

DEEP VALUE MICROCAP FUND UPDATE, MARCH 2011 PERFORMANCE UPDATE

Dear Investor,

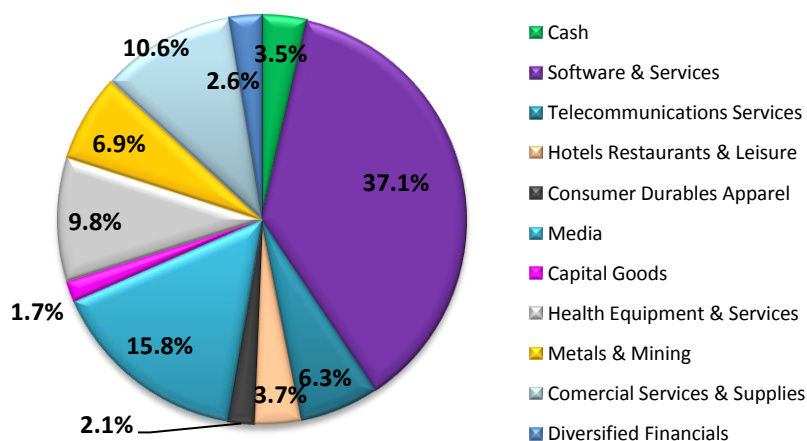
Markets and economy

The natural disasters that have momentarily grasped the attention of domestic and international markets are not the biggest threat that's facing our buoyant domestic economy. As we continue to move full speed ahead into an era of almost unparalleled economic prosperity the likes of which Australia has not seen nor experienced before, the threat lies within our own domestic policy. Our labour supply is already facing considerable constraints, its not only that the unemployment rate at 4.9% represents arguably close to full natural employment. The problem is where our unemployment rate sits in the context of our current phase in the economic cycle. We are at the early stages of an expansionary cycle that might be longer than previous ones. Some would argue that we have been enjoying a 20 year old expansion. Certainly our last economic recession predates to 1990-91. Since then we have not recorded two consecutive quarters of negative growth. During the next two years Australia will face the most aggressive capital expenditure program that the country has ever witnessed, necessitating vast pools of semi skilled and highly skilled labour force. Most of these large infrastructure projects have yet to begin. Yet already our labour force remains extremely tight. Worryingly our labour price index is already showing distress, rising to an annual rate of 3.9% in the December quarter. This comes at a time when our net migration figures are falling. The rebuilding that Queensland will need over the next two years will only exacerbate the challenge. Our government and its policy regime needs to be cognisant, that this expansion phase is one which in both dimension and timing will exert far great labour supply demands than previous economic booms. A populist policy response is not a pragmatic one, nor will it appease our national economic interests.

Microequities Deep Value Microcap Fund returned a negative -1.21% versus the All Ordinaries Accumulation Index positive +0.64% in March; this brings the total return net of fees to 116.09% for the Fund compared to 71.77% for the All Ords Accumulation since inception in March 2009.

Whilst our Deep Value Microcap Fund provided a seemingly disappointing return month on month, the underperformance occurred in the last few sessions of the month and is not reflective of the underlying operational strength or quality of the businesses held by the Fund. These businesses are operationally sound, and face growing revenue conditions in the periods ahead of us. There is considerable upside in our portfolio, with significant undervalued status across the breadth of our portfolio. As always however, investments require patience and the market can often distort over the short term. We are not concerned by the month's underperformance.

Written by Carlos Gil, Chief Investment Officer.



Latest Unit Price	
\$2.0954	
Latest Fund Performance as at 31/03/2011	
1 Month	-1.21%
3 Month	+1.66%
6 Month	+3.00%
12 Month	+7.45%
Since Inception	+116.09%
<small>(Returns are calculated after all fees and expenses and reinvestment of distributions)</small>	

*Deep Value Portfolio as of 31st of March 2011