

STAUDE CAPITAL   

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GLOBAL VALUE FUND

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# Agenda:

1. **Key issues driving global financial markets**
2. **The Global Value Fund**
3. **Investment portfolio update**
4. **Managing risk**
5. **Case studies**



# 1. **Key issues driving global financial markets**



# What we see markets pricing in today

**US recovery well-established,  
stimulus and reform offer  
further upside**

**Unfolding economic  
recovery in Europe**

**...the potential for  
synchronised global growth**

Important to remember what is already in the price



# The second page stories

**The European Union's  
existential challenge**

**Equity markets are not  
expensive**

Less clear how markets have priced in these issues



## **2. The Global Value Fund**

# The Global Value Fund

**Our core discount  
capture strategy  
targets returns  
comparable with global  
equity markets while  
aiming for a  
significantly lower risk  
profile**

A focus on listed securities which are undervalued relative to a defined and observable asset value

- A discount to “break-up” value

Closed-end funds (CEFs) will form the core of our investment universe

- Internationally, CEFs are a mainstream asset class, with an investable universe of >US\$400Bn

A variety of passive and active techniques are used to unlock value for our investors

**We operate on a  
global stage;  
investing around  
the world and  
across asset classes**

**STAUDE CAPITAL**  

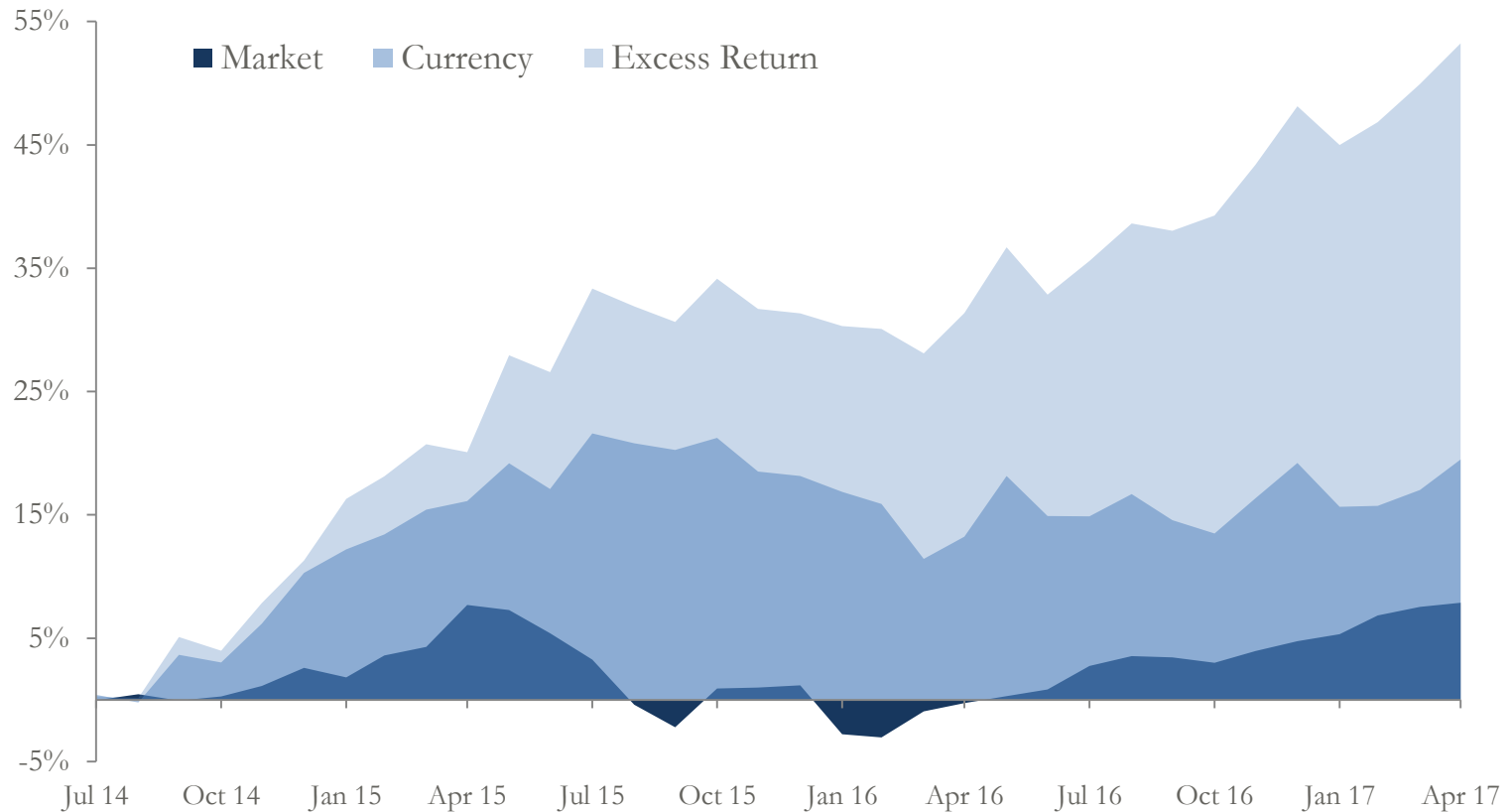
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**GLOBAL VALUE FUND**



