

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/12/2021

latest unit price \$5.4599	return since inception (March 2009) 920.37%	return 1 month 1.64%
--------------------------------------	---	--------------------------------



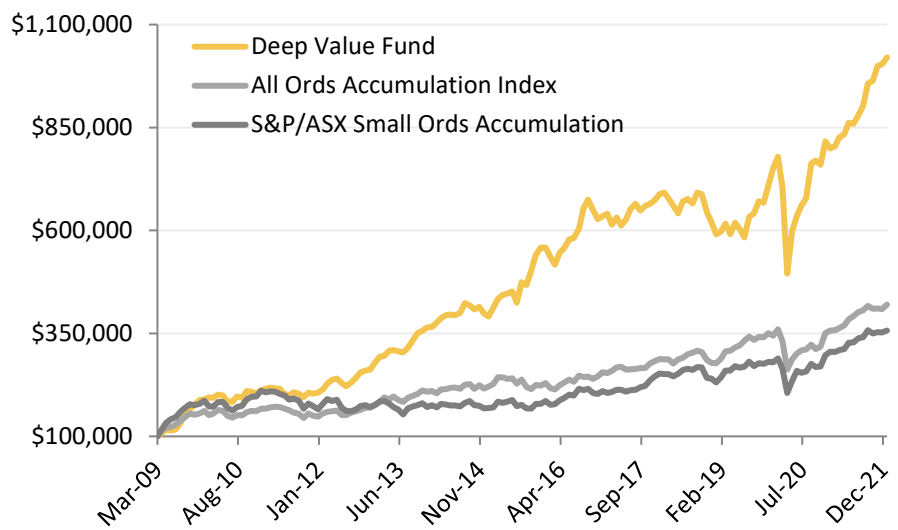
FUND OUTLINE

Fund Manager:

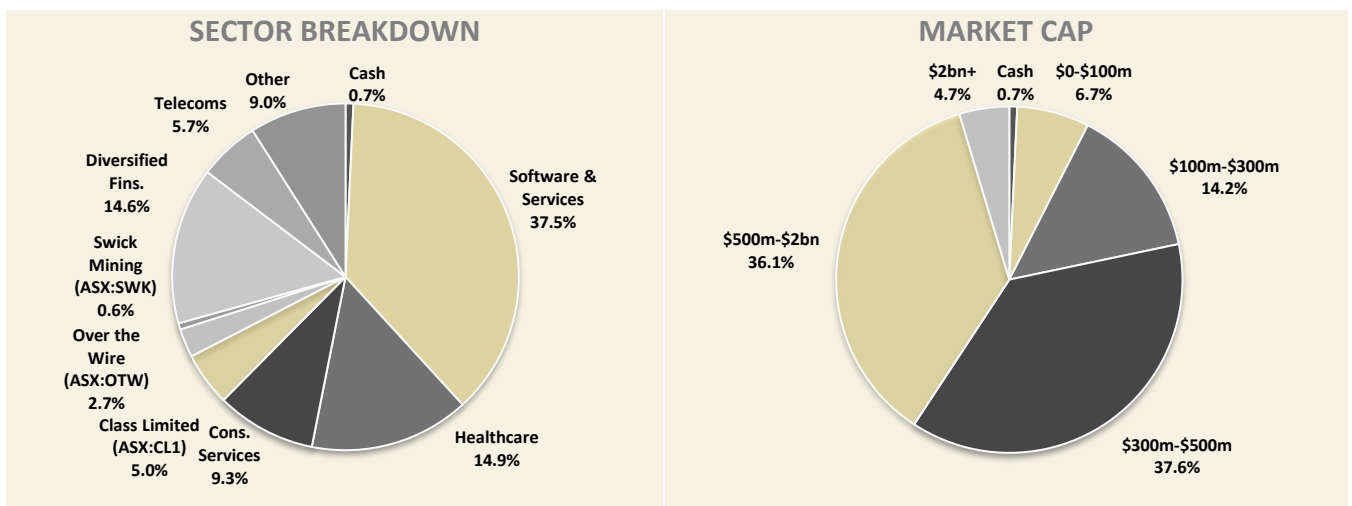
Carlos Gil (CIO)

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 > **\$1,020,367**



	Compound p.a. since Inception	Total since inception	12 Year	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	19.84%	920.37%	15.06%	17.34%	14.68%	9.97%	19.97%	27.65%	1.64%



DEEP VALUE FUND



MARKET UPDATE AND COMMENTARY

The Euro area unemployment rate is now lower than at pre-pandemic levels. The US unemployment sits at very near effective full employment of 4.2% with unequivocal data indicating rising wage growth. US average hourly earnings have increased by 4.8% over the past 12 months and the trend is likely to continue as firms indicate their hiring intentions for 2022 will increase, job advertisements are up, employer surveys are showing an intent to increase employee wages to recruit and retain scarce talent. Structural inflation is therefore likely to play out during 2022, a factor that no doubt impelled the US Federal Reserve to signal three rate increases for 2022 based on a macroeconomic scenario of full employment. The Fed may regret its latency in adjusting central bank rates for structural inflation forces emanating from the labour market; as energy, raw material inputs, supply chain logistic disruptions are likely to further exacerbate inflationary pressures. Inflation is not necessarily evil; household income increases have been stubbornly low over the past decade and the wage increase will provide some added disposable income.

Microequities Deep Value Fund returned 1.64% in December; this brings the total return net of fees to 920.37% for the Fund since inception in March 2009.

During the month, business telecommunications provider **Over the Wire (ASX:OTW)** announced it has agreed to a takeover by **Aussie Broadband (ASX:ABB)**. The offer provides scrip and cash mix options with the 100% cash option at \$5.75 per share representing a 15% premium to the undisturbed share price. The combination with ABB makes a lot of sense with OTW bringing to the table a fully owned voice network and cybersecurity offering and ABB building its own backhaul network, improving the margins of its data network service. The combined business also fills a void in the small cap telco sector on the market with a combined EBITDA of over \$100m in FY23 and we see index inclusion as further catalysts for the share price post combination. OTW accounted for 2.7% of Fund assets at month end.

Swick Mining Services (ASX:SWK) spun out its technology division into a separate ASX listed company, **Orexplore (ASX:OXT)**. Orexplore will trade on the ASX in January 2022 and the asset represents a very small part of the Deep Value portfolio, 0.2%.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+33.2%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+26.2%

Number of companies	34
Top 5 Holdings % of NAV	41.5%
Top 10 Holdings % of NAV	61.8%
Top 20 Holdings % of NAV	86.3%
Cash Position % of NAV	0.7%

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.