

DEEP VALUE MICROCAP FUND UPDATE, SEPTEMBER 2009 PERFORMANCE UPDATE

Dear Investor,

Markets and Economy

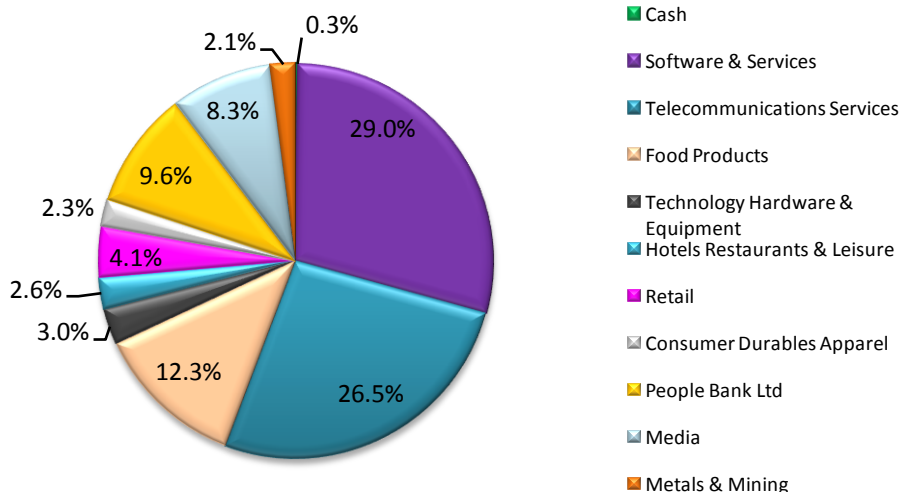
The Australian economy continues to position itself for a strong recovery. It has become increasingly apparent that the severity of the impact of the Global Financial Crisis has been relatively mild on the Australian economy. Unemployment will not reach the 8 to 9% levels previously discussed by government and economists alike. Australia’s economic growth is also likely to surprise on the upside during 2010. The strength of the domestic economy, will pave the way for an inflection point in the interest rate cycle. We are clearly at the end point of historically low interest rates. Investors however should contextualize the first interest rate increases when they do occur; they do not signal the end of an attractive equity market, but rather, the confirmation of an economic recovery and the resumption of economic growth.

Australia’s economic challenge will be how to preserve the superior economic growth performance that we have experienced over the last decade, and doing so whilst keeping inflation restrained. The impending recovery will provide Australia and our Fund with attractive opportunities to capitalize on a much more hospitable economic landscape.

Microequities Deep Value Microcap Fund

Our fund continued to increase its stake in a number of companies that have yet to experience significant revaluation. In particular, we have been increasing our stake in a company within the media sector. We believe the company is well poised for growth, led by an experienced management team, a strong cash flow business and offers an attractive dividend yield. The company beholds the qualities that we seek to identify. We are however long term investors and we do not expect the market to recognize the implicit value in the business overnight, good things sometimes take time. Unfortunately our long term value approach does not always go according to plan. Our Deep Value Fund was forced to exit our position in Peoplebank Ltd (as stated in our Fund update last month). The forced exit came as a result of the bidder of Peoplebank acquiring over 90% of the stock and thereby triggering a compulsory acquisition. We believe that under this forced exit we have not attained a fair intrinsic value for our Fund investors; however we are comforted by the fact that the Deep Value Microcap Fund was able to achieve a return of 79% for a two month holding period.

For the month of September our Fund posted a **positive 5.98% return, bringing our total return since inception to 66.4% (after fees).**



*Deep Value Portfolio as of 30th of September 2009