

DEEP VALUE MICROCAP FUND UPDATE, JUNE 2009 PERFORMANCE UPDATE

Dear Investor,

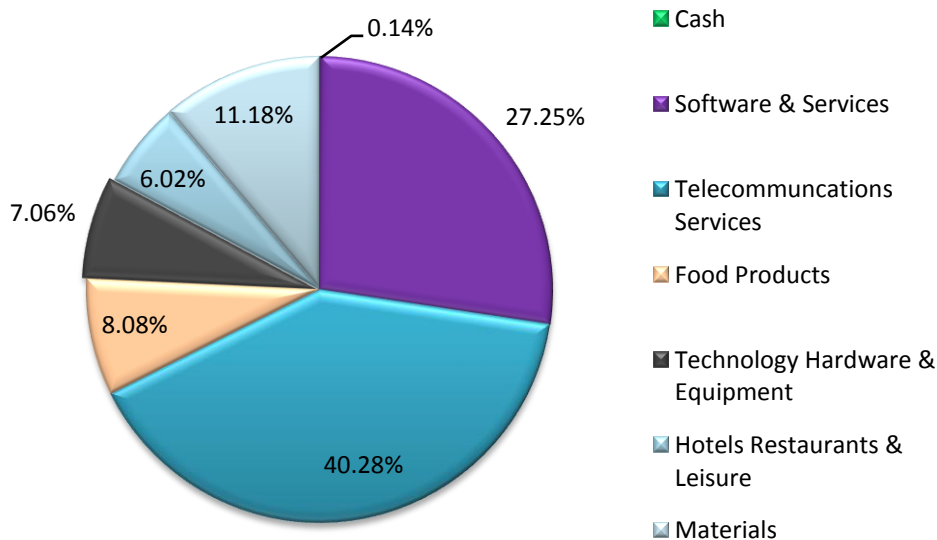
Markets and Economy

The market endured a mixed month. A temporary breakout of the All Ordinaries above the 4000 level, lacked conviction, and the market retracted to the 3800 levels, before closing the end of FY09 slightly above 3900. We welcome the retraction. Whilst we believe that forward indicators continue to point towards a world economic recovery, most major economies still remain submerged in a phase of contraction. This will inhibit short term corporate earnings growth, and if price appreciation in equity markets is not constrained, value will be distorted. Markets have recovered substantially, and sentiment, that rather volatile indicator, has swung from a near apocalyptic scenario to excessive enthusiasm for a prevailing recovery. Economies are like large ships, the captains' may have turned wheel, but it will take time for the boat to turn. Additionally, in this recession, the recovery will have to contend with a number of challenges, including a weak labour market (across US and Europe), a more restricted access to credit availability and a severely damaged housing market across most western economies and particularly pronounced in the US.

The signs are that we are on a road to recovery, but that road is likely to be a long one not a short one. Equity markets must prudently rebalance their implied expectations without dipping into that rather uncomfortable zone of "irrational exuberance".

Microequities Deep Value Microcap Fund

Our Deep Value Microcap Fund portfolio structure is coherent with our above mentioned view, visibility into earnings growth remains impaired given our current position in the economic cycle. Our portfolio has been constructed to prize earnings growth visibility in addition to our other investment criterion. Earnings growth visibility remains our key focal point in our selection process. We believe this emphasis will hold our investors in good stead in the forthcoming reporting season. Additionally, a number of our selected companies have been purchased at attractive double digit dividend yields. Our fund performance was +1.7% for the month, **bringing the total performance since inception on March 6th 2009 to 16.44%**. Once again the cash position of the fund was intentionally depleted due to contribution commitments from new investors during the month for the following month of July. New funds will be allocated to capitalize on some extremely attractive deep value opportunities.



Deep Value Portfolio as of 30th of June 2009