

DEEP VALUE MICROCAP FUND UPDATE, SEPTEMBER 2011 PERFORMANCE UPDATE

Dear Investor,

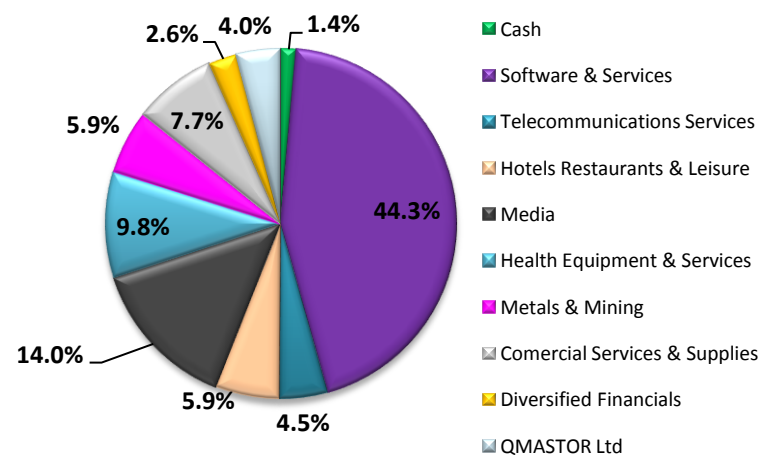
Markets and economy

For anyone who was actually following economic indicators and equity indices during the last month, they would have been perplexed to see the correlation between the two during the month of September. That was because there was no correlation between the two. Markets continued another sharp fall irrespective of the flow of economic data which pointed to the fact that the US is not in a recession, that China's growth remains solid and that the most important economy in Europe i.e. Germany is not falling off the cliff. The month saw Germany's unemployment fall to 6.9% lower than expected, it was the 27th month of consecutive declines. At the same time, China is showing sustained growth in both manufacturing and services. The Chinese Non-Manufacturing Index increased in August from 57.6 to 59.3. Whilst the US's ISM index (the most important gauge for manufacturing activity in the US) saw it expand from 50.5 to 51.6. Despite what you may hear from the index obsessed media, equity indices are not forward looking indicators of economic activity. The Greek issue continues to occupy the perception amongst investors that it will be the key driver of all economic outcomes for the world economy, until that perception shifts there is not much coherent input we can add surrounding the economic panorama in the context of equity indices.

Microequities Deep Value Microcap Fund returned a negative -4.38% versus the All Ordinaries Accumulation Index negative -6.27% in September; this brings the total return net of fees to 94.97% for the Fund compared to 45.12% for the All Ords Accumulation since inception in March 2009.

Our portfolio remains unchanged from last month, with some of the fund's cash position being used in increasing its position to last month's new entrant. We continued to add to our new business first purchased last month, which is being acquired at grossed up dividend yield of 19%. This means, that if the current dividend is maintained (the business has been paying dividends in every half for the last ten years) in 5 years time the company will have paid back most of our principal investment by virtue of its dividend payments alone. The business operates in essentially duopolistic market structure with high barriers to entry. For us though, it is our experience that continued dividends payments yielding 19% are unsustainable; eventually the market appraises the risk free rate in relation to a 19% yield and decides to re-price that business, bringing down the effective yield via a higher market price. In the meantime however, we will be happy to collect the 19% as we patiently wait for the market to alter its pricing. One of the businesses in our portfolio QMASTOR Ltd's (approximately 4% of the fund) has become the subject of an all cash takeover bid by US based Triple Point Technology.

Written by Carlos Gil, Chief Investment Officer.



*Deep Value Portfolio as of 30th of September 2011

Latest Unit Price			
\$1.7200			
Latest Fund Performance as at September 30, 2011			
	FUND	AOAI*	OP*
1 Month	-4.38%	-6.27%	+1.89%
3 Month	-2.66%	-11.28%	+8.62%
6 Month	-9.77%	-15.52%	+5.74%
12 Month	-7.06%	-8.43%	+1.36%
2 yrs comp pa	+8.25%	-3.48%	+11.73%
Inception	+94.97%	+45.12%	+49.85%

(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.