years in the healthcare services space. The business has been purchased after recently hitting an all-time low share price and consequent capital raising which has de-risked its balance sheet. We believe the purchase will prove to be opportunistic and should deliver a strong return on investment for our investors.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+18.1%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+16.9%

Number of companies	32
Top 5 Holdings % of NAV	42.8%
Top 10 Holdings % of NAV	65.7%
Top 20 Holdings % of NAV	87.2%
Cash Position % of NAV	5.2%

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.