# Gross investment returns<sup>1</sup> since IPO

Attributed by market<sup>2</sup>, currency<sup>3</sup> and excess returns<sup>4</sup>

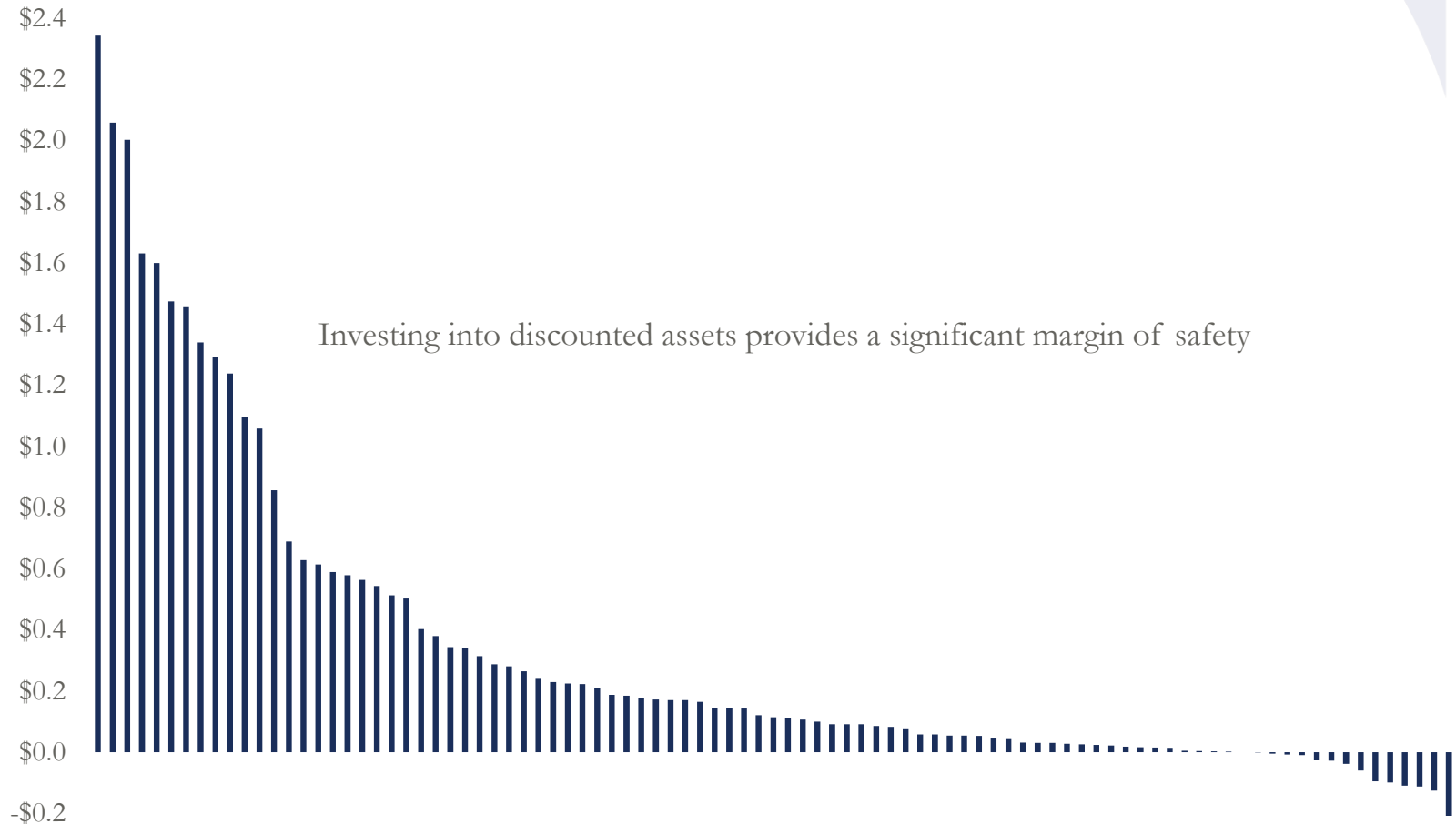


- 1 Gross investment returns refers to the total GVF investment return before taxes paid, expenses, management fees, dividends paid and the impact of dilution from exercised company options. Data sourced from Staude Capital.
- 2 Gross returns attributable to the market exposures of the underlying assets held by the fund.
- 3 Gross returns attributable to the currency exposures of the underlying assets held by the fund.
- 4 Excess return represents the returns in excess of currency and market returns, attributable to the manager's investment strategy.

