

# DEEP VALUE FUND



## MONTHLY PERFORMANCE AS AT 31/05/2023

latest unit price <b>\$4.1859</b>	return since inception (March 2009) <b>722.81%</b>	return 1 month <b>+0.78%</b>
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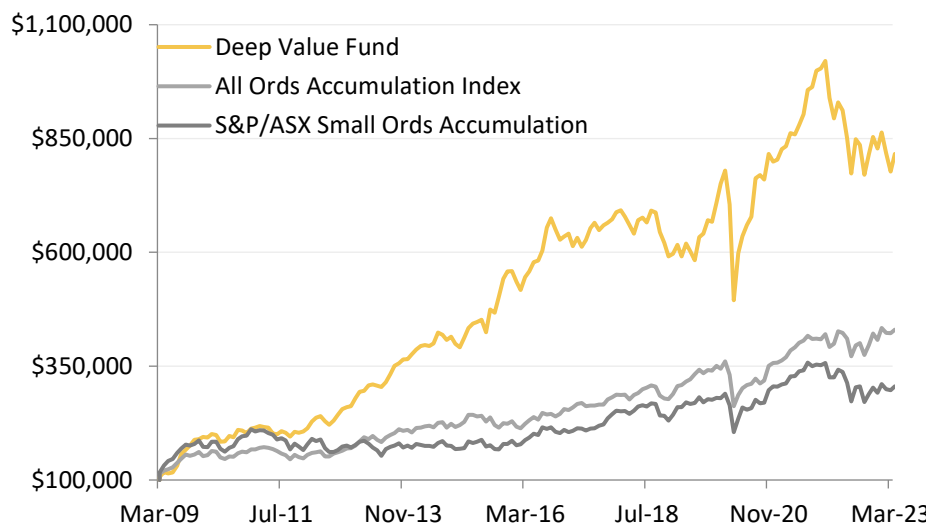
### FUND OUTLINE

Fund Manager:

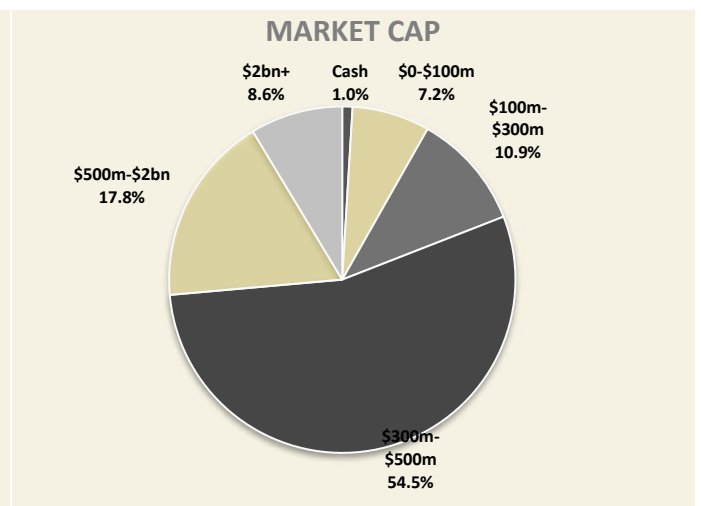
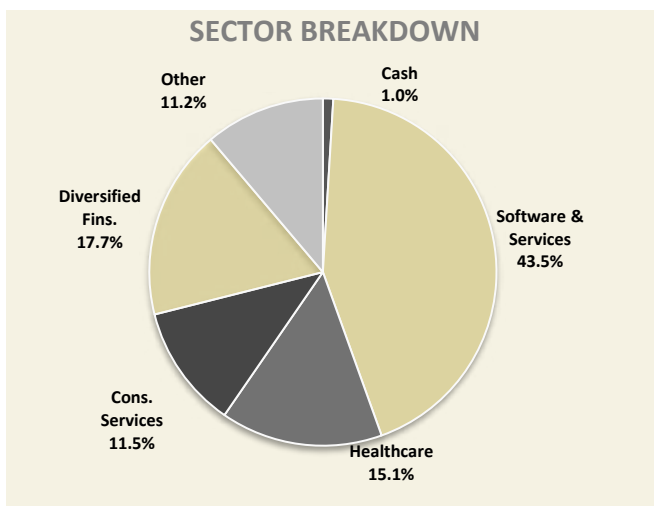
Carlos Gil (CIO)

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 > **\$822,814**



	Compound p.a. since Inception	Total since inception	12 Year	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	15.94%	722.81%	12.40%	10.37%	5.16%	4.17%	8.99%	-3.26%	0.78%



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## MARKET UPDATE AND COMMENTARY

China's headline retail sales data for April showed impressive growth of +18.3% YoY. The number, however, needs to be contextualised given that a year ago China was engulfed in Covid-induced lockdowns which caused April 2022 retail sales to plunge by -13%. Industrial production also accelerated in April and is now running at an annualised rate of 5.6% YoY and back to pre-pandemic growth rates. Industrial production will face headwinds during 2023 given Chinese manufacturing exports are likely to weaken given advanced economy markets are shifting consumption to services, inventory levels are replenished and a growing trend to localisation of supply chains. Despite the challenges in manufacturing, we still see the Chinese economy expanding at +5% for 2023 with a rebound in domestic consumption likely to offset sluggish exports. Domestically, Australia's unemployment moved up slightly from its 50-year lows, edging upwards to 3.7% as the economy lost 4,000 jobs. The labour market remains extremely tight, and we expect it to loosen in the months ahead as a combination of additional labour supply comes into the market and interest rates begin to bite.

**Microequities Deep Value Fund returned +0.78% in April; this brings the total return net of fees to 722.81% for the Fund since inception in March 2009.**

Three important investee companies which report out of cycle published their FY23 numbers. The three companies reported strong growth in revenue and two of the three delivering historical profit highs. Importantly, all companies are poised to continue the positive momentum in revenue growth and earnings into FY24. The annual reports are consistent with the operating updates other investee companies have provided in recent months, which in our view demonstrate the strength of the Small Cap and Microcap asset class in delivering earnings growth throughout the entire macroeconomic cycle.

Whilst the research team continues to scope the asset class for additional investment opportunities, we currently have such a deeply undervalued set of assets within the Deep Value Fund that the bar is very high to enter the portfolio. Additionally, we remain materially underinvested in some of the best opportunities within the Fund. For this reason, we are unlikely to add to the number of companies we own over the short term. Our immediate investment management focus is to recalibrate the weightings in the portfolio within the most optimal risk/reward relationship.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+25.7%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+25.5%</b>

<b>Number of companies</b>	<b>31</b>
<b>Top 5 Holdings</b> % of NAV	<b>47.9%</b>
<b>Top 10 Holdings</b> % of NAV	<b>69.6%</b>
<b>Top 20 Holdings</b> % of NAV	<b>91.7%</b>
<b>Cash Position</b> % of NAV	<b>1.0%</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.