

## DEEP VALUE MICROCAP FUND UPDATE, APRIL 2009 PERFORMANCE UPDATE

Dear Investor,

### Market Update

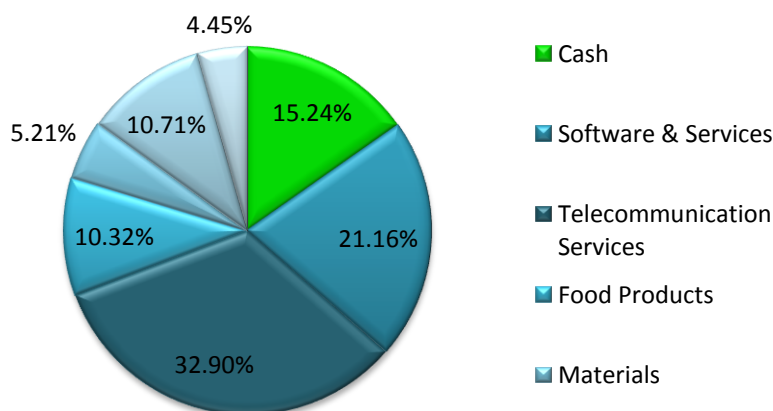
A lot of market commentators have viewed the recent rally in the equities market as a prelude to the end of the bear market. Others have questioned the longevity of the rally calling it a false rebound. We have a different view, we do not believe that the recent rally is a false rebound; rather the market has stopped discounting the possibility of a world depression. We are still in the midst of an extensive world economic contraction, however the events of the last two months have served to ease concerns about the world financial system and hence a possible world economic depression.

Bear markets do not last forever; a bear market is not a natural state for equities. Economies tend to grow considerably more than they contract, so in consequence do corporate earnings and over the long term equity markets reflect that growth with general upward movements. Most bear markets last between 12 to 18 months; we are 18 months into this one. We believe there is a good chance that our Deep Value Fund was launched on the day (March 6<sup>th</sup>) the All Ordinaries hit the bear market low.

### Microequities Deep Value Microcap Fund

Despite the recent two month rally severe pricing dislocation is still evident in most of our Microcap investment universe. Whilst we have seen some flow of purchases back to the Microcap space, stock prices continued to be highly depressed offering long term investors very attractive value.

Our fund posted another strong performance in its second month since inception, bringing the total **return to 17.04% net of fees**. The fund has taken a number of new positions over the last month, particularly in the telecommunications space where we have purchased a business with an outstanding track record of EPS growth, a high dividend yield and a tested experienced management team that continues to drive the business forward to higher levels of profitability. The fund acquired this stake via another company that was subjected to a takeover via scheme of arrangement; we did this to capitalize on a significant price arbitrage opportunity. The transaction has now been finalized and we remain confident on the prospects of the company. The fund also acquired a stake in another telecommunications service provider. We remain confident that through our Fund investors will access the selective opportunities we are pursuing in what we believe is a very attractive time for the long term value investor. We do however emphasize that stock selection will be the key determinant of outperformance, our Deep Value Fund see's deep value as a risk mitigation.



Deep Value Portfolio as of 30th April 2009