

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/12/2019

latest unit price \$4.4061	return since inception (March 2009) 650.81%	return 1 month 5.82%
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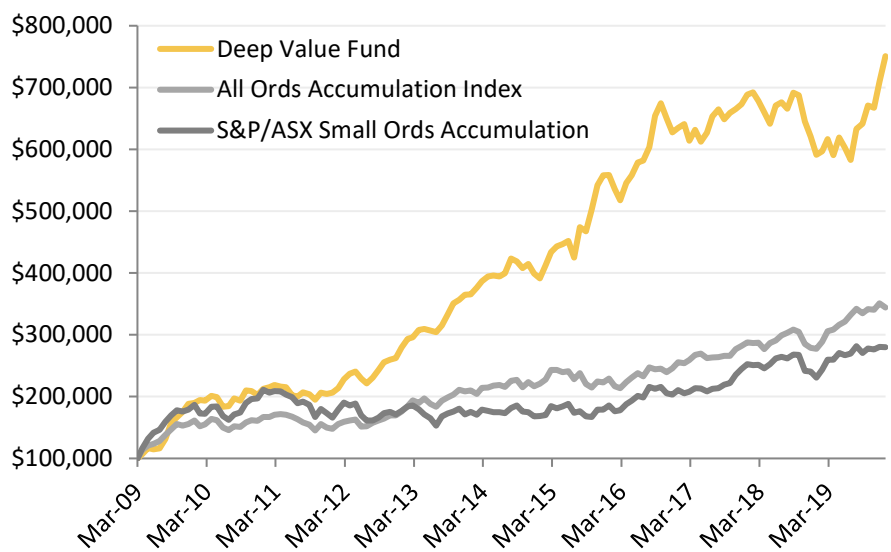
FUND OUTLINE

Fund Manager:

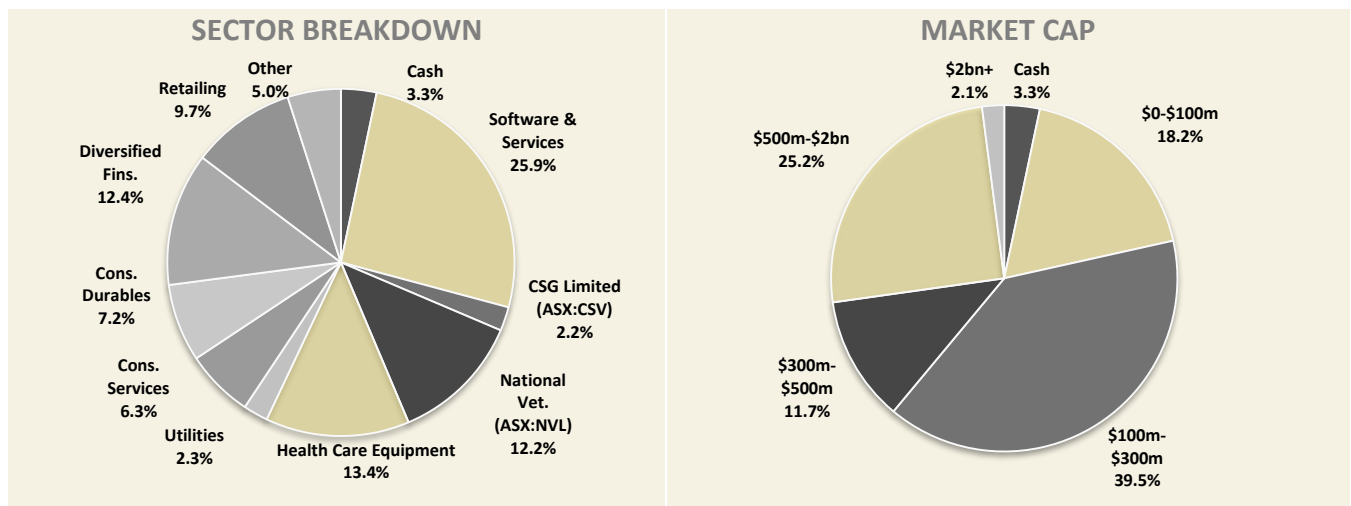
Carlos Gil (CIO)

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 > **\$750,808**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	20.45%	650.81%	14.75%	15.17%	13.93%	5.77%	27.04%	5.82%



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MARKET UPDATE AND COMMENTARY

December provided financial markets with two important positives; an in-principle phase one Sino-US trade agreement and a UK election result that provides a clear Brexit mandate. The in-principle phase one trade deal winds back some of the US imposed tariffs on Chinese goods to 7.5% whilst also suspending new planned tariffs on a range of goods. It also includes some intellectual property protection measures sought by the US and solidifies the enforcement regime with a framework similar to what the US has with other trading partners. The agreement is more substantive than previously thought but leaves out contentious issues such as state subsidies, digital trade, manufacturing sector imbalances and data localisation restrictions. The second event, the British election was a de facto second referendum on Brexit and removed a significant nascent economic risk to the world economy; the possibility of radical anti-free market policies being enacted upon the British economy. Had the Labor Party won government a series of radical anti-free market economic policies would have been enacted including moving to a 32-hour week, the nationalisation of UK utilities, giving 10% of shares of companies to workers and massively growing the size of government. The British electorate voted in favour of common sense and rejected the Labor Party's manifesto.

Microequities Deep Value Fund returned 5.82% in December; this brings the total return net of fees to 650.81% for the Fund since inception in March 2009.

The unprecedented levels of M&A activity within the Fund continued during December. This time it was **National Veterinary Care (ASX:NVL)** which announced an agreement to sell itself to private equity backed Vet Partners at a +56.8% premium to the last traded price. The investment represents 12.2% of the total assets of the Fund at month end and represents the single largest investment held by the Fund. The investment management team views National Veterinary Care as an excellent business that has delivered strong earnings growth since Microequities backed the business in its IPO back in 2015 at an issue price of \$1 per share. Whilst we are sad to exit this well performing business, we believe the consideration offered is fair.

We believe several other investee companies within the Fund remain vulnerable to M&A activity. Additionally, the investment management team has committed to investing in a new IT services & software business in January. A further update will be provided next month.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+18.9%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+18.0%

Number of companies	31
Top 5 Holdings % of NAV	47.3%
Top 10 Holdings % of NAV	68.6%
Top 20 Holdings % of NAV	88.9%
Cash Position % of NAV	3.3%

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.