

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/09/2020

latest unit price \$4.4085	return since inception (March 2009) 669.74%	return 1 month 0.93%
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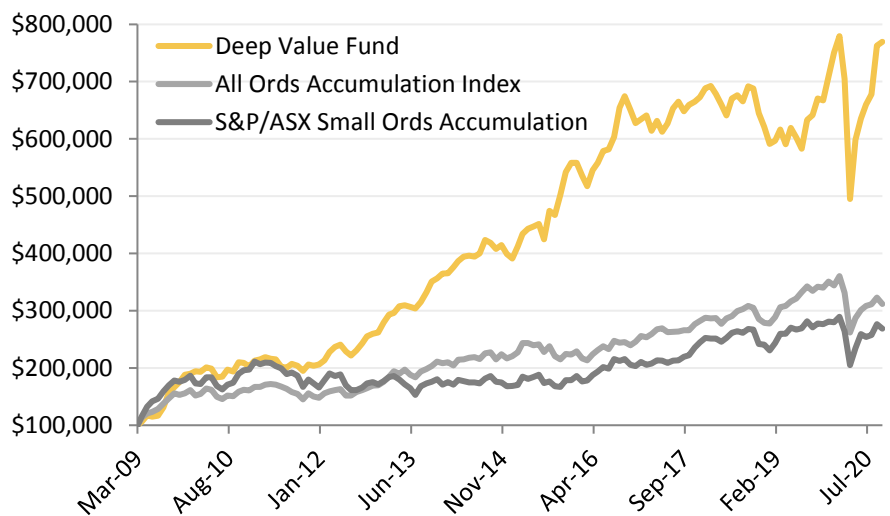
FUND OUTLINE

Fund Manager:

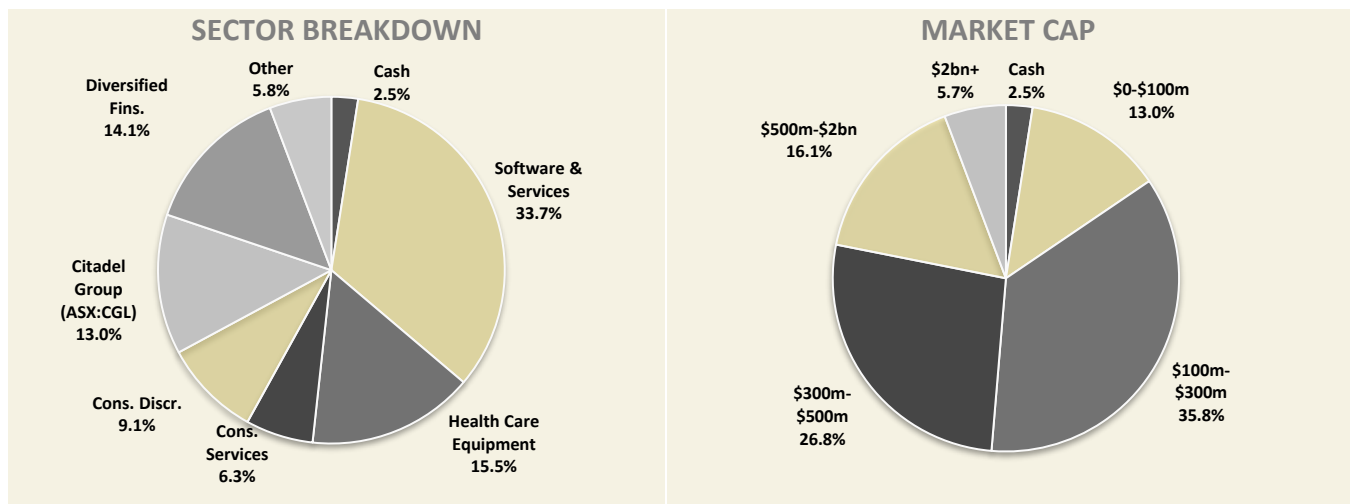
Carlos Gil (CIO)

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 > **\$769,737**



	Compound p.a. since Inception	Total since inception	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	19.27%	669.74%	13.88%	11.88%	8.91%	5.30%	14.76%	0.93%



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MARKET UPDATE AND COMMENTARY

Following on from our commentary last month, new data points out of China during September indicate continued evidence of its economic recovery. Electricity generation rose strongly during August and subway passenger volume is now just 10% off pre-Covid levels. The Chinese economy is likely to have expanded in the mid-single digits during the third quarter of 2020, leaving China as the only G20 member that is likely to post positive growth during 2020. However, the recovery mirrors the unbalanced Chinese economy which still has consumer consumption at 39% of GDP compared to +60% for most developed economies. The resurgence in Chinese consumer spending has been slow and it is industrial production and construction that have driven economic activity in recent months. There are however some green shoots opening in consumer consumption with retail figures rising +0.5% in August versus a year ago, the first register of growth in the Covid impacted 2020 year. Domestically, the Federal government will be placing fiscal discipline as a distance secondary consideration as it seeks to prioritise economic growth and boost economic spending by way of government spending and running large deficits. This is likely to have a positive impact for several of our investee companies.

Microequities Deep Value Fund returned 0.93% in September; this brings the total return net of fees to 669.74% for the Fund since inception in March 2009.

Our largest investment in the Fund, **Citadel Group (ASX:CGL)** became subject to a friendly takeover offer from private equity group, Pacific Equity Partners. The takeover offer comes at +43.2% premium to the last traded price and currently represents 13% of the total assets of the Deep Value Fund at month end. The takeover offer provides further evidence that our Fund contains many undervalued assets with intrinsic valuations at large premiums to the current market price.

During the month, the investment team was also able to secure an anchor stake in a consumer discretionary business that has a very strong growth runway with hard asset backing led by a proven executive team. Microequities was able to secure this anchor asset in a highly sought-after capital raising due to our long-term investment reputation in capital markets and our constructive and supportive form of investing. We look forward to letting you know more about this investment shortly.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+18.3%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+17.7%

Number of companies	33
Top 5 Holdings % of NAV	44.2%
Top 10 Holdings % of NAV	67.5%
Top 20 Holdings % of NAV	89.1%
Cash Position % of NAV	2.5%

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.