

DEEP VALUE MICROCAP FUND UPDATE, NOVEMBER 2009 PERFORMANCE UPDATE

Dear Investor,

Markets and Economy

The likely debt restructure for the sovereign backed Dubai World is a timely reminder that forecasted returns need to be aligned to risk. It puts into perspective the higher risks associated with investments in emerging countries. However, we expect the fallout from the restructure to be relatively contained. The surfacing of the problem is symptomatic of the excessive risk and credit availability that caused the GFC. It is not a new development, but rather a lagging effect of the GFC.

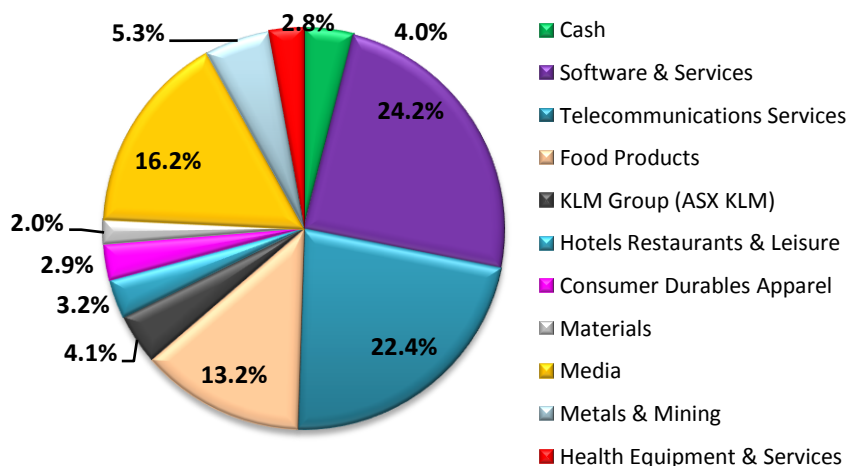
On the domestic front, Australia’s pronounced exposure to the four major Asian economies (China, Japan, India and South Korea) which make up around 61% of our export demand means our economic international codependence has, for quite a while now, shifted away from our more culturally aligned western European and American trading partners. It’s a positive realignment too, because China and India, and to a lesser extent the South East Asian Economies, will be the engines of world economic growth for the next two decades to come. The investment community is still coming to terms with our trade reality, our cultural and historical nexus, particularly to the US, obscures the irrefutable actuality. Those investors that understand and appreciate the implications of our already new trade paradigm will benefit from that perspective. Indeed, our dependency on those economies, coupled with the federal government stimulus package, is the reason why Australia avoided an employment sapping recession.

Microequities Deep Value Microcap Fund

Continued strong outperformance by our Deep Value Microcap Fund which attained a month on month performance of 7.19% versus the (All Ordinaries 1.48%), bringing the total performance since inception to +88.07% (net of fees).

We have identified two potential future inclusions into our Deep Value Microcap Fund, and will be conducting further due diligence to ascertain final valuations. Both of these companies represent compelling value, attractive growth metrics and are paying high dividend yields. These two companies have also not benefited from any significant stock rerating during 2009 and are very much under the radar.

We continue to hold the entirety of the position in KLM Group (ASX KLM) which represents 4.1% of the fund. As we expressed last month, we view the current takeover bid by Programmed Maintenance Services Ltd (ASX PRG) as representing a poor outcome for KLM shareholders and our investors. We will not be tendering the Fund’s KLM shares on the current terms offered by Programmed. We note that so far only a very small percentage of shareholders have tendered their shares, raising questions about whether the current bidder will be able to attain the necessary 90% acceptance.



| Latest Unit Price | |
|--|----------------|
| \$1.8807 | |
| Latest Fund Performance as at 30/11/09 | |
| 1 Month | +7.19% |
| 3 Month | +19.78% |
| 6 Month | +63.95% |
| 9 Month | +88.07% |

*Deep Value Portfolio as of 30th of November 2009