

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

Dear Investor,

### Markets and economy

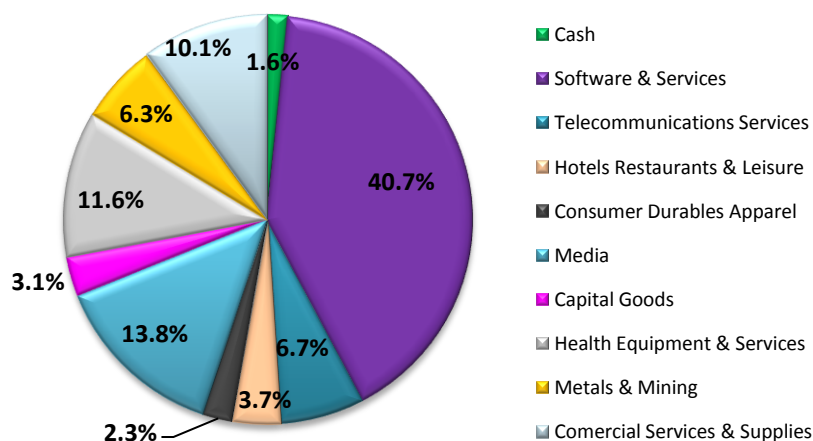
We are seeing continued progress in the US economy, which for the moment is being driven by its manufacturing industries. The expansion in manufacturing is benefiting from a low US dollar and relatively low levels of inventories. There are tempered signs of a gradual recovery in private consumption. Of more importance to Australia is the continued strength in our major trading partners. With China expected to deliver strong single digit GDP growth which will continue to underpin strong commodity prices for Australia.

**Microequities Deep Value Microcap Fund returned a positive 1.61% versus the All Ordinaries Accumulation Index positive 2.19% in February; this brings the total return net of fees to 118.74% for the Fund compared to 70.67% for the All Ords Accumulation.**

The reporting season provided strong confirmation that our invested businesses are enhancing their value via increased sales and earnings. Whilst there were a couple of disappointments, on the balance, there was strong earnings growth throughout the portfolio. In our biggest weighted sector, Software and Services, there was very strong double digit revenue and earnings growth. The outlook for our Software and Services businesses continues to be strong and we remain strategically committed to the businesses we own. Interestingly, despite the strong operational performance of these businesses, their share price has not enjoyed favorable movements. There is therefore a widening gap between the embedded value of these businesses and current market pricing. The disparity between this value and pricing will eventually correct itself, as inefficient as the stock market is at recognizing value; it does however over the long term acknowledge it.

The Fund has recently increased its exposure to the Media sector and is currently accumulating a new position in a business with significant brands and strategic assets. With the share price currently sitting at relative lows, our Deep Value Fund is buying into the business at a significant discount to fair value. The Fund is currently selling out of a business in the engineering industry. The company has achieved excellent operational results over the last two years and has a highly competent management team. Unfortunately the price of the company has risen considerably higher than its fair value and we have deemed that there are more attractive opportunities elsewhere. The Fund's cash position was deliberately depleted due to a significant increase in new investor inflow commitments for the month of March into the Fund.

*Written by Carlos Gil, Chief Investment Officer.*



\*Deep Value Portfolio as of 28<sup>th</sup> of February 2011

Latest Unit Price	
<b>\$2.1211</b>	
Latest Fund Performance as at 28/02/2011	
<b>1 Month</b>	<b>+1.61%</b>
<b>3 Month</b>	<b>+7.88%</b>
<b>6 Month</b>	<b>+12.99%</b>
<b>12 Month</b>	<b>+13.12%</b>
<b>Since Inception</b>	<b>+118.74%</b>
<small>(Returns are calculated after all fees and expenses and reinvestment of distributions)</small>	