

DEEP VALUE MICROCAP FUND UPDATE, JUNE 2011 PERFORMANCE UPDATE

Dear Investor,

**Markets and economy**

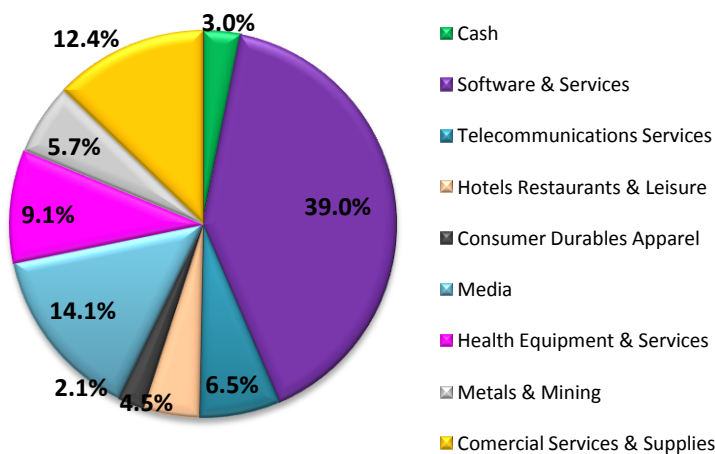
The focus of world financial markets was again acutely focused on Greece and the EC’s attempt to help it of a stay of execution. It is seemingly surprising that a country of Greece’s economic irrelevance has captured so much black ink by the world’s financial newspapers. I wrote back in April 2010, when the EC provided the first bailout package, it had chosen the greater of the two evils. Time has proved that the EC took the wrong choice. It has again provided another bailout package conditioned upon another round of austerity measures and government asset sales. Some of the measures will create much needed economic reform; other measures will no doubt cause further economic decay and the need for further bailout or debt defaults in the future. Whichever of those two events take place; they will neither create a GFC nor shift the direction of world economic growth. The real source of economic growth for this decade, indeed in the century, is taking place in our backyard. It’s called China and India. The world’s worst financial crisis since the crash and depression of 30’s, the GFC, did not deviate China’s economic growth story one iota. It grew at 9.6% in 2008, 9.2% in 2009, and 10.3% in 2010 and in 2011 is expected to grow at 9.4%.

If the biggest economic shock to hit the world’s biggest economy (the US) did not derail China’s growth, or Asia’s growth and in turn our own growth, I place little hope that Greece or a Greek led crisis, will derail the most significant world economic growth phase in modern history.

**Microequities Deep Value Microcap Fund returned a negative -1.03% versus the All Ordinaries Accumulation Index negative - 2.39% in June; this brings the total return net of fees to 100.29% for the Fund compared to 63.57% for the All Ords Accumulation since inception in March 2009.**

The All Ordinaries Index reported another month of continued weakness though our Deep Value Microcap Fund held its ground a little better than the rest of the market. With both the US and soon the Australian market, about to enter the reporting period, the refocus of the market’s attention to the fundamentals of business will provide a welcome reprieve from the distracting Greece déjà vu. Given the strong operating outlook of the Deep Value Microcap Fund owned businesses, we are looking forward to the months ahead of us. I believe we are well poised, not only for improved returns, but for significant outperformance. The Fund’s cash position was deliberately depleted due to a significant increase in new investor inflow commitments for the month of July into the Fund.

*Written by Carlos Gil, Chief Investment Officer.*



\*Deep Value Portfolio as of June 30<sup>th</sup> of May

| Latest Unit Price                                                                      |                 |
|----------------------------------------------------------------------------------------|-----------------|
| <b>\$1.9422</b>                                                                        |                 |
| Latest Fund Performance as at June 30, 2011                                            |                 |
| <b>1 Month</b>                                                                         | <b>-1.03%</b>   |
| <b>3 Month</b>                                                                         | <b>-7.31%</b>   |
| <b>6 Month</b>                                                                         | <b>-5.77%</b>   |
| <b>12 Month</b>                                                                        | <b>+8.46%</b>   |
| <b>Inception</b>                                                                       | <b>+100.29%</b> |
| (Returns are calculated after all fees and expenses and reinvestment of distributions) |                 |