

DEEP VALUE MICROCAP FUND UPDATE, JULY 2009 PERFORMANCE UPDATE

Dear Investor,

Markets and Economy

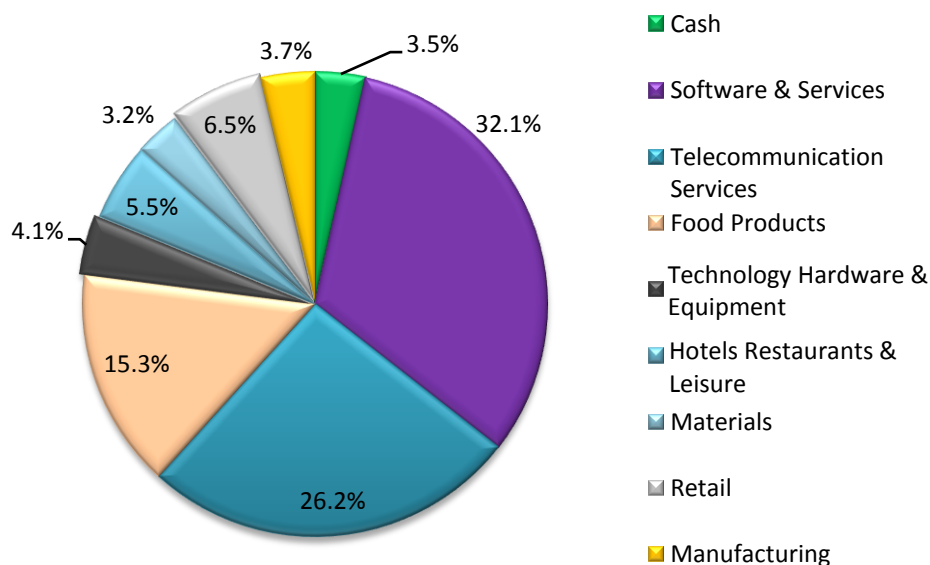
Like a lever, the Australian economy continues to be subjected to two forces; forward indicators like business and consumer confidence continue to improve but due their very nature there will be a lag until these improved sentiment indicators and ultimately behavioral factors come into play. This will mean that we will still endure some pain in that transitory phase, where businesses are still in a defensive mode. The weight of the international recession drags on, meaning employment growth will still take time to emerge. There is still some rain to come before the sun emerges. We expect unemployment to continue to rise though at a moderating rate. For the moment the world economy will drag its feet for some time. But by any measure, and despite what has often been alarmist and irresponsible economic and financial commentary, Australia has navigated itself tremendously well through these GFC waters. Many nations would swap our mid single digit unemployment rate, our positive year on year retail growth and our mild housing price slump in a heart beat. The preemptive sizable fiscal stimulus has certainly had a bit to do with it.

Microequities Deep Value Microcap Fund

Double digit return month and A word on diversification

For the month of July our Fund achieved a strong 12.7% return, taking our total return since inception to 31.2% (net of fees).

Our Deep Value Microcap Fund has taken position in two new companies, taking our overall portfolio to twelve companies. Some investors might find that such a small number of companies as objectionable, we believe it is one of our key strengths. Our fund is about being selective and discerning; it's not about a broad based approach. We believe with conviction in our chosen companies, we do not take a wide-ranging, blanket-index approach to investing. For the investment professional, diversification is a sure road to mediocrity. For the non investment professional diversification is a sound strategy. Our investors pay us to research, select, manage and invest in what we consider to be the best stocks from a risk-reward perspective. We seek to select the best of the best, not to choose 50 or 60 companies which might include 30 to 40 companies of rather mediocre investment case.



Deep Value Portfolio as of 31st of July 2009