

DEEP VALUE MICROCAP FUND UPDATE, JULY 2010 PERFORMANCE UPDATE

Dear Investor,

Markets and Economy

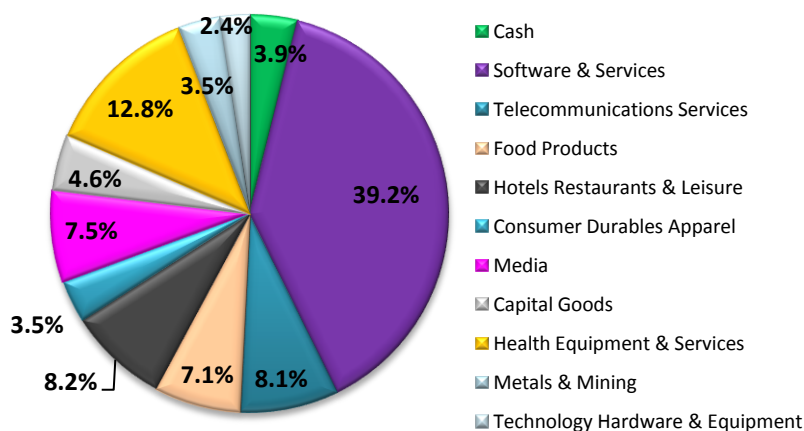
Before jobs, must come profits. A historical perspective of the last two major US recessions (1974-75 and 1982-83) shows that the unemployment rate peaked well after the recession was over. That may sound inherently wrong to some, after all, isn't employment the ultimate barometer of economic activity? It is, but it is not the first symptom of an economic recovery. Like a sick patient recovering from the flu, the abolishment of all symptoms happens well after the immune system has activated the recovery process. In market economies, job growth is principally driven by the turn in profits, as the recession enters full speed, profits decline and management cut costs to improve the bottom line. After this defensive phase in which profits are stabilized and ultimately recover, businesses and corporations are in a strategic position to refocus on growth via expansion of productive capacity. They invest in capital and ultimately hire more staff. The order in which this happens is sequential; profit stabilization, profit growth principally driven by cost containment, profit growth driven by demand recovery, and finally profit growth driven by productive capacity expansion.

The US monthly job data will be published this Friday, it is unlikely that it will deliver fast employment creation that some investors are awaiting. If it does not, it is not a signal of a "double dip" recession, merely a transitory phase that's part of the recovery cycle.

Microequities Deep Value Microcap Fund returned a positive +6.47% versus the All Ordinaries Accumulation Index 4.23% in July; this brings the total return net of fees to 96.61% for the Fund compared to 51.98% for the All Ordinaries Accumulation Index since inception in March 2009.

As we head into the reporting month of August, no month on month changes were made to our portfolio composition. For the overall Australian equity market, analysts are estimating EPS growth of between 9% and 10%. We expect the companies in our Deep Value Microcap Fund to deliver underlying EPS growth of between 25-30%. A substantial number of the companies in the Fund have already provided earnings updates, and we remain pleased with the overall level of earnings growth visibility in our selected businesses, and therefore, it is unlikely that the earnings season will provide any impetus for changes in our portfolio constitution. We remain committed to our long term investment strategy.

Written by Carlos Gil, Chief Investment Officer.



*Deep Value Portfolio as of 30th of July 2010

Latest Unit Price	
\$1.9101	
Latest Fund Performance as at 30/07/2010	
1 Month	+6.47%
3 Month	-1.16%
6 Month	+1.09%
12 Month	+49.86%
Since Inception	+96.61%
(Net of Fees, including distributions)	