

DEEP VALUE MICROCAP FUND UPDATE, FEBRUARY 2010 PERFORMANCE UPDATE

Dear Investor,

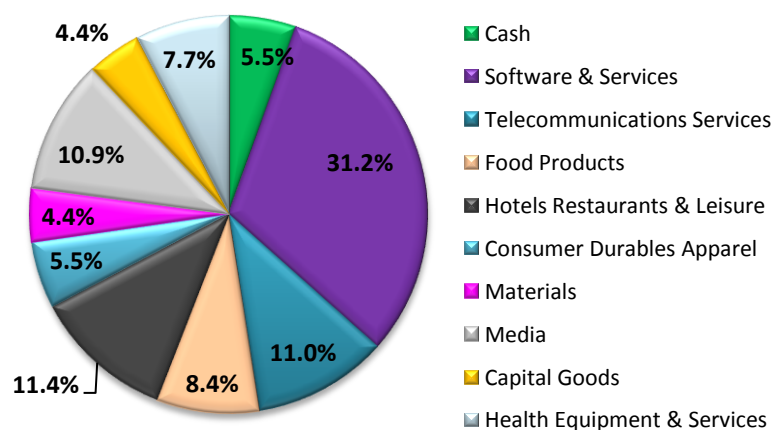
Markets and Economy

The US recovery story, whilst sluggish and for the moment, modest, continues along the right path. Housing and employment remain subdued, however capacity utilization is trending upwards indicating the possibility of a resumption of employment growth over the medium term. In Australia, our unemployment, which we correctly predicted had peaked at 5.8%, is showing a labor market that has scarce capacity at a time when the economy is on the verge of a resumption of near trend like economic growth. Capacity will present itself as a serious economic structural issue over the onset of the upcoming phase of economic expansion; Australia needs adequate government policies to address what could effectively be a glass ceiling over our economic expansion.

Microequities Deep Value Microcap Fund returned a negative 0.57% versus the All Ordinaries positive 1.18% in February.

With the reporting season behind us, our Fund's portfolio constituents delivered on the whole impressive numbers. The one company which did not deliver the growth that we expected and demonstrated a significant derailment from our investment case, Penrice Soda (ASX:PSH) was promptly sold by our fund. Whilst it is not the philosophy of the Fund to exit positions solely on the back of one half's operating performance, where we see operational results and an investment outlook that undermine the very premise of why we purchased the company, we will exit the company every single time. There is an opportunity cost to investing, and the cost of allocating capital to companies that are underperforming whilst companies that are delivering stronger cheaper growth elsewhere, cannot be understated. Capital is scarce and it must be allocated in a meritocratic manner.

The Fund has acquired two new companies in the information technology sector. One of the companies' holds significant operating leverage to a new cycle of CAPEX and technology spend in its respective industry. We have purchased the company for the Fund near a historical low, at a deep discount to our appraised value. The company carries no debt, and possesses a strong lead-deal pipeline; we are excited by its prospects. The other technology company purchased possesses a predictable highly generative operating cash flow business led by a highly experienced and capable management team. We have purchased the company at a time where we expect the business to transition from a period of low growth to higher double digit growth. Currently trading at a strong discount to its sector, and on double digit gross dividend yield, we believe that over our investment cycle the company will be ultimately revalued by the market. In the meantime its high dividend yield will provide adequate returns to our investors.



| Latest Unit Price | |
|--|----------------|
| \$1.9337 | |
| Latest Fund Performance as at 26/02/2010 | |
| 1 Month | -0.57% |
| 3 Month | +2.82% |
| 6 Month | +23.16% |
| 12 Month | +93.37% |

*Deep Value Portfolio as of 26th of February 2010