28th February 2022

STAUDE CAPITAL
GLOBAL VALUE FUND

Investment Update and Net Tangible Assets

Net Tangible Assets (NTA) per share

NTA before tax*	$1.2385
NTA after tax	$1.1791

* There were no substantive tax payments made February.
$ denotes Australian dollar.

February review

"There are decades where nothing happens, and there are weeks where decades happen." – Vladimir Lenin

One of the humbling things about working in financial markets is how quickly the landscape can change around you. For months now, a virtual army of economists, bankers, and investors has been obsessing over inflation data, trying to divine the future path of interest rates, and thus the outlook for asset prices ahead. That collective intellectual effort by market experts suddenly became utterly unimportant when, on 24th February, an actual army invaded Ukraine.

President Putin's actions are a chilling reminder of the evil that still exists in the world, beyond the horizon of the comfortable lives we have built ourselves in the West. Meanwhile the courage the people of Ukraine have shown against an army of conscripts and thugs, in the face of the horrors being inflicted against them, has been awe-inspiring to watch.

From a market point-of-view, the shock of the Russian invasion was that its aims were clearly much broader than the annexation of contested enclaves in the east of the country. Instead, Putin has set his sights on toppling the democratically elected government in Kiev, occupying a country of 43 million people, and then installing a puppet regime in the country. Whatever his aspirations may have been, it is clear that Putin and his cabal of kleptocratic cronies have badly miscalculated, both in terms of the Ukrainian resistance they would meet, and the collective resolve of the West to stand up to his barbarism. While this is to be cheered, it raises the prospect of a gruesome and protracted conflict playing out across the country for some time to come.

In terms of the war's impact on financial markets, the important point to understand is that the Russian economy today represents a tiny fraction of the overall global economy. The transmission mechanism is thus not the effect on global growth from a Russian economy now in free-fall, but rather its impact on commodity markets, most notably Europe's energy markets. Before the Russian invasion, rich-world central banks were trying to navigate an already difficult path of raising interest rates gently enough to curb rising inflation, but slowly enough not to de-rail economic growth. The war in Ukraine has made this hand-off much more fraught. Inflation, already dangerously high in the US and Europe, is bound to move higher still as commodity prices move towards demand destruction levels, while the growth outlook, particularly in Europe, is rapidly deteriorating. While perhaps not yet the most likely outcome, the prospect of a global recession has suddenly become very real.

In response to these developments, most risk assets fell over February. In Australian dollar terms, global share markets[4] fell by 5.2% while global debt markets[5] fell 4.9%. The local Australian market was one of the few share markets to rise over the month,

Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	174M
Share price	$1.165
Market cap	$202M
Total dividends declared[1]	57.2 cents
Profits Reserve[2]	26 cents
Fully franked yield[3]	8.1%

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

increasing by 2.1%, and buoyed by the large increase in commodity prices the war has provoked.

Unsurprisingly, given the extreme market environment, there were some modest mark-to-market losses in the GVF portfolio over the month, particularly in those names exposed to global share markets. However, as we would expect from a portfolio like GVF's, with a range of asset classes and idiosyncratic investment theses, there were several holdings that bucked the trend and positively contributed to performance.

One of the positive contributors during the month was UK Mortgages Limited (UKML) – a London-listed fund that aims to provide investors with stable income from securitised portfolios of UK residential mortgages. UKML shares were up almost 10% during February after the fund announced a proposed merger with a larger, premium-rated fund managed by the same investment manager.

We were first attracted to UKML in 2020 when the shares fell to a deep discount on the back of concerns over possible COVID and lockdown-related mortgage delinquencies and disruption in the securitisation market. Its deep discount also drew the attention of M&G, which made an unsolicited approach to buy the company on behalf of one of its funds. While that bid was seen as undervaluing the company and declined by the board, this set up an asymmetric opportunity where the board and manager were even more motivated to deliver value for shareholders by eradicating the discount to asset value, with the backstop of potential M&A should this not be achieved. Shortly after declining the bid, the company conducted a 'strategic review' which resulted in it committing to large-scale share repurchases if, at the time at which certain portfolios came up for refinancing, the discount to asset backing was greater than a certain threshold. Most importantly, the board committed to placing the company into wind-down if the discount had not been completely eliminated by the end of 2022.

