

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/06/2019

| | | |
|--|---|---------------------------------|
| latest unit price \$3.6168 Cum-distribution | return since inception (March 2009) 483.00% | return 1 month -3.22% |
|--|---|---------------------------------|



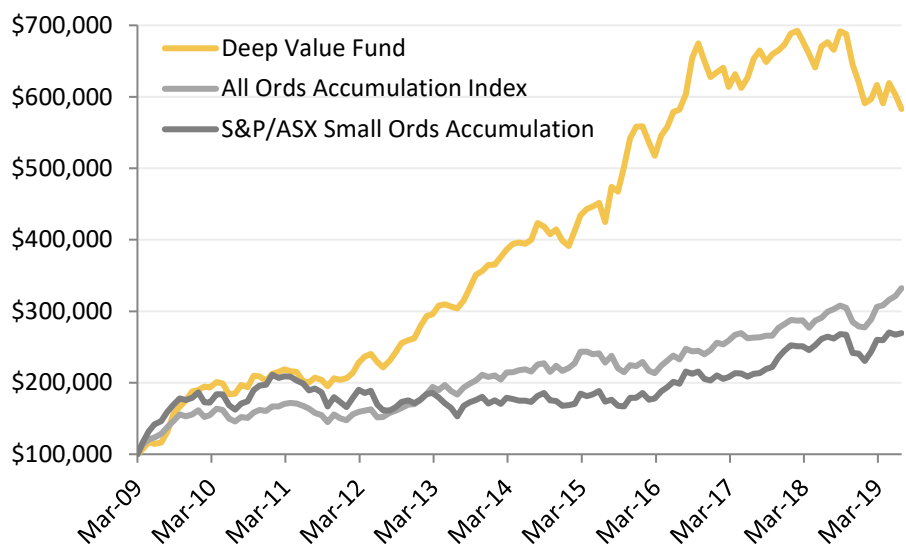
FUND OUTLINE

Fund Manager:

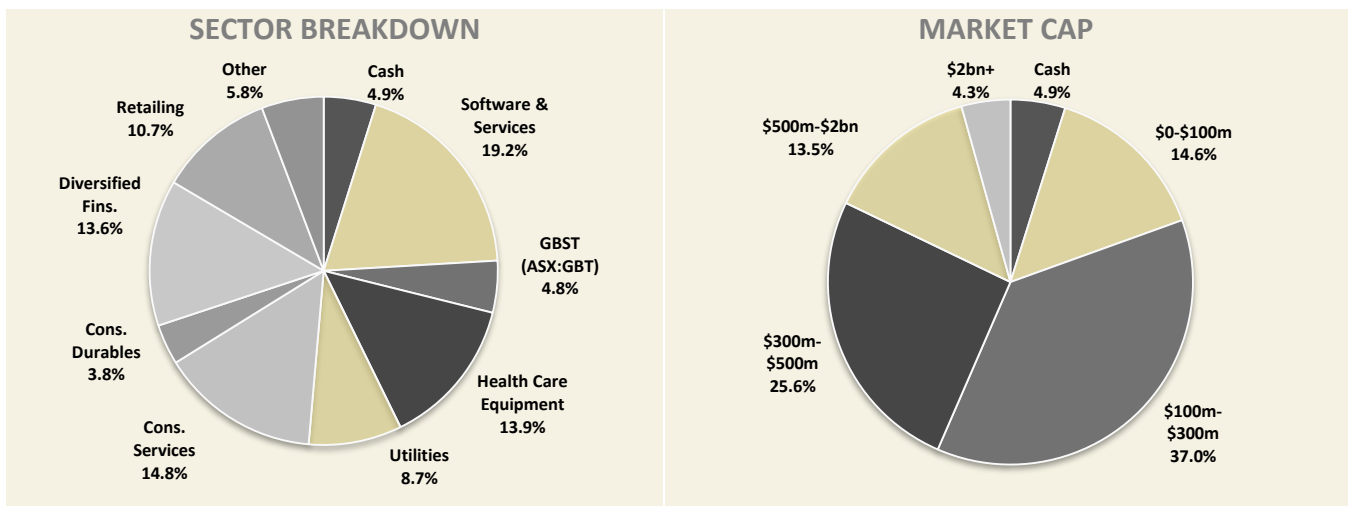
Carlos Gil (CIO)

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 > **\$582,995**



| | Compound p.a. since Inception | Total since inception | 10 Year | 7 Year | 5 Year | 3 Year | 1 Year | 1 Month |
|------------|-------------------------------|-----------------------|---------------|---------------|--------------|--------------|----------------|---------------|
| DVF | 18.60% | 483.00% | 17.48% | 14.83% | 7.84% | 0.07% | -13.80% | -3.22% |



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MARKET UPDATE AND COMMENTARY

The Australian small and microcap equity market has been bifurcated into two opposing realms. On the one hand, you have very fast-growing companies some of which are profitable, others yet to make a profit. This segment of companies has market values that are inflated, unjustifiable and some are simply in pure bubble territory. At the other end of the market, we have profitable modest growth companies whose market values have either not risen or retracted over the past 12 to 24 months. Some of these companies are at extreme low, GFC-like market values and we happen to own a lot of these companies. This dichotomy in market values has become quite extreme and is being driven by investment flows into valuation indiscriminate index funds (further fuelling valuations of overpriced companies) and the closure of many active fund manager businesses (Adam Smith Funds Management, Sigma Funds Management, KIS Capital, Janus Henderson) which has accentuated further pricing dislocation (in the undervalued realm). Interestingly this bifurcation is a domestic phenomenon and is not currently being observed in global equities markets.

Microequities Deep Value Fund returned -3.22% in June; this brings the total return net of fees to 483.00% for the Fund since inception in March 2009.

GBST Holdings (ASX:GBT) which currently represents 4.8% of the total assets of the Fund, last month received an initial offer from listed competitor **Bravura Solutions (ASX:BVS)** at a price of \$2.50 per share. During the month of June this offer was subsequently raised to \$2.72 and then to \$3. GBST has declined to engage with Bravura and allow exclusive due diligence. The company has cited competing proposals at prices higher than \$3.00 per share as the reason for declining Bravura's revised offer. GBST's market price rose 13.4% during the month.

Vocus (ASX:VOC) which represents 2.3% of the total assets of the Fund endured a tumultuous month as a takeover approach by EQT Infrastructure at \$5.25 per share was pulled. This was followed by a subsequent \$4.85 offer by **AGL (ASX:AGL)** which was also subsequently pulled. Vocus shares fell by 28.8% during the month as a result of the pulled bids.

We are also pleased to report that remote mining utility company **Pacific Energy (ASX:PEA)** upgraded its FY19 EBITDA earnings guidance from \$60m-\$61m to \$65m.

| | |
|--|---------------|
| Projected EPS Growth | |
| 1 Year Forward (on a weighted basis) | +18.8% |
| Projected EPS Growth | |
| 2 Years Forward (on a weighted basis) | +16.9% |

| | |
|------------------------------------|--------------|
| Number of companies | 31 |
| Top 5 Holdings % of NAV | 43.4% |
| Top 10 Holdings % of NAV | 62.0% |
| Top 20 Holdings % of NAV | 86.0% |
| Cash Position % of NAV | 4.9% |

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.