

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 30/09/2022

| | | |
|--------------------------------------|---|---------------------------------|
| latest unit price \$3.9193 | return since inception (March 2009) 670.41% | return 1 month -7.86% |
|--------------------------------------|---|---------------------------------|



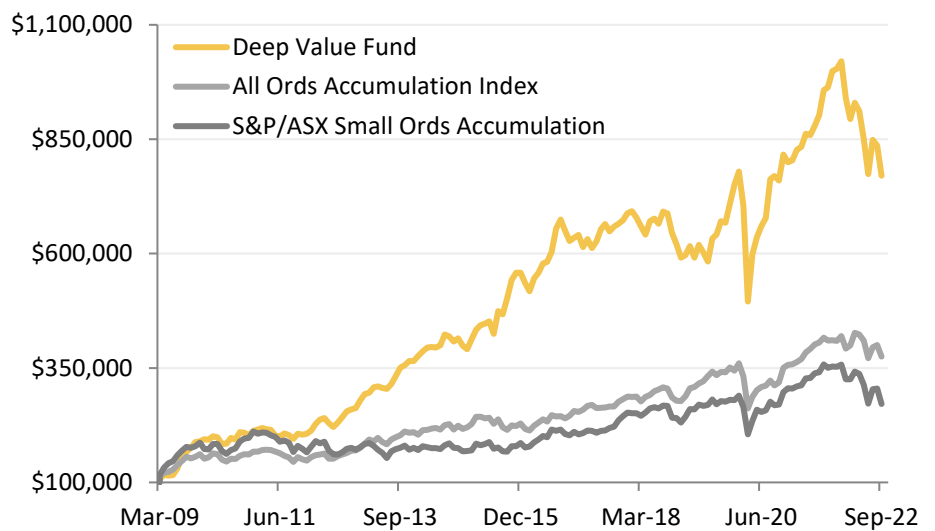
FUND OUTLINE

Fund Manager:

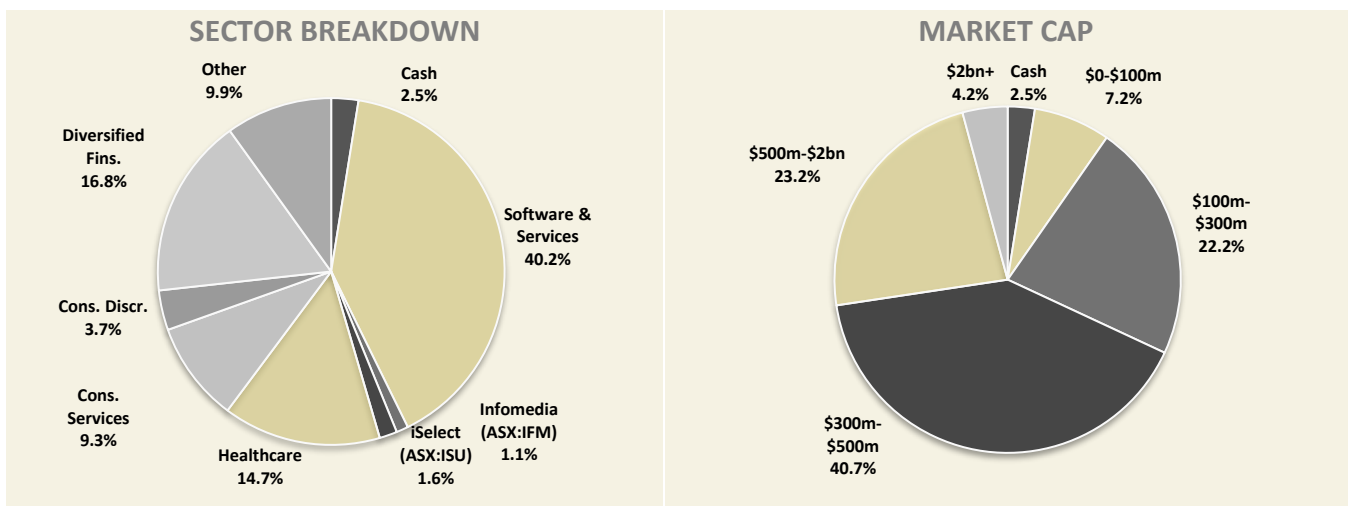
Carlos Gil (CIO)

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 > **\$770,408**



| | Compound p.a. since Inception | Total since inception | 12 Year | 10 Year | 7 Year | 5 Year | 3 Year | 1 Year | 1 Month |
|-----|-------------------------------|-----------------------|---------|---------|--------|--------|--------|---------|---------|
| DVF | 16.22% | 670.41% | 11.45% | 11.67% | 6.30% | 3.17% | 4.73% | -20.04% | -7.86% |



DEEP VALUE FUND



MARKET UPDATE AND COMMENTARY

Whilst it is possible that US headline inflation has peaked, it is highly unlikely to return to the target 2-3% range anytime soon. If we remove the currently highly geopolitically driven inputs of oil and food prices (both intimately related) wage growth and wage expectations are unlikely to come down rapidly. This is not only due to the fact the US labour market is extremely tight, with a 3.7% unemployment rate and an economy that created 300,000 jobs in August, but the reality is that wage setting expectations in the market have structurally shifted as a result of both the tight labour market and the high headline inflation rate. The wage price feedback loop is a real phenomenon and can set the basis for embedding a structural element in wage increases that will take many years to unwind. The good news so far is that real wage increases (removing the impact of inflation) have been negative in most economies including Australia. Job creation in the US and Australia will very likely slow down over the next 12 months and should lead to an increase in the unemployment rate and cooling of a very tight labour markets that will weaken though not entirely remove the wage price feedback loop.

Microequities Deep Value Fund returned -7.86% in September; this brings the total return net of fees to 670.41% for the Fund since inception in March 2009.

Whilst we continue to research companies outside the portfolio of the Deep Value Fund, the investment management team is of the view that within the current constituents of the Fund are the best long term investment opportunities for our fellow investors.

Activity during the month was focused on recalibrating weightings around some of the investee companies, with one of our largest investee companies relatively overweighted. We were able to redeploy sale proceeds to two of our cheapest B2B software technology companies. The two profitable growing companies which combined represent 6.1% of the total assets of the Deep Value Fund, are trading at huge discounts to their intrinsic valuations, have quality business models and given their discounts remain highly vulnerable to takeover approaches. Their current weighting in the Fund does not represent our desired target weightings and we will continue to recalibrate the Fund to increase our exposure to both businesses.

| | |
|--|---------------|
| Projected EPS Growth | |
| 1 Year Forward (on a weighted basis) | +26.9% |
| Projected EPS Growth | |
| 2 Years Forward (on a weighted basis) | +24.7% |

| | |
|------------------------------------|--------------|
| Number of companies | 33 |
| Top 5 Holdings % of NAV | 42.3% |
| Top 10 Holdings % of NAV | 63.0% |
| Top 20 Holdings % of NAV | 87.2% |
| 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.