

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 31/12/2022

latest unit price \$4.2121	return since inception (March 2009) 727.96%	return 1 month -3.01%
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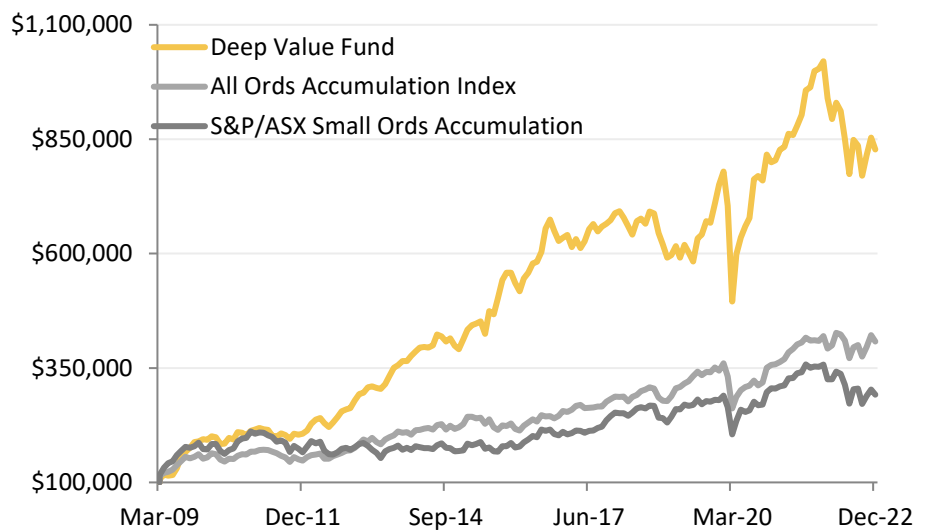
FUND OUTLINE

Fund Manager:

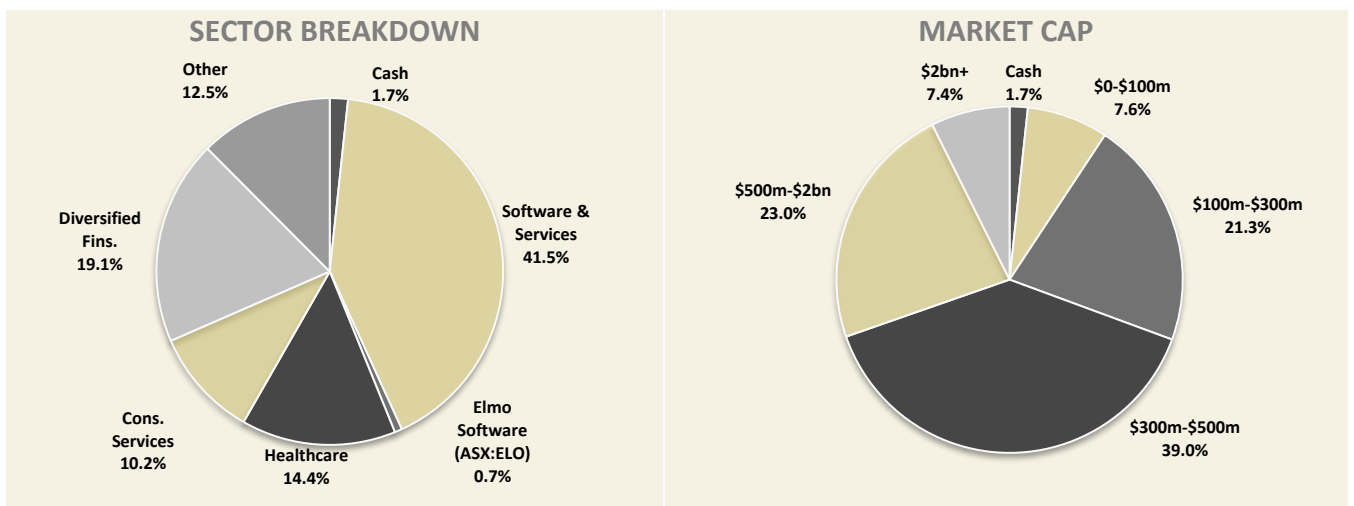
Carlos Gil (CIO)

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 > **\$827,964**



	Compound p.a. since Inception	Total since inception	12 Year	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	16.51%	727.96%	12.00%	11.48%	5.79%	3.76%	3.31%	-18.86%	-3.01%



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MARKET UPDATE AND COMMENTARY

China has taken the painful but ultimately wise decision to drop its Covid-19 Zero tolerance policy. Better to change course late than to stubbornly continue in the wrong direction. While the policy shift will have large human and economic costs over the short term, over the long term it will recalibrate China's economic growth foundations to give the country a more robust platform for sustainable economic performance. The world should see the economic benefits of this social health policy reset by the end of 2H23 with better supply chain performance from the world's largest manufacturer, reopening of travel borders and a more internationally engaged China. By 1H24, China's economy should look a lot more like its pre-Covid self and GDP growth should be at +5%. Domestically, despite the gloom and doom headlines, we do not expect Australia's economy to enter into a recession. The reopening of international borders will have significant economic benefits for Australia's two biggest service export industries: education and tourism. Additionally, net immigration flows (a key engine in Australia's long term economic outperformance) will provide a further boost. These forces will help Australia cushion the negative impact of rising interest rates though we do expect GDP growth to slow down to the 1.5%-2.0% range.

Microequities Deep Value Fund returned -3.01% in December; this brings the total return net of fees to 727.96% for the Fund since inception in March 2009.

Following the implementation of the scheme of arrangement for **iSelect Group (ASX:ISU)**, the Deep Value Fund received the cash proceeds of the scheme. The timing of this cash is favourable given the opportunity set currently available in the Fund. However, the cash received will not be anywhere enough to capture the entirety of the opportunity set. We estimate there is a \$25m total opportunity set of underweighted and undervalued high quality growth assets that are currently priced erroneously by the market. We will explore ways to increase our cash holdings to capture this opportunity set.

Most of the buying activity during the month focused on two high quality businesses that have strong earnings outlook and growth momentum. One of them has a very predictable business model with an earnings stream that is highly recurring in nature. We have over the past two months steadily been increasing our stake in this business and now represents 5.9% of the total net assets of the Fund.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+28.1%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+24.2%

Number of companies	33
Top 5 Holdings % of NAV	45.1%
Top 10 Holdings % of NAV	65.8%
Top 20 Holdings % of NAV	89.9%
Cash Position % of NAV	1.7%

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.