

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/05/2022

latest unit price \$4.5513	return since inception (March 2009) 750.57%	return 1 month -6.69%
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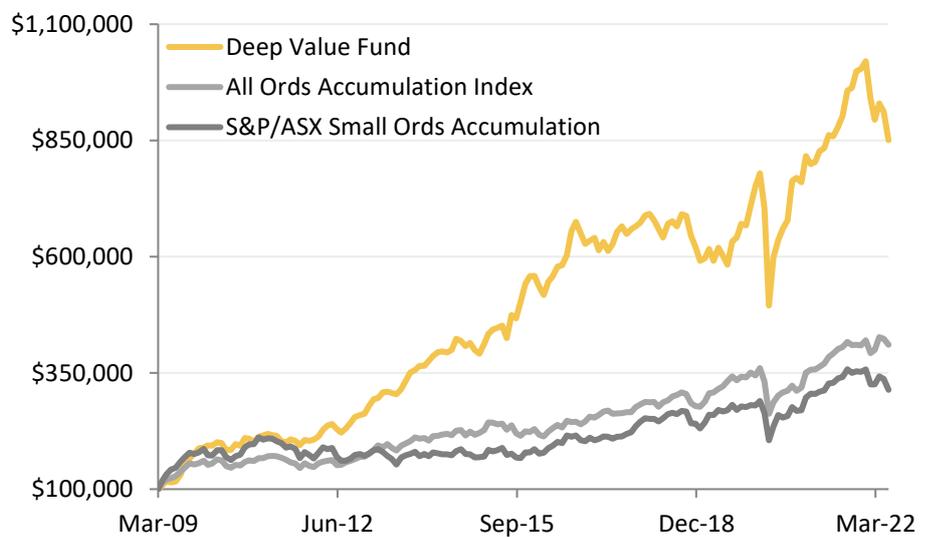
FUND OUTLINE

Fund Manager:

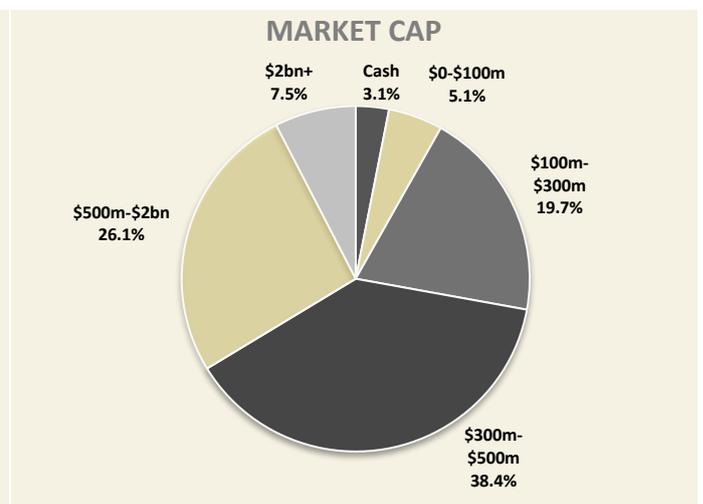
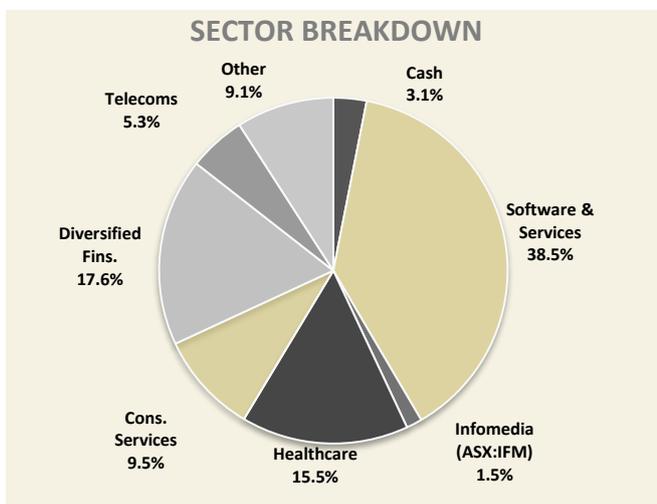
Carlos Gil (CIO)

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 > **\$850,565**



	Compound p.a. since Inception	Total since inception	12 Year	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	17.53%	750.57%	13.62%	14.01%	9.46%	6.29%	12.19%	-0.97%	-6.69%



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MARKET UPDATE AND COMMENTARY

The month saw global equity markets come under downward pressure as investors tried to understand the direction of long-term interest rates (and thereby risk-free rates), a variable input for intrinsic valuations of equity assets. From a sector perspective, fast growth technology companies and particularly those that are unprofitable are the most vulnerable to a significant increase in the risk-free rate. This is because the expected positive future cash flows are back ended and thus subject to a larger discounting effect. The US Federal Reserve remains ambiguous about its long-term view on rates. It is trying to balance inflation containment without overly damaging economic growth. Domestically, labour market figures published by the ABS reaffirmed what our anecdotal intelligence from company management teams have been telling us for some months, that Australia is at full employment and there is a significant labour shortage. Official data placed Australia's unemployment at 3.9%, well below the rate of where most economists place full employment at (5%). We note the labour markets in the US and UK are experiencing the same thematic.

Microequities Deep Value Fund returned -6.69% in May; this brings the total return net of fees to 750.57% for the Fund since inception in March 2009.

Reckon Limited (ASX:RKN) received a \$100m offer for its practice management division. The division generated 40% of group EBITDA in 2021. To put the offer into context, at the time of the announcement the entire company had an enterprise value of \$115m. Reckon Limited currently represents 3.8% of the total assets of the Fund.

Infomedia (ASX:IFM), which we had only just begun to accumulate, is currently immersed in a two-way takeover battle, with two private equity consortiums interested in acquiring the business. **The highest of the indicative offers is at a 36% premium to the market price pre-offer.** We note press speculation of other interested parties that are also looking at putting forward an offer. Infomedia currently represents 1.5% of the net assets of the Deep Value Fund.

We have begun to acquire a stake in a new business in the Deep Value Fund and will provide further details in next month's update after we have accumulated a more meaningful stake.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+29.1%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+26.5%

Number of companies	34
Top 5 Holdings % of NAV	42.4%
Top 10 Holdings % of NAV	62.4%
Top 20 Holdings % of NAV	85.9%
Cash Position % of NAV	3.1%

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.