

DEEP VALUE FUND



MONTHLY PERFORMANCE AS AT 28/02/2023

latest unit price \$4.1602	return since inception (March 2009) 717.76%	return 1 month -5.30%
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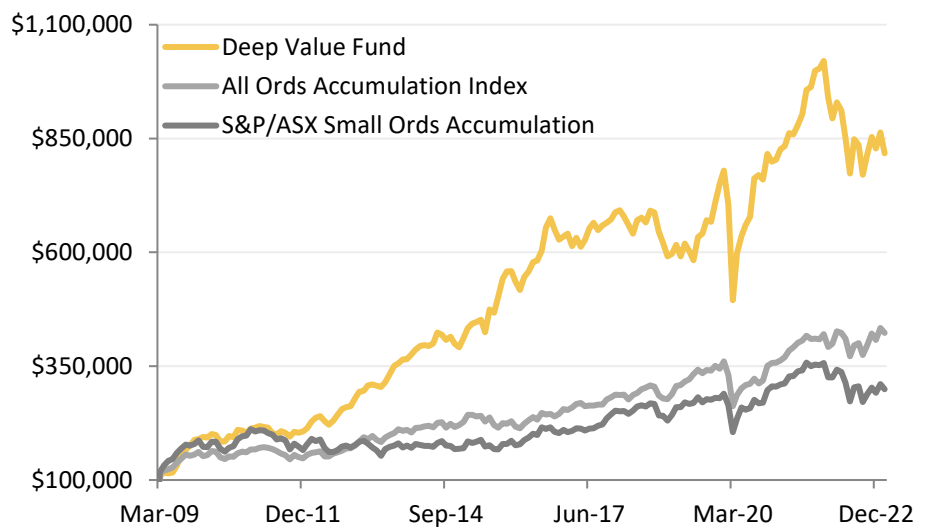
FUND OUTLINE

Fund Manager:

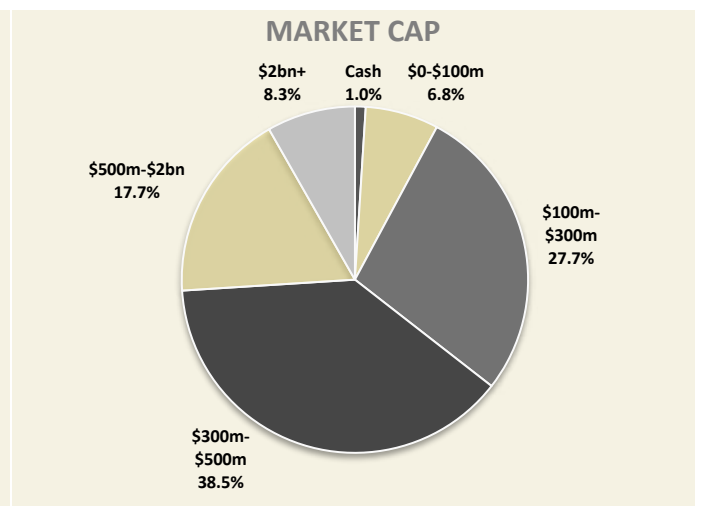
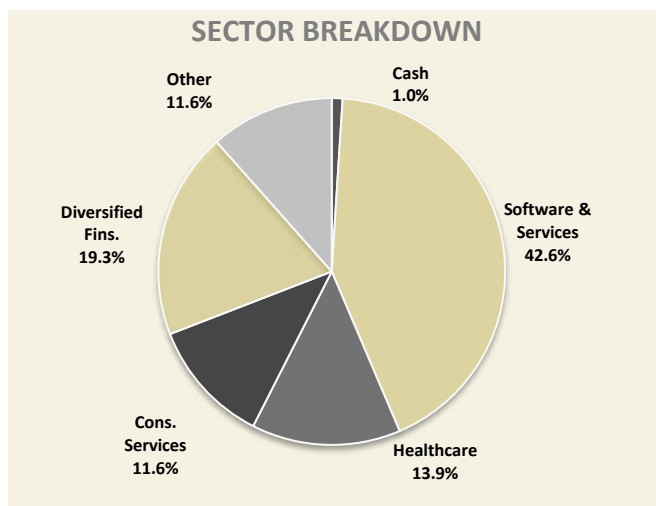
Carlos Gil (CIO)

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 > **\$817,762**



	Compound p.a. since Inception	Total since inception	12 Year	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	16.20%	717.76%	11.62%	10.70%	6.76%	3.81%	5.08%	-8.56%	-5.30%



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MARKET UPDATE AND COMMENTARY

Equity market sentiment and direction continue to be governed by interpreting every economic data point in the context of its impact to near term monetary policy. The US Personal Consumption expenditures index (PCE) for the month of January increased by +0.6% to an annual rate of 5.4%, up from 5.3% on the previous month. Core PCE which strips out food and energy, rose by +0.6% to 4.7%. The increases were higher than expected and came following other recent macroeconomic data points like employment and retail numbers that came in stronger than expected pointing to a lack of an economic slowdown needed to slow inflation. The reading increases the probability that the US Federal Reserve will increase rates by 50 basis points at its next meeting. In Australia, the unemployment rate unexpectedly increased from 3.5% to 3.7% as the number of unemployed rose by 22,000. The weaker employment number was soon followed by a wage growth data that came lower than expected at 3.3%, missing the forecast of 3.5%. While these are softer numbers than expected, we still think it is highly likely the RBA will increase rates by another 25 bps at its next meeting on the 7th of March.

Microequities Deep Value Fund returned -5.30% in February; this brings the total return net of fees to 717.76% for the Fund since inception in March 2009.

The reporting season confirmed strong demand conditions across our Deep Value investee companies with higher input prices evident in most of the businesses. Our technology investee companies which have pricing power are offsetting higher input prices with higher prices for their technology and services, allowing them to increase their earnings. Specifically, software and services which makes up 42.6% delivered solid double-digit earnings growth consistent with our expectations.

In the healthcare space which makes up 13.9% of the Fund's portfolio and is made of four investee companies. The spread of weightings in these businesses is not even, with two radiology services businesses making up 9.6% of the 13.9%. The radiology businesses incurred higher input costs during the 1H23 which was not offset by higher demand throughput or higher prices (most of the prices are government regulated) thus they incurred margin compression and a consequent decline in profitability. Positively January and February trading has seen a significant increase in revenue which will help earnings and help recover some of the margin decrease in 2H23. The other two health businesses in the Fund delivered solid earnings results.

Projected EPS Growth	
1 Year Forward (on a weighted basis)	+26.4%
Projected EPS Growth	
2 Years Forward (on a weighted basis)	+25.5%

Number of companies	32
Top 5 Holdings % of NAV	45.9%
Top 10 Holdings % of NAV	66.6%
Top 20 Holdings % of NAV	91.4%
Cash Position % of NAV	1.0%

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.