

DEEP VALUE MICROCAP FUND UPDATE, JANUARY 2010 PERFORMANCE UPDATE

Dear Investor,

Markets and Economy

Trying to make sense of the stock market over a short term period is an exercise in futility. Over the short term the stock market can behave in a paranoid, self delusional, contradictory, irrational and obtuse way. Over the long term however, the market captures the gravitational pull of the economic fundamentals. Any observer watching the All Ordinaries performance during the month of January could be forgiven for concluding that the economy is in pretty bad shape and likely to deteriorate further. In fact the opposite is true.

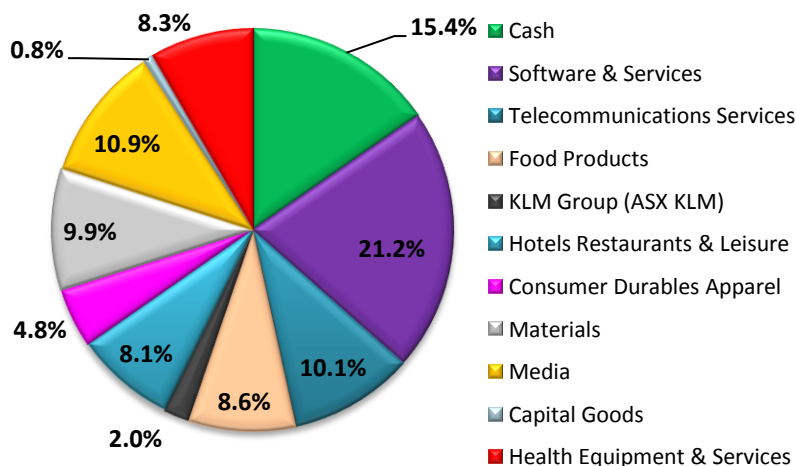
The Australian economy will experience faster economic growth during 2010, it will deliver lower unemployment and corporate earnings will rise. Internationally, the US economy is beginning to awaken from its deep recession and showing signs of life, with GDP growth during the last quarter of 2009 rising at 5.7%, the highest rate since 2003. Across the Atlantic in Europe, German business confidence has risen to the highest level in 18 months and has been rising for ten consecutive months. France is also on the path to recovery, the French economics ministry recently raised its 2010 GDP forecasts from 0.75% to 1.4%. More importantly for Australia, our Asian partners continue to grow and are underpinning a significant portion of the world economic recovery.

Some commentators and economist have cast doubt about this recovery alluding to the pending removal of stimulus package forces and highlighting inventory replenishment as the theme behind this recovery. The stimulus packages were never intended to provide a sustainable source of economic growth, but rather to reignite economic activity following a perilous and highly destabilizing near financial meltdown. Their very removal is a signal of their effectiveness. Inventory replenishment, historically marks the typical first phase of an economic recovery, its observance is not a contra-indicator.

Microequities Deep Value Microcap Fund

Strong outperformance by the Deep Value Microcap Fund returning a positive 2.56% versus the All Ordinaries negative 5.85%

Through net investment cash inflows the Fund has built up a significant cash position which will be partly spent in the upcoming month as the Fund increases its exposure to a new entry into the portfolio which met the Fund’s investment criteria. The fund will exit its position in KLM Group after Programmed Maintenance Services surpassed the 90% threshold allowing for compulsory acquisition. We are pleased with the quality and composition of our portfolio as we enter the first half of the FY10 earnings season.



Latest Unit Price	
\$1.9448	
Latest Fund Performance as at 29/01/2010	
1 Month	+2.56%
3 Month	+10.84%
6 Month	+48.24%
11 Month	+94.48%

*Deep Value Portfolio as of 29th of January 2010