Having first invested at the time of the M&G bid, GVF continued to add to its investment throughout 2021. We felt UKML offered an attractive dividend yield and, owing to the discount, a strong pull-to-par – all backed by a portfolio that, based on our analysis, we felt was high quality. Should the merger complete, as we expect it to, this discount capture will have been brought forward.

In terms of activity, GVF fully exited two positions around asset backing during the month and initiated two new positions which we look forward to discussing in future commentaries.

The GVF investment portfolio decreased in value by 2.3% during February, with the majority of this explained by the appreciation of the Australian dollar over the month, which detracted 1.8% from performance. The fund's discount capture strategy detracted a further 0.3%, with the remaining attribution of returns explained by market movements and the company's operating costs.

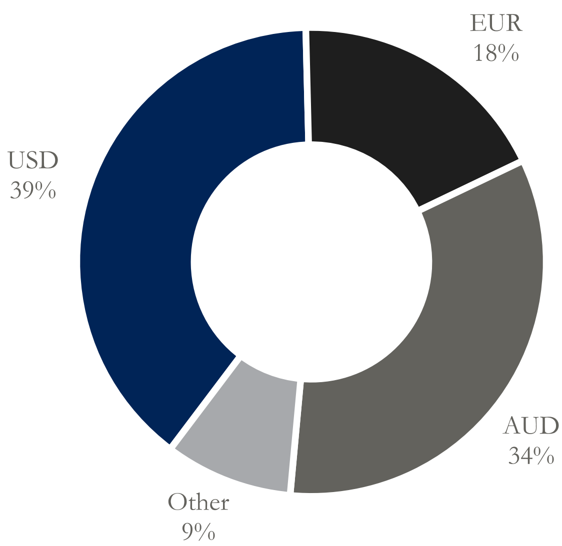
For reference, over the life of the Company, our annualised adjusted NTA returns have been 11.1%.

Authorised for release by Miles Staude, Portfolio Manager and Director.

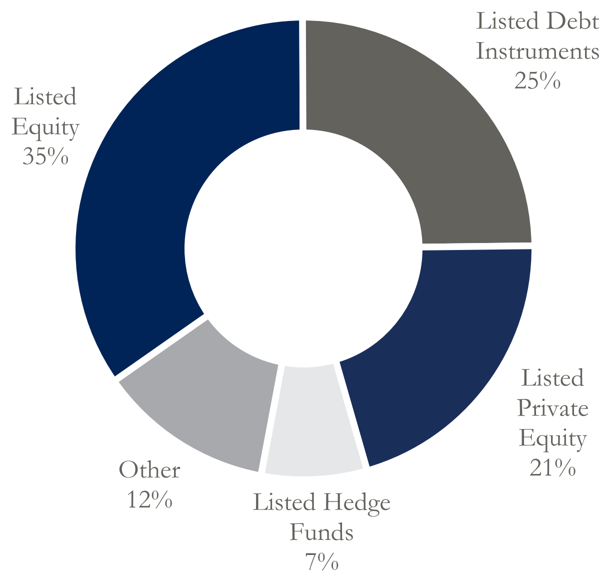
Adjusted NTA Returns[6]

