

DEEP VALUE MICROCAP FUND UPDATE, AUGUST 2011 PERFORMANCE UPDATE

Dear Investor,

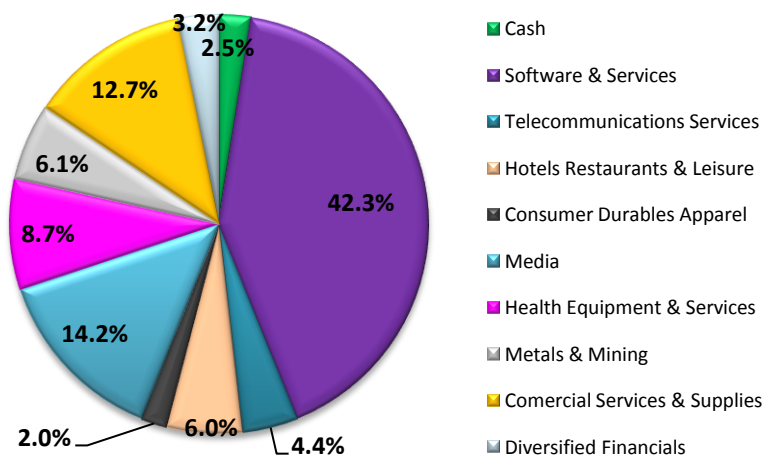
Markets and economy

August marked a period of extreme volatility in equity markets even by the standards of an equity class that is accustomed to price fluctuations. As always, readers will know that our long term investment ethos is unmoved and undeterred by market pricing. We deem that the market pricing has often little correlative relevance to intrinsic value. Market movements of this nature are more often fueled by irrational exuberance than a fundamental decay in the operational outlook of businesses. Whilst it is fair to say the US economic recovery has been rather sluggish, it is adventurous to state based on actual economic data that the US is heading for a recession. Employment growth, whilst slow, is still evident. Manufacturing activity during the month of August was particularly strong as the effects of the Japan earthquake wore off. Ultimately though, as readers of our Fund update will know, Australia's growth is much more tied to Asia and the Chinese economy remains resilient as its heads for its 42nd year of consecutive strong GDP growth.

Microequities Deep Value Microcap Fund returned a negative -1.48% versus the All Ordinaries Accumulation Index negative -2.00% in August; this brings the total return net of fees to 103.90% for the Fund compared to 54.84% for the All Ords Accumulation since inception in March 2009.

Pricing dislocation during the month of August provided our Fund with some outstanding opportunities to refine our Fund's composition. The Fund sold its positions in Kresta Holdings Ltd (ASX:KRS) and M2 Telecommunications (ASX:MTU). The Fund has owned both of these businesses since inception, and while we remain positive on both of these businesses, they are no longer within the top 16 businesses we wish to own. On that particular note, I would like to make special mention of M2, which has provided its shareholders with a formidable return over the past few years. The company's superb management team has seen a focused approach to all its key stakeholders; its staff by providing a rich and dynamic place to work in, its customers by providing them with a service centric price competitive offering and lastly its shareholders by never losing sight of the basic directive; generating wealth for its equity holders. The fund has added a new position in a business with a strong barrier to entry, trading at around 18% earnings yield and on a dividend yield above 10%. With a return to growth in FY11, the business is well poised to continue its expansion into FY12. Unloved by the market, but not by us, we have bought the business at a deep discount to its intrinsic worth. The Fund also added to its business in the Hotel & Leisure industry, a wonderful growing business with a shrewd highly experienced management team and a terrific balance sheet.

Written by Carlos Gil, Chief Investment Officer.



*Deep Value Portfolio as of 31st of August 2011

Latest Unit Price	
\$1.7988	
Latest Fund Performance as at August 31, 2011	
1 Month	-1.48%
3 Month	+0.76%
6 Month	-6.78%
12 Month	+5.33%
2 yrs compound pa	+13.96%
Inception	+103.90%
(Returns are calculated after all fees and expenses and reinvestment of distributions. Inception of Fund March 2009)	