

## DEEP VALUE MICROCAP FUND UPDATE, APRIL 2011 PERFORMANCE UPDATE

Dear Investor,

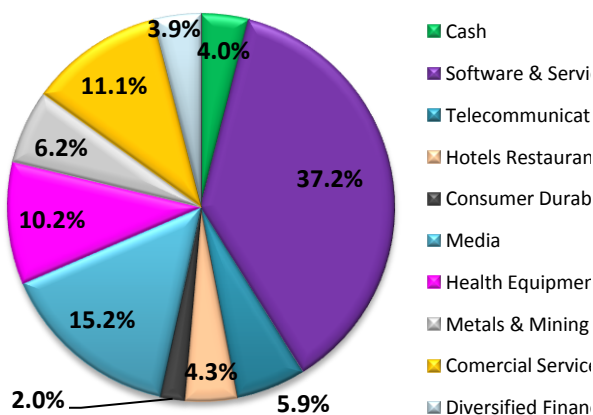
### Markets and economy

Perhaps it's an emotional scar from a post GFC world but financial journalists and a significant portion of economists continue to see the glass as half empty, rather than half full, and getting fuller. When last week's US GDP number came out at 1.8%, slightly below consensus forecasts of 2.0%, the post GFC gloomy psyche resurfaced and dominated commentary. These commentators might be astonished to find out that the average rate of quarterly US GDP growth during the last decade was in fact... 1.8%. Whilst 1.8% compares poorly to fast growing economies of India and China, for a mature advanced economy it's decent growth. A breakdown of the US's quarterly GDP numbers shows a surge in durable goods orders of 10%, indicating that businesses are ramping up CAPEX in anticipation of future growth. Quarterly GDP figures are like Australia is about to find out, bumpy. One-off effects (climate inclemency, natural disasters, nuclear reactors etc) can temporarily distort figures. An objective overview of other key data in the US; employment, consumer and business confidence all paint a pretty clear picture, the US is on a steady path to recovery. Not that I wish to over emphasize the US importance, our relevance lies in Asia. China's growth continues on course, and so too does the aspirations of future power, India. Inflationary challenges will dominate our region and are the main threats to growth.

**Microequities Deep Value Microcap Fund returned a negative -0.44% versus the All Ordinaries Accumulation Index negative -0.58% in March; this brings the total return net of fees to 115.14% for the Fund compared to 70.79% for the All Ords Accumulation since inception in March 2009.**

Reflecting the sometimes banality of daily stock market pricing, our Deep Value Microcap Fund was up for the entire month of April except for one day, the very last business day of the month, which saw the market decline by over 1% during the session. So we thus ended the month down versus last month. The Deep Value Microcap Fund exited its position on Engineering services firm Logicamms Ltd (ASX:LCM). The Fund's exit of the position was fortuitously timed, the company announced a profit downgrade weeks after our sell down. Whilst Logicamms is an excellent directed company facing an operating environment that should see it recover from a one-off poor half and significantly grow its business over time. Our rational for exiting the business was dictated by a company that had become excessively priced by the market in relation to the intrinsic risks of a business of that nature. Our Deep Value Microcap Fund had held the business for approximately 14 months, and we made a 57% return excluding dividends received during the holding period.

*Written by Carlos Gil, Chief Investment Officer.*



\*Deep Value Portfolio as of 29<sup>TH</sup> of April 2011

Latest Unit Price	
	<b>\$2.0862</b>
Latest Fund Performance as at 29/04/2011	
1 Month	-0.44%
3 Month	-0.06%
6 Month	+3.06%
12 Month	+8.15%
Since Inception	<b>+115.14%</b>
(Returns are calculated after all fees and expenses and reinvestment of distributions)	