

DEEP VALUE MICROCAP FUND UPDATE, OCTOBER 2011 PERFORMANCE UPDATE

Dear Investor,

Markets and economy

The tedium of the European crisis and its day to day evolution continues to be the dominant force behind daily market movements. The month saw the crafting of the first plausible solution that will allow Greece to write down half of its debt at the cost of Europe Banks that hold the debt, and the EC via an issue of quasi guaranteed bonds to reinforce the depleted balance sheets of the banks that hold Greek debt, not a bad plan. Greek's debt was unsustainable; it just does not have the capacity to fund that level of capital requirement, so a write off was always a needed part of the solution. Commercial banks needed to be reinforced as they bore a large brunt of the write off; the issue that I suspect will linger for a while is just how the EC will fund the plan.

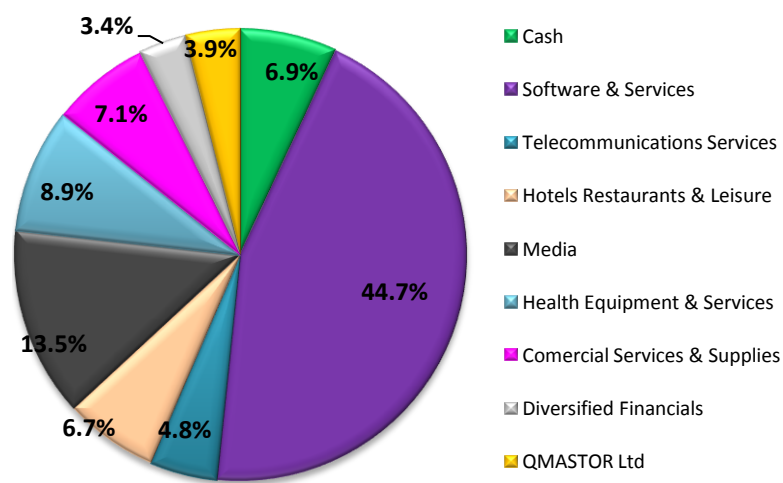
On the economic front, we got more evidence that the US economy is not in a recession. US GDP for the third quarter rose to an annual pace of 2.5%, effectively muting the "double dip" theorists. Other indicators, including the business activity index continue to denote that the US economy continues to expand, albeit at a modest pace. The main reason why the US economy is not growing at a healthy +3% state is its weak housing construction market. With housing over supply levels that might take 18-24 months to run down, it will take a very strong domestic consumption and export industry to take the economy to a +3%.

Microequities Deep Value Microcap Fund returned a positive +5.76% versus the All Ordinaries Accumulation Index positive +7.17% in October; this brings the total return net of fees to 106.20% for the Fund compared to 55.53% for the All Ords Accumulation since inception in March 2009.

The month of October saw a strong bounce in equity markets, including our All Ordinaries Index. The bounce back whilst welcomed still leaves our portfolio of business severely undervalued.

During the month the Deep Value Microcap Fund's cash position was bolstered as a result of our disinvestment in our only resource based business, Focus Minerals (ASX FML). A long term member of our portfolio, our decision to disinvest from this business was made after the company deviated strongly from our investment case. The company's recent acquisition of the poorly performing Crescent Gold Company, its consequent poor operating cash flows and its failure to articulate its strategy for the acquisition, meant we no longer felt the company reflected the qualities of a business that merits inclusion in our Fund. Our decision to exit the business was swift. The umbilical cord of our loyalty is dependent upon the continued and sustained delivery of excellent operational performance. Businesses that fail to meet those tests will be exited swiftly and expeditiously.

Written by Carlos Gil, Chief Investment Officer.



*Deep Value Portfolio as of 31st of October 2011

Latest Unit Price			
\$1.8191			
Latest Fund Performance as at October 31, 2011			
	FUND	AOAI*	OP*
1 Month	+5.76%	+7.17%	-1.41%
3 Month	-0.37%	-1.57%	+1.19%
6 Month	-4.15%	-8.93%	+4.78%
12 Month	-1.22%	-3.95%	+2.72%
2 yrs comp pa	+8.41%	+0.88%	+7.53%
Inception	+106.20%	+55.53%	+50.68%
(Returns are calculated after all fees and expenses and reinvestment of distributions. Inception of Fund March 2009) *AOAI: All Ordinaries Accumulation Index. *OP: Out-performance. Past performance is not indicative of future performance.			