

# DEEP VALUE FUND



## MONTHLY PERFORMANCE AS AT 31/08/2023

latest unit price <b>\$4.4553</b>	return since inception (March 2009) <b>786.27%</b>	return 1 month <b>1.51%</b>
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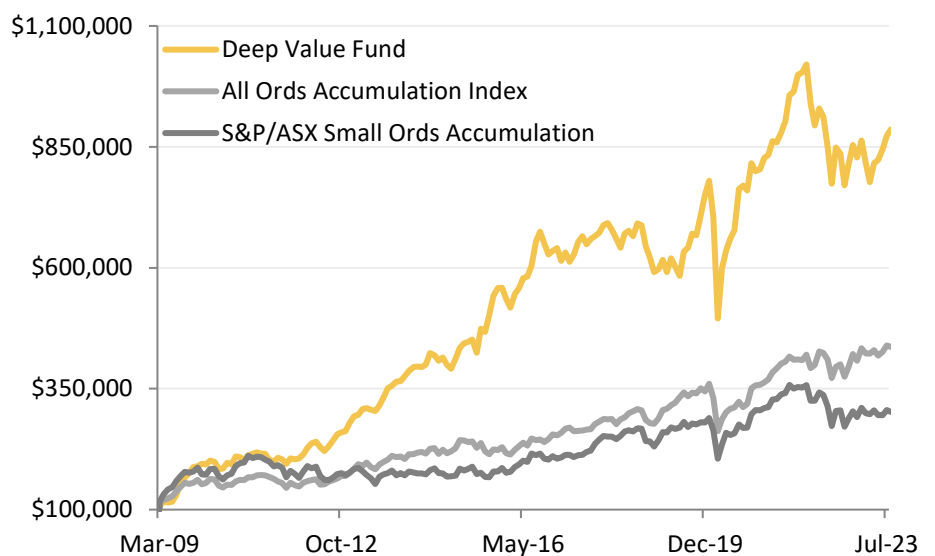
### FUND OUTLINE

Fund Manager:

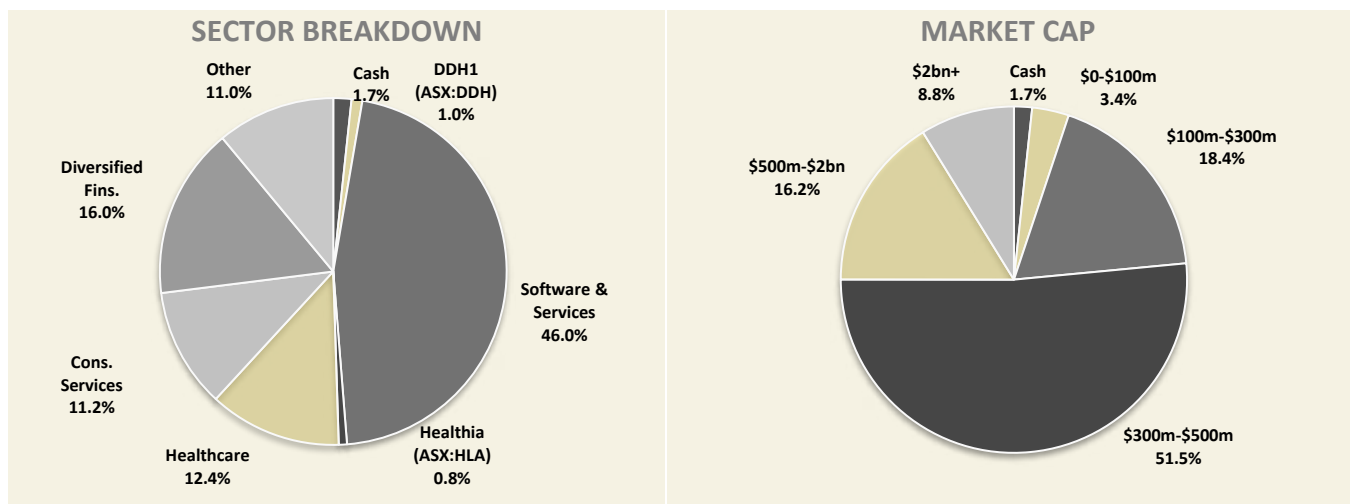
Carlos Gil (CIO)

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 > **\$886,270**



	Compound p.a. since Inception	Total since inception	12 Year	10 Year	7 Year	5 Year	3 Year	1 Year	1 Month
DVF	16.24%	786.27%	13.03%	10.30%	4.42%	5.08%	5.13%	6.00%	1.51%



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## MARKET UPDATE AND COMMENTARY

The Chinese monetary and fiscal response to an evident slowdown in the economy has so far been underwhelming. During the month, China modestly cut its one-year prime lending rate from 3.55% to 3.45%. It however kept the important 5-year equivalent rate steady at 4.2%. So far, the government has shown a reluctance to instigate a strong policy response. Youth unemployment in urban areas has been rising sharply since the beginning of 2020 and the Chinese government has announced it will stop publishing youth unemployment data. Positively, the Chinese government is still facing an expanding economy, in fact most Western economies would happily swap its 4-5% GDP growth rate for theirs. However, the structural imbalances in the industrial base of the Chinese economy remain and pose a threat to its long-term economic prosperity which is accentuated by an ageing population. It is not just that its population is ageing, it is projected to begin to decline as early as 2023, creating greater challenges over the long term. Across the US, the resilience of the economy and a slowing, yet still high inflationary rate, means the US Federal Reserve is likely to remain on the sidelines over the short term as it takes a more data driven approach to its next move as opposed to being pre-emptive.

**Microequities Deep Value Fund returned 1.51% in August; this brings the total return net of fees to 786.27% for the Fund since inception in March 2009.**

We are pleased to report that the FY23 reporting season has seen strong EPS growth across the constituents of the Deep Value Fund, especially the heavily weighted key assets. **The portfolio delivered weighted average EPS growth of +31.4% a historically high figure for the Deep Value Fund (FY22 +23.7%).**

	FY23 EPS Growth Weighted Average
28 companies of the total 31 companies reported FY23 financials in the period May to August 2023. (The 28 companies represent 90% of the non-cash assets of the Deep Value Fund)	<b>+31.4%</b>

**We note that we expect the excellent double digit EPS growth to continue into FY24 & FY25, underpinning the fundamental intrinsic valuation growth of the Fund's assets** which ultimately correlate to long term investment returns. We note that on the last day of the month **Pacific Equity Partners** agreed to acquire **Healthia (ASX:HLA)** at a **+84.6% premium to the last traded price**. Healthia represents 0.8% of the Fund's net assets at month end.

<b>Projected EPS Growth</b>	
1 Year Forward (on a weighted basis)	<b>+22.5%</b>
<b>Projected EPS Growth</b>	
2 Years Forward (on a weighted basis)	<b>+22.4%</b>

<b>Number of companies</b>	<b>31</b>
<b>Top 5 Holdings</b> % of NAV	<b>47.4%</b>
<b>Top 10 Holdings</b> % of NAV	<b>68.1%</b>
<b>Top 20 Holdings</b> % of NAV	<b>90.5%</b>
<b>Cash Position</b> % of NAV	<b>1.7%</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.