28th February, 2018

STAUDE CAPITAL

GLOBAL VALUE FUND

# Investment Update and Net Tangible Assets

## Net Tangible Assets (NTA) per share

| | |
|---|---|
| NTA before tax | $1.1152 |
| NTA after tax | $1.1042 |

$ denotes Australian dollar.

## February review

February 2018 was a well-timed reminder that share markets are not a one-way bet. After rising for 15 consecutive months, global equities as measured by the MSCI All Country World Index fell by 4.2% in US$ terms during the month. While a 4.2% monthly fall represents a particularly bad month for share markets, this figure alone does not do justice to the change in market sentiment over the month. In the first week of February, global share markets had fallen by 7.5%.

For some time now, equity market investors have enjoyed a Goldilocks environment. Share prices have continually risen against a benign market backdrop characterised by ultra-low interest rates and low financial market volatility. The result has been a stunning investment return for anybody holding shares. During the two years preceding February's sell-off, global share markets had risen by 50.3% and had suffered just three modest down months over this time. When faced with this sort of environment, and having made the sorts of returns that it has provided, the logical question at the front of many investors' minds is, when is this going to end? In our view, the speed and the scale of the sell-off during February highlighted just how wary the broader market has become of any sign that this extraordinary investing period may be ending.

Whether February's sell-off was the beginning of the end for the current bull market in shares, or just a healthy correction along the way to new heights, we will leave to the clairvoyants and their crystal balls. What we hope however, is that periods like February demonstrate GVF's ability to lower investors' overall risk profile within a broader portfolio. Early in the month we reported that the investment portfolio had fallen by 0.2% as at the 6th of February, which compared to a 3.5% fall in global equities measured in A$ terms. For the month of February, the GVF investment portfolio rose by 0.8% compared to a 1.0% fall in global share markets measured in A$ terms.

As a reminder for investors, the chief tool GVF uses to lower its risk profile is our focus on unlocking value across a wide range of different assets, one of which is discounted investments into situations where the underlying exposure of what we have bought is cash. We have always found the risk/reward profile of such investments highly compelling and at month end 14.5% of the portfolio was invested into cash assets where we see a catalyst to unlock value.

During the month GVF made several successful exits representing 8.7% of NAV and at month end the fund was 91.5% invested. Since month end we have been redeploying this capital and at the time of writing the fund was 96.5% invested.

The investment portfolio increased in value by 0.8% during February. The fund's discount capture strategy did not add or subtract to returns during the month, a notable achievement given "average" discounts on closed-end funds typically widen during sharp risk-off periods in markets. The fund's underlying currency and market exposures generated returns of 2.1% and -1.0% respectively, with the remaining attribution of returns accounted for by Company costs.

### Global Value Fund Limited

| | |
|---|---|
| ASX Code | GVF |
| Listed | July 2014 |
| Shares on issue | 122M |
| Share price | $1.11 |
| Market cap | $135M |
| FY18 indicated dividend[1] | 6.3 cents |
| FY18 indicated yield (50% franked) | 5.7% |

### Company overview

The Global Value Fund (ASX: GVF) is a listed investment company that provides shareholders with the opportunity to invest globally through a portfolio of securities purchased at a discount to their underlying asset value. By capturing this discount for its investors, the manager aims to provide an alternative source of market outperformance compared to more common stock selection strategies.

It is the Board's intention to pay regular dividends so long as the Company is in a position to do so.

### Investment Manager

The portfolio management team is based in London and has considerable experience in finding international assets trading at a discount to their intrinsic value and in identifying, or creating, catalysts to unlock this value.

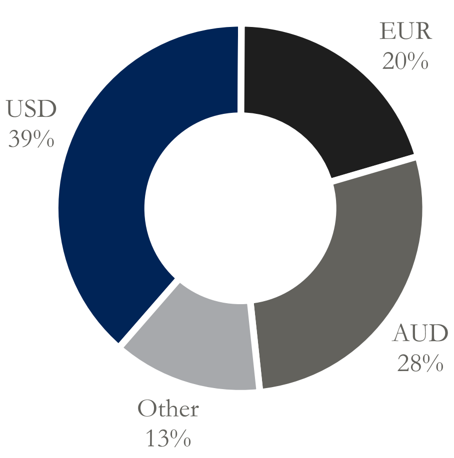
### Investment Management

**Miles Staude, CFA**
Fund Manager, Global Value Fund

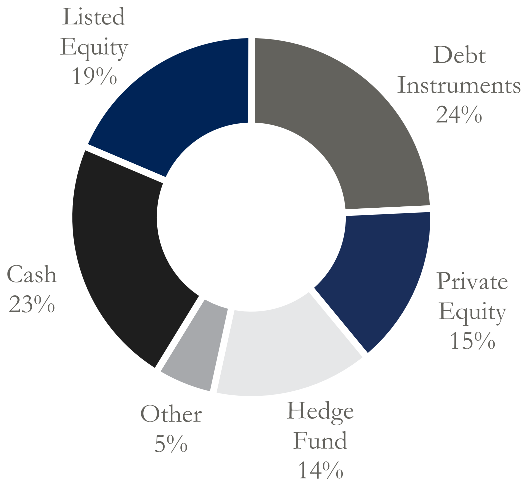
### Board of Directors

**Jonathan Trollip**
Chairman
**Chris Cuffe**
Non-executive Director
**Geoff Wilson**
Non-executive Director
**Miles Staude, CFA**
Non-executive Director

## Underlying Currency Exposures




## Underlying Asset Classes




The above chart reflects the manager's estimate of the currency exposures arising from the portfolio's underlying investments and cash balances as at 28th February.

Including emerging market currencies that are chiefly pegged to the US$, the fund's US$ exposure is approximately 45%.

The above chart reflects the manager's estimate of the underlying asset classes held through the fund's portfolio of investments as at 28th February.

Exposure to cash represents both cash balances held by the Company and the underlying cash holdings of the fund's portfolio of investments, which at month end equated to 14.5% of the fund's portfolio.

## Top Five Holdings

| Holding | % NTA | Summary |
|---|---|---|
| DW Catalyst Fund | 7.0% | London listed closed-end fund (CEF) that acts as a feeder fund into a US$2.3bn multi-strategy credit fund spun out from Brevan Howard. The position has been accumulated at an average discount to net asset value of greater than 10%. In August 2017 shareholders voted to wind up the company and return capital progressively throughout 2018. |
| Deutsche High-Income Opportunities Fund | 6.3% | A New York listed CEF with a diversified corporate bond portfolio, mainly concentrated in the United States. The Fund is in the process of liquidating and expects to return capital to shareholders in March 2018. GVF has accumulated its position at an attractive discount to NAV. |
| Pacific Alliance China Land Ltd (AIM) | 5.7% | London-listed Chinese real-estate CEF in liquidation. All of the Company's real estate assets have been sold and it is now in the process of repatriating its Renminbi cash balances out of China and returning its capital to shareholders. The position has been accumulated at an average discount to NAV of 20.1%. |
| Undisclosed | | The manager does not believe it is in shareholders' interests to disclose this holding at this time. |
| Third Point Offshore Investors | 4.9% | London listed CEF that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The position has been accumulated at an average discount to net asset value of greater than 18%. |

[1] The Board has guided that it anticipates FY18 dividend payments being at least 6.3 cents per share, 50% franked. This guidance is not a formal declaration of dividends for FY18, and whether a FY18 dividend is paid will be subject to the Company having sufficient profit reserves and prudent business practices.



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