

DEEP VALUE MICROCAP FUND UPDATE, MAY 2009 PERFORMANCE UPDATE

Dear Investor,

Markets and Economy

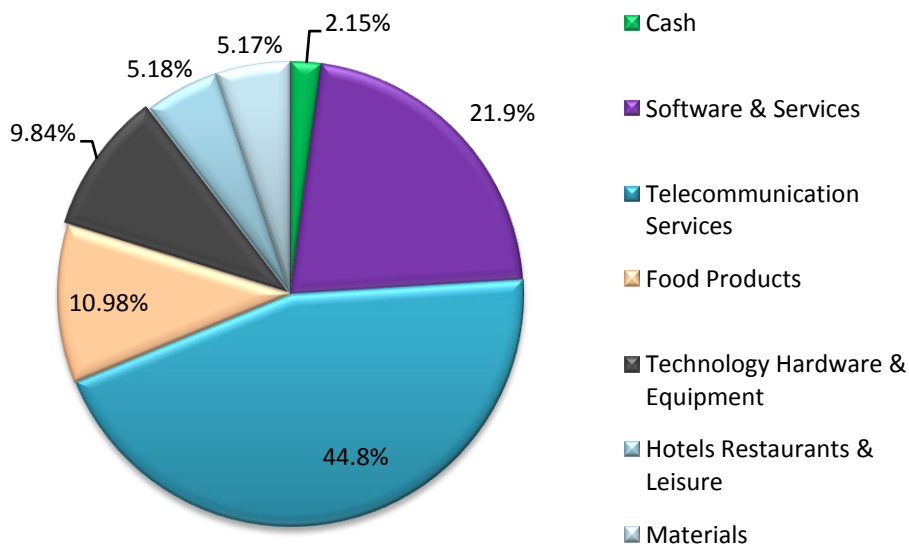
The world economy continues to emit promising signals that the economic contraction is slowing. We say slowing, because as of yet, we have not seen an upturn. There is a difference; and it's important to remember that most world economies (China has been the significant exception) continue to contract not expand. The early signs that a turn in a recessionary cycle might be emerging is when the economic contraction begins to slow down. The signs are heartening. Forward looking indicators like consumer confidence in the US have also added impetus. We know that confidence is a key driver of future economic activity, ultimately any economic decision; whether its consumption or capital investment is intimately tied to our perception of our economic future.

Still, the depth of the US recession is a concern, and the sizeable job destruction that has been undertaken in the US economy over the last six months will mean that the much needed housing recovery (both in terms of prices and new construction) will take longer to materialise. The severity of US unemployment will also temper a consumption lead recovery. On the balance though, the developments over the last three months provide encouraging signals for investors.

Microequities Deep Value Microcap Fund

Our Fund Performance underwent a small decline with the fund returning a negative 2.33% for the month; however our return remains at a healthy **14.71% since inception in March**, whilst the market has posted a marginal positive return. We saw significant price movements in some Microcap companies that we consider below investment grade. In particular, companies with issues in respect to earnings visibility and growth momentum have seen strong price performance throughout the last two months. We however remain firmly committed to our investment approach. In the context of what is a challenging economic environment our fundamental criterion that any company that is to be considered for investment in our Deep Value Microcap Fund must provide us with firm visibility of earnings growth into FY09 and FY10, in addition to our other investment principles.

Lastly, the cash position of the fund was intentionally depleted as the fund received new contribution commitments from new investors during the month that will be added to the cash position during the month of June.



Deep Value Portfolio as of 29th of May 2009