

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/05/2021

latest unit price \$4.9193	return since inception (March 2009) 758.92%	return 1 month -0.32%
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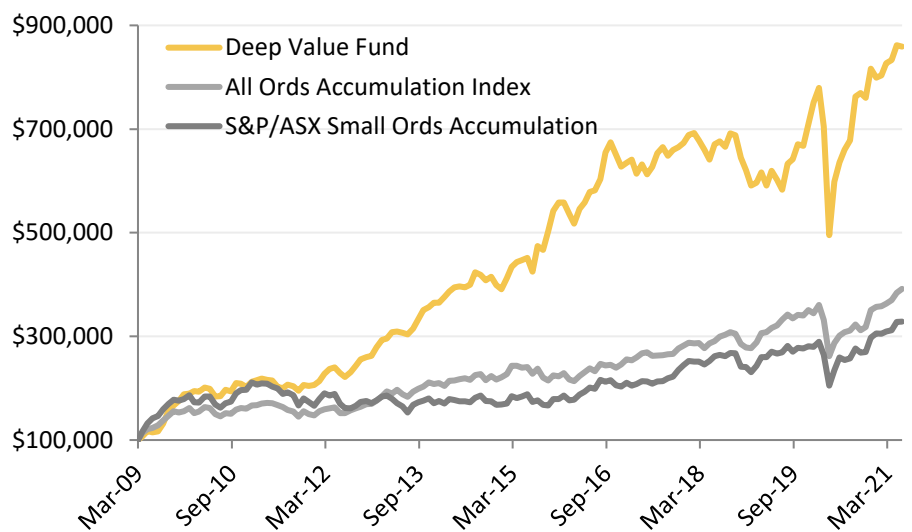
FUND OUTLINE

Fund Manager:

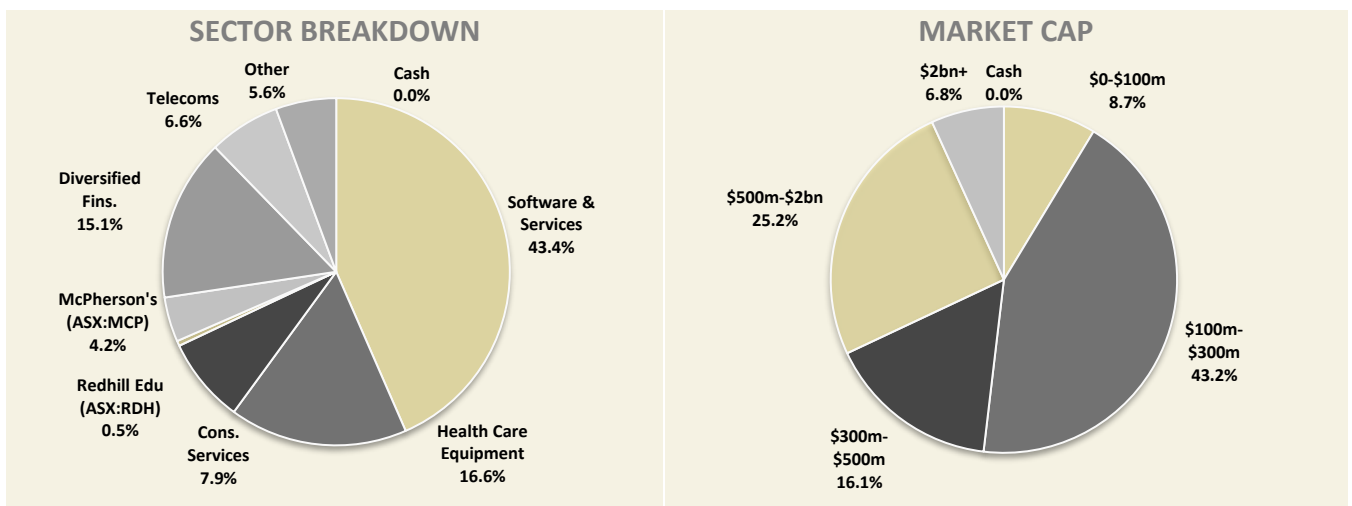
Carlos Gil (CIO)

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 > **\$858,924**



	Compound p.a. since Inception	Total since inception	12 Year	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	19.19%	758.92%	18.27%	15.55%	11.76%	8.22%	8.59%	35.14%	-0.32%



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MARKET UPDATE AND COMMENTARY

During the first quarter of 2021, China's economy expanded at an annualised pace of +18.3%, the fastest rate of growth since 1993. During the same period, its exports surged by +38.1%, but behind the numbers there are some structural clouds. Chinese Covid-19 containment gave it a first mover advantage as it reopened its massive industrial productive capacity a lot earlier than its Western competitors. Some of those competitors, like the US and parts of Western Europe are now coming back to full capacity intensifying the competition for industrial exports. Outside of its strong export performance, retail sales look seemingly impressive growing at +33.9% compared to the same period last year, but had only grown +1.86% quarter on quarter. Household income in China is still unbalanced with large differences between its urban and regional populations. The Chinese population growth rate is also slowing. During the month of May its annual population growth slowed to +0.53%, continuing its long-term structural decline. These elements will present significant challenges in China's long term economic growth journey, which in fairness has been an incredibly impressive one.

Microequities Deep Value Fund returned -0.32% in May; this brings the total return net of fees to 758.92% for the Fund since inception in March 2009.

In our monthly update last month, we stated that the investment management team deemed 40.7% of the Fund's current assets are in companies that are extremely undervalued. The month has seen the team actively deploy all net inflows into selected companies within that segment of the portfolio. Thus, it should be noted, that the Fund's cash assets have been purposely run down to low levels to opportunistically increase stakes in these companies.

Consumer products company **McPherson's Ltd (ASX:MCP)** currently subject to an opportunistic indicative takeover offer from Arrotex Australia Group at \$1.60 conducted an investor day. Management laid out its 5 year plan to reach \$300m revenue and \$50m EBIT. Some aspects of the plan are more aspirational in nature and involve significant execution risk whilst cost rationalisation and domestic growth opportunities are realistically achievable.

As always, our investment management team continues to monitor and research an active watchlist of companies not currently owned by the Fund. Whilst some of those opportunities have progressed up the potential investment scale it would be fair to say that the best investment opportunities within our investment universe continue to reside in various underinvested, extremely undervalued companies within the Fund.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+18.9%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+25.9%

Number of companies	34
Top 5 Holdings % of NAV	36.9%
Top 10 Holdings % of NAV	58.5%
Top 20 Holdings % of NAV	85.7%
Cash Position % of NAV	0.0%

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.