Financial Year	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD7
FY2022	2.8%	2.4%	0.5%	0.0%	2.7%	1.9%	-0.6%	-2.3%					**7.5%**
FY2021	1.6%	1.4%	3.2%	2.7%	5.4%	1.4%	2.7%	0.7%	0.4%	2.9%	2.0%	1.8%	**29.3%**
FY2020	2.7%	0.2%	1.4%	-0.3%	2.4%	-0.5%	3.7%	-3.5%	-13.5%	2.4%	6.0%	0.8%	**0.2%**
FY2019	0.8%	2.3%	-0.5%	-1.2%	-2.1%	-1.6%	0.2%	3.2%	-0.4%	1.9%	-0.3%	0.9%	**3.2%**
FY2018	-0.9%	0.4%	1.3%	2.3%	1.7%	-0.9%	0.7%	0.8%	0.0%	1.6%	-0.5%	2.2%	**9.1%**
FY2017	2.0%	1.9%	-0.5%	0.7%	2.7%	3.1%	-2.1%	1.1%	1.8%	2.0%	2.1%	-1.0%	**14.5%**
FY2016	4.6%	-1.0%	-1.0%	2.3%	-1.9%	-0.4%	-1.0%	-0.4%	-1.7%	2.3%	4.0%	-3.0%	**2.4%**
FY2015	0.3%	-0.3%	4.3%	-1.0%	3.1%	2.6%	3.9%	1.3%	1.8%	-0.6%	5.6%	-1.0%	**21.6%**

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 43%.

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. If not separately disclosed above, 'Cash' is included in 'Other'.

Significant Holdings[8]

Holding	% NTA	Summary
Third Point Investors	6.1%	London-listed closed-end fund (CEF), that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 11.5% discount to its NAV. Under pressure from shareholders, last year the Board completed a strategic review, putting in place several initiatives to try and address the discount. Most recently, the fund appointed two new directors to the board to increase independence, one of which had been proposed by GVF, alongside other shareholders.
VPC Specialty Lending Investments	5.9%	London-listed CEF, managed by a US investment manager, that predominantly lends to middle market financial companies mainly in the US. The company currently pays a yield of c.8.8% pa based on the current share price, and trades on a discount of 18.5% to NAV. In conjunction with continuation vote in 2020, and following pressure from shareholders (including GVF), the company put in place an opportunity for shareholders to realise some, or all, of their investment at NAV in 2023, if discount or performance targets are not achieved.
Harbourvest Global Private Equity	5.8%	London-listed CEF, with a diversified portfolio of private equity funds investments. The fund trades on a wide discount to its reported asset backing but owing to the lag with which private equity funds report their performance, we believe the embedded value is even greater than this.
UK Mortgages	5.5%	London-listed CEF that aims to deliver stable income from securitised portfolios of UK residential mortgages. The shares currently offer a 6.2% yield and GVF has accumulated its stake an attractive discount to asset backing. If the Company's shares are not trading at or above NAV by December 2022, a managed wind down will be implemented. The fund recently announced a proposed merger with a premium-rated fund managed by the same manager.
Pantheon International Participations	5.2%	London-listed CEF with a diversified portfolio of private equity fund investments. Pantheon trades on a large discount to its reported asset backing, but due to the lag with which private equity funds report their performance, we believe the embedded value is even greater than this.

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[1] Grossed up dividends of 57.24c declared from IPO at $1 through to 13th May 2022, the HY2022 interim dividend payment date.

[2] The profits reserve sits at 25.6c as of 28 February 2022.

[3] Based on the end of month share price of $1.165 and the FY2022 dividend guidance of 6.6 cents per share, fully franked.

[4] All references to global shares markets refer to the total return (price and dividends) of the MSCI All Country World Equity Index.

[5] All references to global credit markets refer to the Bloomberg Barclays Global Credit Total Return Index.

[6] Adjusted NTA returns are after all fees and expenses and are adjusted for the payment of taxes, dividends, and the effects of capital management initiatives. Performance data is estimated and unaudited. Source: Staude Capital Ltd.

[7] Refers to the full-year returns for a given Financial Year, or the year-to-date returns in the current Financial Year.

[8] In order to protect the interests of GVF shareholders, certain large holdings may not always be publicly disclosed.

Unless otherwise stated, source for all data is Bloomberg LP and data as of 28th February 2022.