

# DEEP VALUE FUND



## MONTHLY PERFORMANCE AS AT 31/07/2019

latest unit price <b>\$3.7161</b> Ex-distribution	return since inception (March 2009) <b>533.23%</b>	return 1 month <b>8.62%</b>
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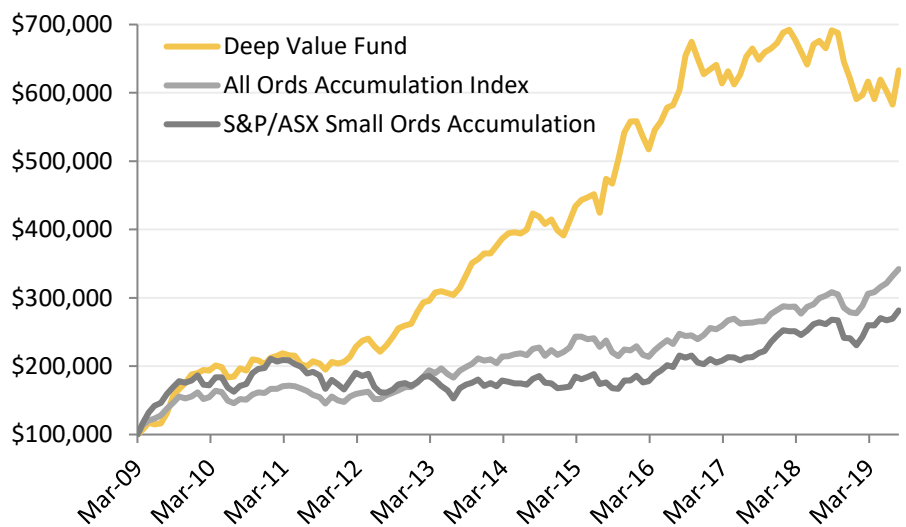
### FUND OUTLINE

Fund Manager:

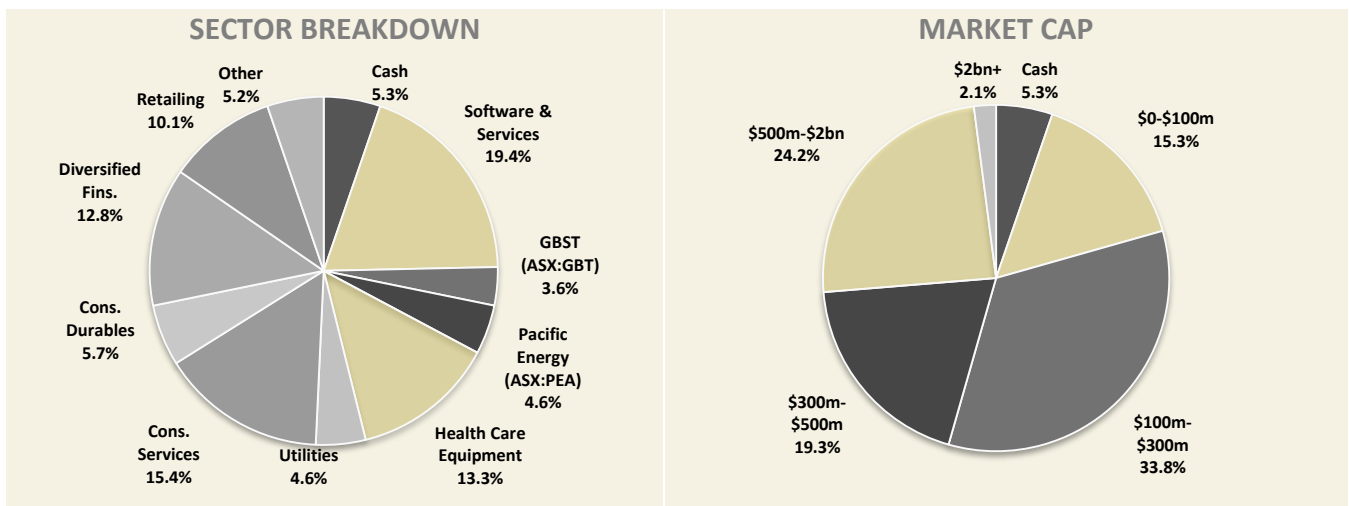
Carlos Gil (CIO)

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 > **\$633,230**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
<b>DVF</b>	<b>19.39%</b>	<b>533.23%</b>	<b>17.05%</b>	<b>15.51%</b>	<b>8.38%</b>	<b>1.61%</b>	<b>-4.85%</b>	<b>8.62%</b>



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## MARKET UPDATE AND COMMENTARY

Since the GFC, central banks around the world have adopted highly accommodative monetary policies to stimulate demand and boost employment. More than 10 years on since the GFC, we are experiencing another round of monetary easing at a time when there is neither an economic crisis nor a financial one. Last night, the US Federal Reserve cut its official rate to a range of 2.00% to 2.25%. The rate cut marks the first cut in over a decade. Across Europe, the ECB has signalled its intent to lower rates to an all-time low of -0.5%. In Australia, the RBA has undertaken two rounds of rate cuts bringing the official rate to a new record low of 1%. The expectation is that the RBA will cut rates one more time before the end of the year. This comes at a time when the unemployment rate is at a relatively benign 5.2%. So, what is going on? The answer is we have experienced a seismic structural shift in the long-term risk-free rates. Inflation is barely registering across most advanced economies and stimulating it, along with sustaining current employment levels, has become the number one priority for central banks. Low rates are consequently a structural phenomenon not a cyclical one.

**Microequities Deep Value Fund returned 8.62% in July; this brings the total return net of fees to 533.23% for the Fund since inception in March 2009.**

Financial software company **GBST (ASX:GBT)** announced several improved takeover offers from FNZ and SS&C during the month. At the time of writing, GBST had entered into a binding Scheme of Arrangement with FNZ at \$3.85. GBST represented 3.6% of the Fund at the end of the month and its shares were up 31% during the month.

Remote mining utilities provider **Pacific Energy (ASX:PEA)** which last month upgraded its earnings, received a takeover offer from QIC Private Equity at a +35.4% premium to the last traded price and a 50.1% premium to the 90 day VWAP. The company currently represents 4.6% of the total assets of the Fund.

During the month, there were earnings upgrades from several of our investee companies placing the Fund in a good position for the upcoming reporting season in August. Despite increased M&A activity in the portfolio, we note that some of our most undervalued assets remain at highly depressed prices, which we believe will either lead to further M&A activity or future upward market revaluations.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+18.2%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+17.2%</b>

<b>Number of companies</b>	<b>31</b>
<b>Top 5 Holdings</b> % of NAV	<b>43.6%</b>
<b>Top 10 Holdings</b> % of NAV	<b>62.4%</b>
<b>Top 20 Holdings</b> % of NAV	<b>85.4%</b>
<b>Cash Position</b> % of NAV	<b>5.3%</b>

**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.