

# DEEP VALUE FUND



## MONTHLY PERFORMANCE AS AT 31/01/2023

latest unit price <b>\$4.3928</b>	return since inception (March 2009) <b>763.48%</b>	return 1 month <b>4.29%</b>
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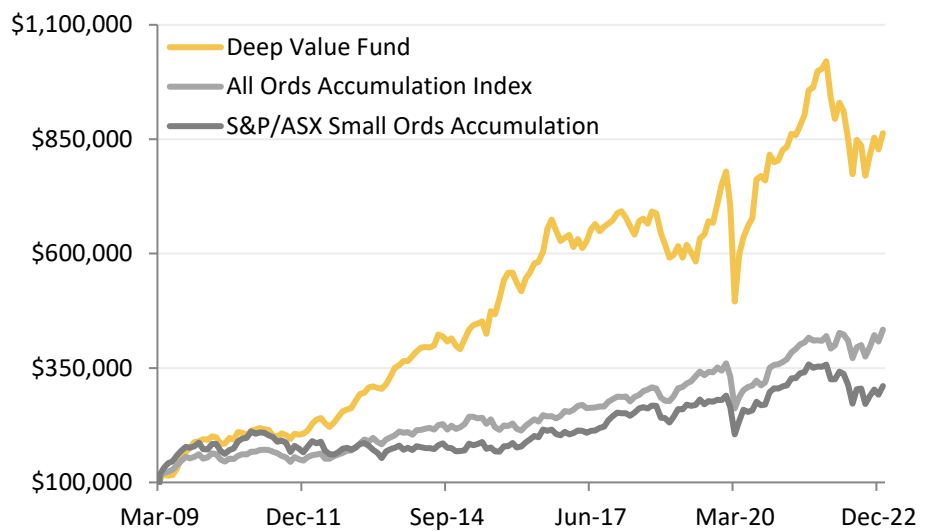
### FUND OUTLINE

Fund Manager:

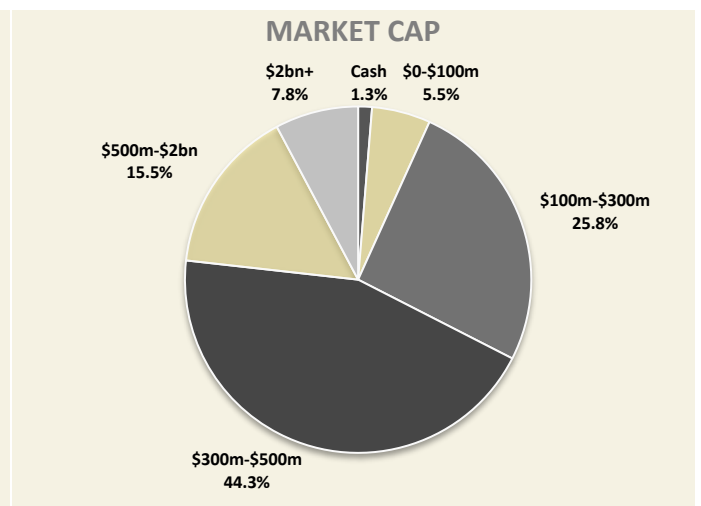
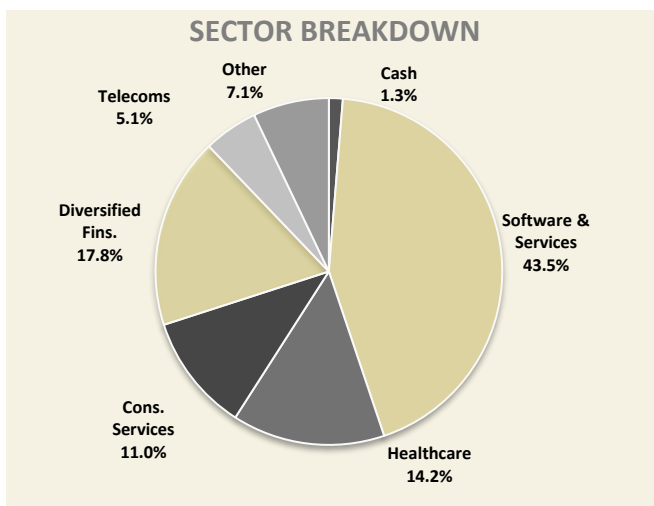
Carlos Gil (CIO)

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 > **\$863,483**



	Compound p.a. since Inception	Total since inception	12 Year	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	16.76%	763.48%	12.27%	11.40%	7.06%	4.52%	3.47%	-8.09%	4.29%



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## MARKET UPDATE AND COMMENTARY

The Covid impacted Chinese economy grew at 3% in 2022, the second slowest growth rate since 1976. The disruptive effects of Covid waves and ensuing shutdowns created havoc in its manufacturing sector, whilst consumer retail spending slumped. Fortunately, the government has dropped its zero Covid policy, a painful but ultimately wise decision that should put China on a pathway to a more normalised +5% GDP growth rate. The early signs are positive, with the country bouncing back more quickly than expected and given the pent-up savings, pent up demand, travel and economic activity should bounce back strongly in 2023. In financial markets, the lower core US inflation helped to boost sentiment that future Federal Reserve rate increases will be at the 25 basis point level and not 50 basis points. The Fed had increased rates by 75 points, four consecutive times, with the December increase coming in at 50 basis points. Markets have been building expectations that 2023 rate rises will be limited to 25 basis points as the Fed sees increasing evidence of an inflationary slowdown.

**Microequities Deep Value Fund returned 4.29% in January; this brings the total return net of fees to 763.48 % for the Fund since inception in March 2009.**

During the month we continued to add to our tourism and travel exposed businesses as we note continued strength and confidence in consumer travel and the reopening of China which will reverberate throughout 2023 with higher inbound Chinese tourists and students. It is important to note that we owned these businesses prior to Covid and have recalibrated the weightings throughout the evolution of the pandemic to manage risk/reward. These businesses are good assets with long term growth runways and distinct competitive advantages.

During the month we fully exited our investment in **Elmo Software (ASX:ELO)**. We sold our remaining stake in Elmo prior to the completion of the takeover scheme where we would have attained a slightly higher price for the asset. We made this decision given the high opportunity cost of other investments within the Deep Value Fund's portfolio. Studious readers might have noted the persistent low cash assets within the Fund. The low cash position reflects the current breadth and depth of investment opportunities we are currently observing within the portfolio, we simply do not have enough cash to fully capture them. We remain significantly underinvested in some of our best investment opportunities.

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

<b>Number of companies</b>	<b>32</b>
<b>Top 5 Holdings</b> % of NAV	<b>45.4%</b>
<b>Top 10 Holdings</b> % of NAV	<b>65.6%</b>
<b>Top 20 Holdings</b> % of NAV	<b>91.1%</b>
<b>Cash Position</b> % of NAV	<b>1.3%</b>

**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.