

## DEEP VALUE MICROCAP FUND UPDATE, APRIL 2010 PERFORMANCE UPDATE

Dear Investor,

### Markets and Economy

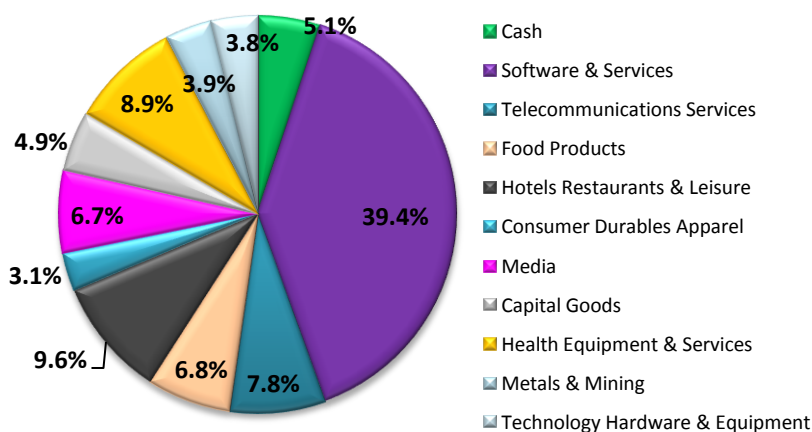
Greece's malaise is in part secondary damage of the GFC shockwave. Not that Greece didn't have any structural issues of its own; a \$40+ Billion trade deficit depicts serious competitive challenges for the 26<sup>th</sup> largest economy in the world. To put it into perspective, it imports 2.5 times more than it exports. The GFC created a need to implement economic stimuli as unemployment shot up and domestic demand imploded. The only problem with the stance is Greece's structural problem to begin with. Its economy is not sufficiently competitive. It can no longer, thanks to the Euro, rely upon depreciating its currency to reignite its competitiveness. It has been balancing its trade deficit through large foreign capital inflows (mostly debt). Over the long term that is an untenable situation. The European governments faced an unwelcome dilemma, reluctantly support Greece and get it to adhere to a number of austerity measures that will, for the short term at least, cause significant economic pain, or cut it off from the EC and face the prospects of financial markets targeting their gun sights at other weak economies of Western Europe. By agreeing to an in principle bailout package over the weekend (it still has to be unanimously ratified by each of the EC members) they have apparently chosen the lesser of the evils. But real economic restructure is not attained through bailout packages; it requires a radical transformation of the current existing economic structures to bring about efficiency improvements. Perhaps over time, the EC will realize it ultimately has chosen the greater of the two evils.

Whilst the US headline GDP growth number of 3.2% for the first quarter of 2010 might look a little on the lean side, a closer look revealed that the key elements needed to underpin a recovery; domestic consumption, capital equipment expenditure and software purchases are driving the numbers.

**Microequities Deep Value Microcap Fund returned a -1.08% versus the All Ordinaries -1.21% in April; this brings the total return net of fees to 98.92% for the Fund compared to 55.34% for the All Ordinaries since inception in March 2009.**

Whilst the market endured a weak month on month performance, we took advantage of our April investor inflows to continue to accumulate positions in our three new entrants and rebalance and reweight some of our portfolio. We are of the view that when in the process of buying, it is better for stocks to be declining than rising.

Whilst we have a cash position of just over 5%, we also experienced strong investor application commitments during the month of April, meaning we will begin the month of May with a relatively large cash position. *Written by Carlos Gil, Chief Investment Officer.*



\*Deep Value Portfolio as of 30<sup>th</sup> of April 2010

Latest Unit Price	
<b>\$1.9892</b>	
Latest Fund Performance as at 30/04/2010	
<b>1 Month</b>	<b>-1.08%</b>
<b>3 Month</b>	<b>+2.28%</b>
<b>6 Month</b>	<b>+13.37%</b>
<b>12 Month</b>	<b>+69.96%</b>
<b>Since Inception</b>	<b>+98.92%</b>
(Net of Fees)	