

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/09/2019

latest unit price \$3.9362	return since inception (March 2009) 570.74%	return 1 month 4.57%
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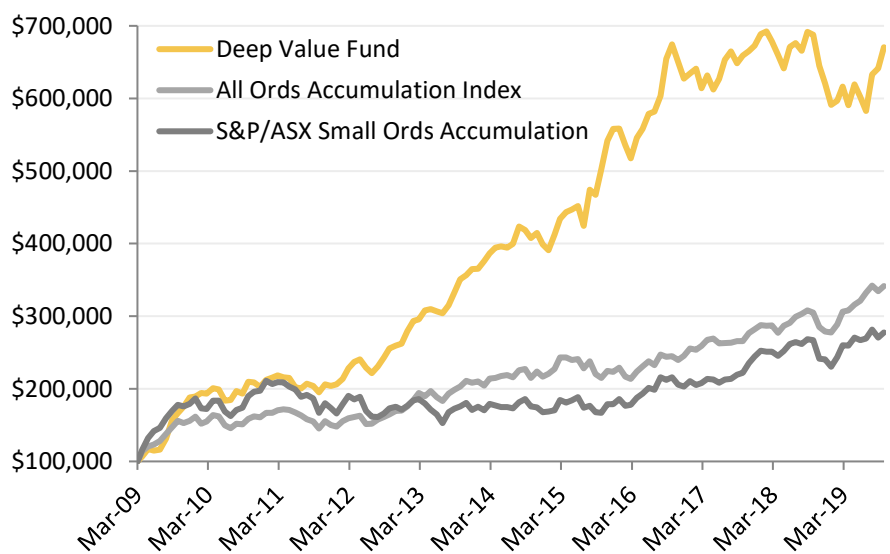
FUND OUTLINE

Fund Manager:

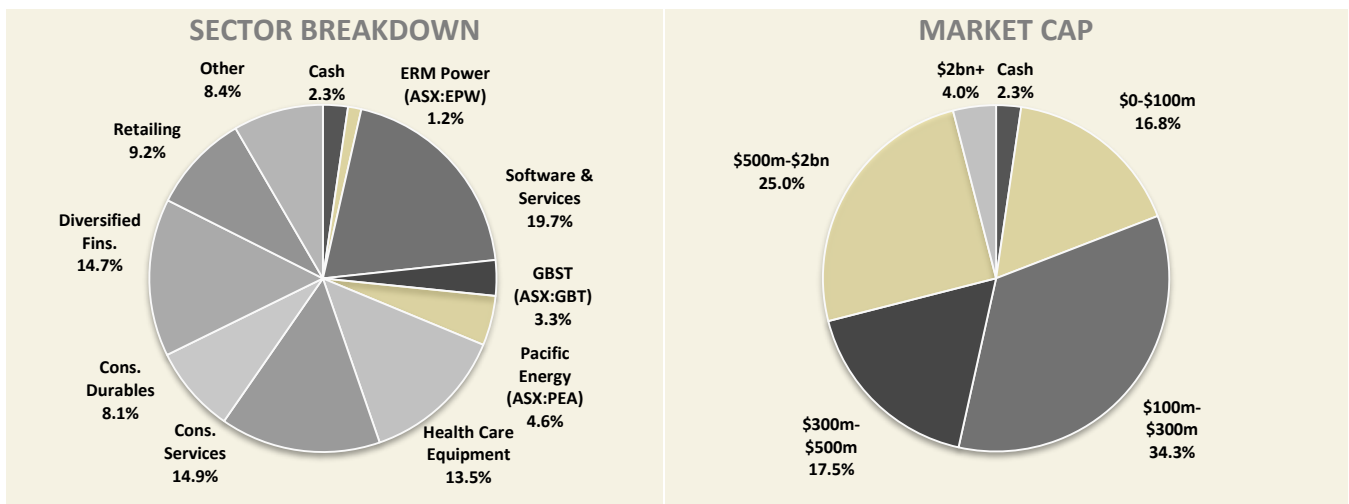
Carlos Gil (CIO)

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 > **\$670,736**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	19.70%	570.74%	14.96%	14.78%	10.46%	-0.19%	-2.48%	4.57%



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MARKET UPDATE AND COMMENTARY

Chinese manufacturing activity rebounded in the month of September thanks to improved domestic demand despite overseas orders dropping. China's PMI (Purchasing Managers Index) rose from 49.5 in August to 49.8 in September. Notwithstanding the improvement, a PMI figure below 50 still denotes a contraction in manufacturing activity. Earlier this year, the Chinese government introduced a range of fiscal stimulus initiatives as it seeks to offset a challenging export market as a result of the US-Sino trade war. The manufacturing sector was also a primary receiver of large tax reductions. In June, the government also introduced various consumer stimulus measures for a range of important economic product categories such as electric vehicles, 5G mobile devices and home appliances. The bigger picture is to shift the balance of economic growth to a more domestic consumption led economy. This transition is already taking place; in 2018, consumption growth contributed to 76.2% of China's GDP growth. In the context of a more uncertain external export market, this is a timely transition.

Microequities Deep Value Fund returned 4.57% in September; this brings the total return net of fees to 570.74% for the Fund since inception in March 2009.

We are pleased to report that **Pacific Energy (ASX:PEA)** which was subject to a friendly takeover bid by private equity group, QIC at \$0.975 cash per share received a competing bid by OPTrust and Infrastructure Capital Group at \$1.085 cash. QIC subsequently matched the bid and is now the preferred bidder again. We welcome the competing bid and note that the takeover process might not yet have arrived at a definitive finality. **Pacific Energy currently represents 4.6% of the net assets of the Fund.**

Whilst there were no new investments in the Fund this month the investment management team is redeploying cash assets within some of the most deeply undervalued businesses within the Fund. These investments represent highly attractive investments opportunities and most of these businesses have been purchased at or near historical low share prices and at large discounts to their intrinsic valuations.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+17.1%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+16.9%

Number of companies	32
Top 5 Holdings % of NAV	45.4%
Top 10 Holdings % of NAV	64.0%
Top 20 Holdings % of NAV	87.1%
Cash Position % of NAV	2.3%

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.