

DEEP VALUE FUND



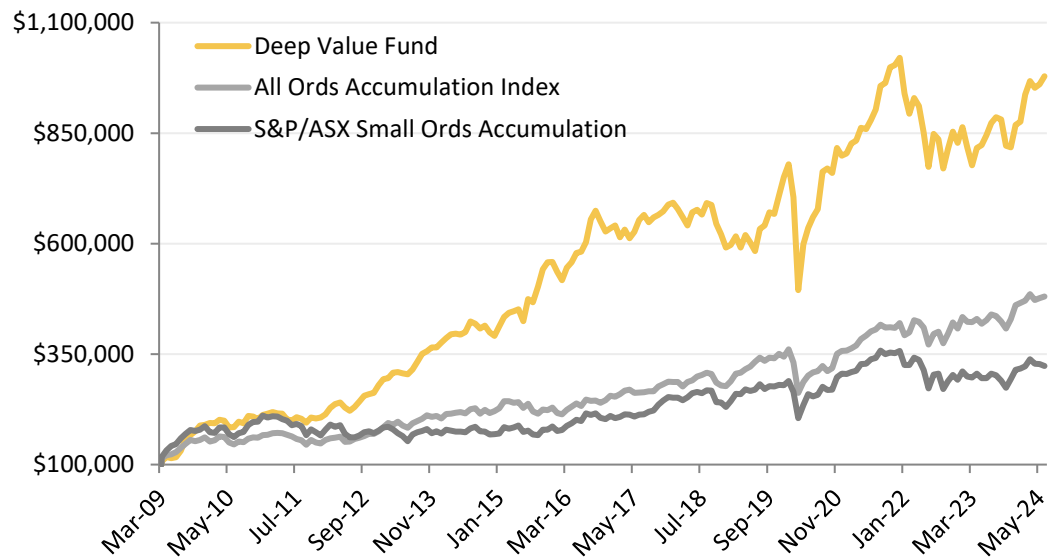
MONTHLY PERFORMANCE AS AT 30/06/2024

| | | |
|---|---|--------------------------------|
| latest unit price \$4.9181 <small>(Cum-distribution)</small> | return since inception (March 2009) 878.33% | return 1 month 1.84% |
|---|---|--------------------------------|

