

DEEP VALUE MICROCAP FUND UPDATE, AUGUST 2009 PERFORMANCE UPDATE

Dear Investor,

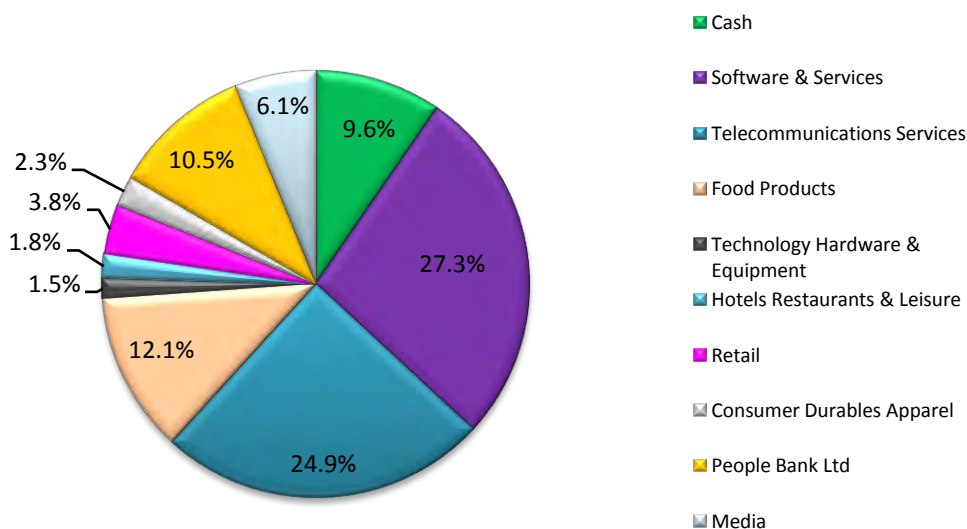
Markets and Economy

The reporting season has provided fresh evidence that Australia’s economy has fared the world recession extremely well. Robust domestic consumption, in part aided by the Federal government stimulus package, and sustained investment and capital expenditure by businesses has seen corporate profits remain stable. In our Microcap space, our Deep Value Microcap fund portfolio provided us with encouraging results. We are pleased to report that by and large, the majority of the Fund’s selected companies posted substantial increases in profitability and earnings per share. Those increases in earnings per share are worth highlighting for they encapsulate one of the key investment strengths of the Microcap asset class; in times of an adverse macroeconomic environment, a select group of Microcap companies will still be able to deliver earnings per share growth due to company specific reasons. Of course the difficulty lies in selecting which of those companies will deliver that growth. But that’s part of our job.

In summary the financial results of our Deep Value Fund companies vindicated our selection process which emphasized earnings growth visibility amongst our other key criterions. **The Fund was able to deliver a 19.7% for the month of August, taking our 6 month return since inception on March 6th 2009 to 57% (after fees).**

Microequities Deep Value Microcap Fund

Following a strong month of net investment inflows from new investors a number of new positions were taken by our Deep Value Microcap Fund. Of notable mention, we can reveal that the Deep Value Fund took an initial position in recruitment firm **Peoplebank Ltd (ASX:PBA) at an average price of 42c**. The selection of this company followed careful analysis of the company’s financial performance, management strength, its market positioning and improved operating outlook for FY10. Following a decision by Microequities Asset management to invest in the company, Peoplebank received an initial **off-market takeover offer of 60c** from PB Recruitment (Peoplebank’s main shareholder), the initial offer in our view was opportunistic and grossly undervalued Peoplebank. Microequities Asset Management took the decision of increasing the Deep Value Fund position in Peoplebank. A second **revised offer of 75c plus final year dividend of 3.5c** by PB Recruitment was then launched, though this offer represents considerably improved terms, it is still short of our expectations. We will be reviewing our position within the month ahead.



*Deep Value Portfolio as of 31st of August 2009