

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/10/2019

latest unit price \$3.9162	return since inception (March 2009) 567.33%	return 1 month -0.51%
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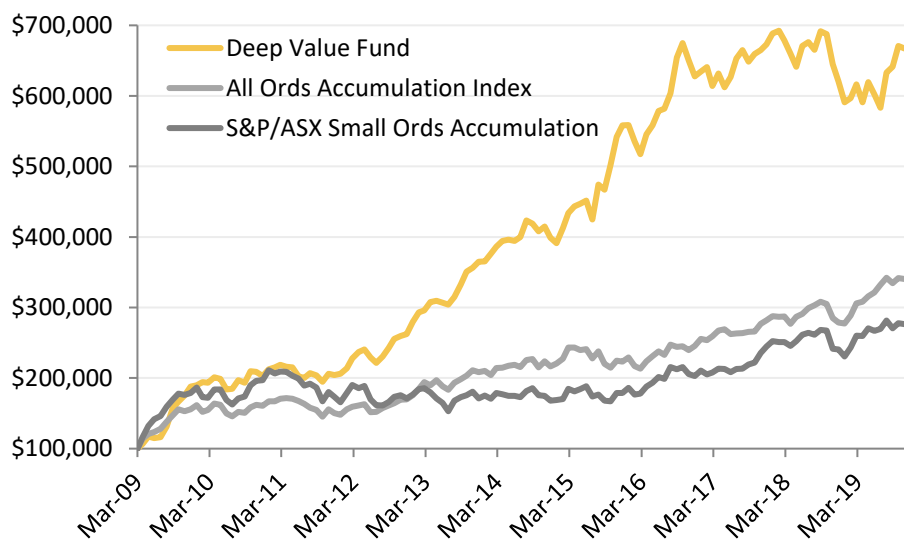
FUND OUTLINE

Fund Manager:

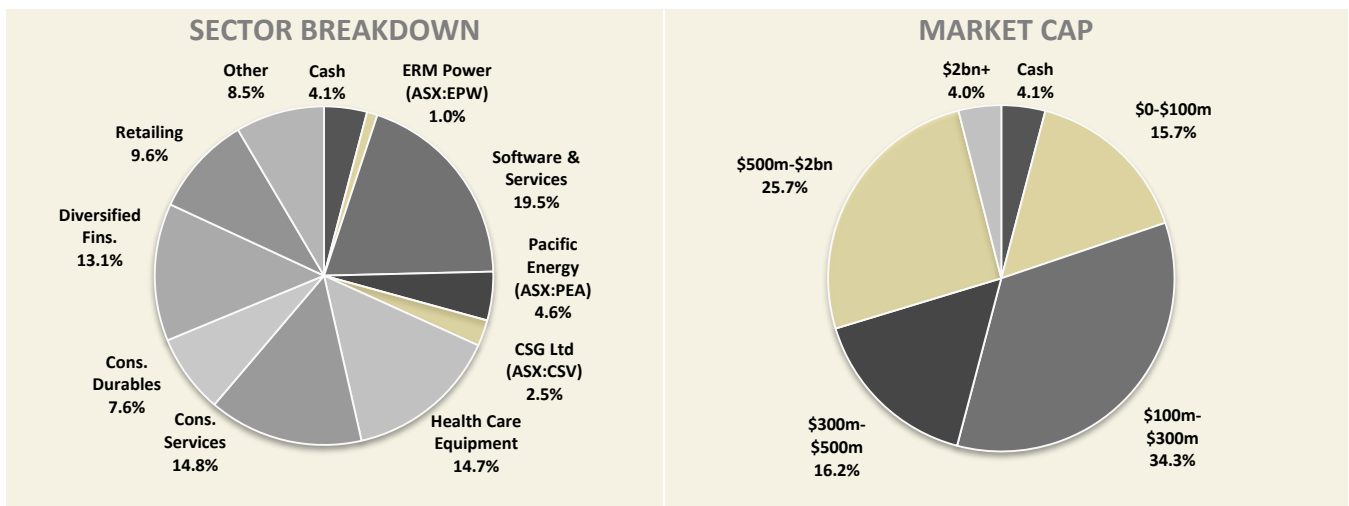
Carlos Gil (CIO)

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 > **\$667,328**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	19.48%	567.33%	14.29%	14.43%	9.98%	0.87%	3.47%	-0.51%



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MARKET UPDATE AND COMMENTARY

Whilst the Australian stock market fell for the month, the US equity market nudged into record territory as a Sino-US trade deal, at least an interim one, looks more likely. If that wasn't enough, the Federal Reserve continued its dovish monetary stance by undertaking its third interest rate cut in 2019, cutting its benchmark funds rate by 25 basis points to a range of 1.5% to 1.75%. The Federal Reserve is now likely to pause on further cuts to the benchmark funds rate. Across the Atlantic, the chances of a no-deal Brexit look low as Britons will face another political election that is likely to determine whether Boris Johnson's proposed EU deal will be ratified by parliament. Whatever the UK election outcome, we view the possibility of a no deal Brexit as low. The economic impact of Johnson's proposed Brexit deal remains unclear and is subject to significant debate. The UK will still need to negotiate a long-term trade agreement with the EU. However, over the short term, the ratification of the deal would remove uncertainty and likely to lead to a boost of investment in Britain and overall investor confidence.

Microequities Deep Value Fund returned -0.51% in October; this brings the total return net of fees to 567.33% for the Fund since inception in March 2009.

During the month, one of our investee companies, **CSG Limited (ASX:CSV)** received a takeover offer from Fuji Xerox. The offer price of \$0.31 per share was a 32% premium to the last traded price, but a significantly lower than the share price only 18 months earlier. CSG is a print and technology business selling print equipment, print supplies and technology solutions on a subscription basis. We think the offer is opportunistic as the business is in the midst of a turnaround by simplifying the business and regaining sales momentum. We also believe there is the possibility of rival offers given the large customer base that CSG can offer to a potential acquirer. CSG represents 2.5% of the Fund assets at month end and the share price was up 38% during the month.

Despite the CSG takeover, a significant number of companies within the Deep Value Fund remain severely undervalued and therefore susceptible to further merger and acquisition activity. The investment management team is also actively redeploying the cash proceeds of recently acquired companies within some of the most undervalued opportunities within the Fund.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+17.0%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+16.7%

Number of companies	32
Top 5 Holdings % of NAV	44.8%
Top 10 Holdings % of NAV	63.1%
Top 20 Holdings % of NAV	85.8%
Cash Position % of NAV	4.1%

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.