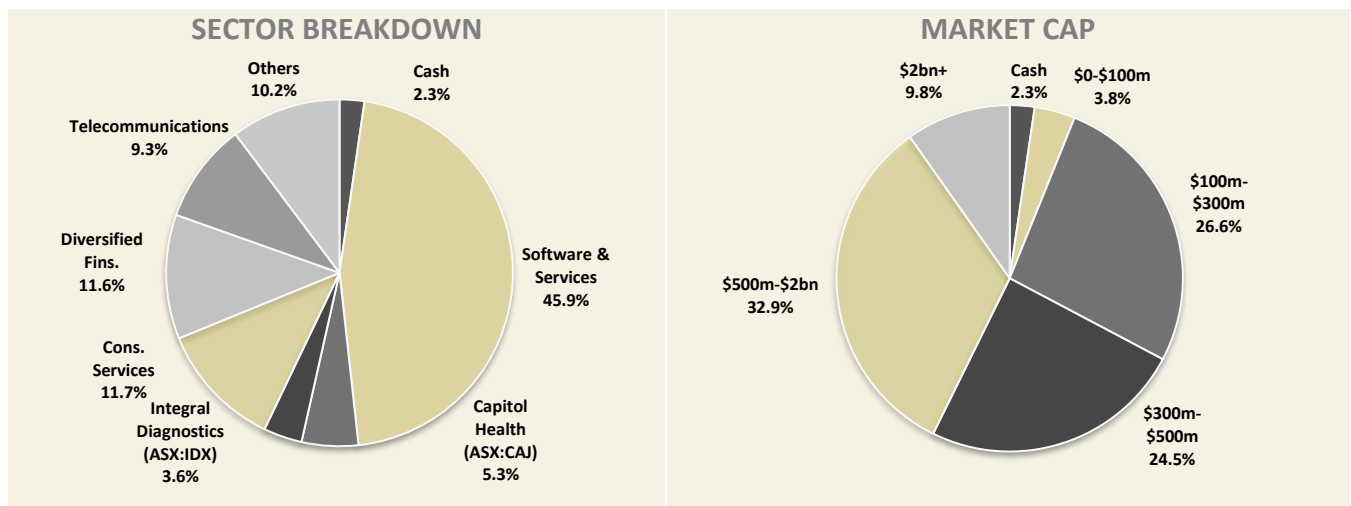
FUND OUTLINE

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 > **\$978,333**



| | Compound p.a. since Inception | Total since inception | 15 Year Compound Annual | 12 Year Compound Annual | 10 Year Compound Annual | 5 Year Compound Annual | 3 Year Compound Annual | 1 Year | 1 Month |
|-----|-------------------------------|-----------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|--------|---------|
| DVF | 16.04% | 878.33% | 15.25% | 13.18% | 9.36% | 10.91% | 3.61% | 15.72% | 1.84% |



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MARKET UPDATE AND COMMENTARY

The US May CPI number, which was published just before the Federal Reserve meeting, fell to 3.3%. Core CPI of 3.4% was below the 3.5% expected by economists. The cooling inflationary data was not enough to persuade markets that there would still be 3 rate cuts in 2024. The Federal Reserve chairman noted that 15 of the 19 members backed either one or two cuts in 2024 and that either option was plausible. So, the Fed is doing what we thought it should do. Robust consumer demand and a strong labour market has afforded it the luxury to wait to make sure it has the data before cutting rather than anticipating future data. It is not a change in its decision-making framework, but merely a product of temporal fortuitous macroeconomic circumstance. In Australia, the unemployment rate fell back to 4% in the month of May after 39,700 net jobs (fulltime) were created. The data point continued to depict a picture of a tight labour market in the context of a higher interest rate environment. Late last week the Australian May CPI was published with the print rising to 4%, higher than the expected 3.8%. We note the single poor data point is unlikely to move the RBA into a rate rise, it will however elongate the holding pattern.

Microequities Deep Value Fund returned 1.84% in June; this brings the total return net of fees to 878.33% for the Fund since inception in March 2009.

Diagnostics imaging business **Capitol Health (ASX:CAJ)** and larger listed peer **Integral Diagnostics (ASX:IDX)** entered into a merger process during the month with both parties undertaking 4 weeks of exclusive due diligence. The end result will likely be a merged entity with 155 clinics nationwide, FY24 forecast revenue of \$715m and \$108m of EBITDA and additional \$10m of cost synergies. Capitol Health shareholders are to receive scrip in Integral Diagnostics and at the time of announcement implied 32.64c per share, or 33% premium to the last undisturbed price. The combination is logical as the combined entity has greater scale to take advantage of acquisition opportunities and patient referrals across the clinic network. We also think the bid, whilst at a 33% premium, is not a knock out price and there are a number of logical strategic interlopers that could trump Integral's offer. At the end of the month, the Fund owns Capitol Health representing 5.3% weighting and Integral Health representing 3.6% weighting. We added two new investee companies to the Deep Value Fund this month. One in the currently out of favour retail industry and other in the software technology sector. At this stage both new additions cumulatively make up less than 0.4% of the total net assets of the Fund. Subject to continued favourable market pricing, we intend to build on our initial stake over the ensuing months. We will provide more information about both companies when appropriate.

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|--|---------------|
| Projected EPS Growth | |
| 1 Year Forward (on a weighted basis) | +22.6% |
| Projected EPS Growth | |
| 2 Years Forward (on a weighted basis) | +19.1% |

| | |
|------------------------------------|--------------|
| Number of companies | 36 |
| Top 5 Holdings % of NAV | 46.4% |
| Top 10 Holdings % of NAV | 67.7% |
| Top 20 Holdings % of NAV | 89.3% |
| Cash Position % of NAV | 2.3% |

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.