Please note that past performance is not indicative of future returns.

# Inherently attractive investment profile

Gross return by investment<sup>1</sup> since IPO, A\$ millions

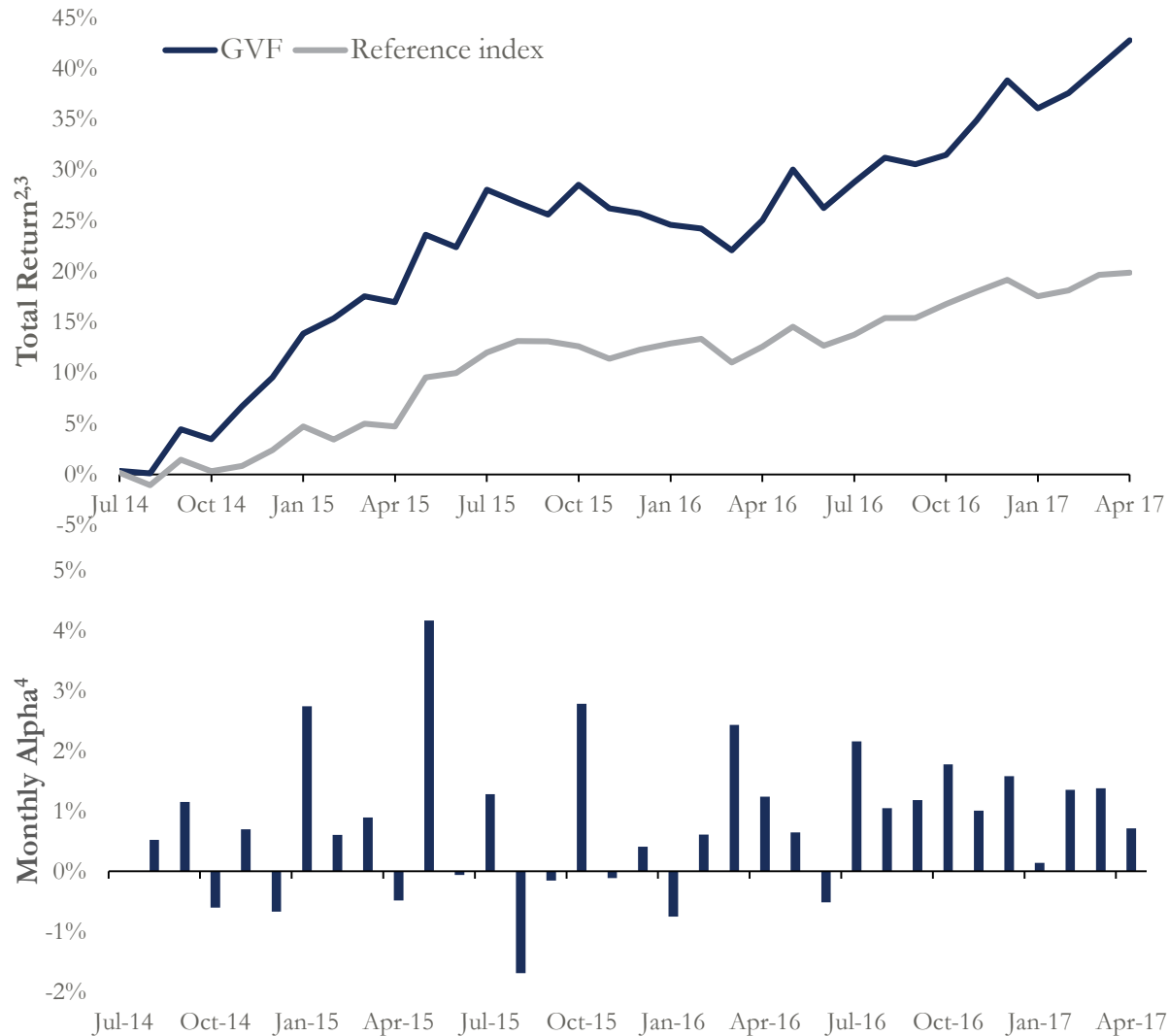


1 Gross return by investment shows the gross A\$ PnL of every investment the fund has made since IPO. This excludes the PnL effect from hedging and the returns from cash balances held in non-Australian currency. Gross returns are before taxes paid, expenses, management fees and dividends paid. Data sourced from Staude Capital.

Please note that past performance is not indicative of future returns.

# Performance since IPO

## GVF investment returns & monthly alpha generation<sup>1</sup>



**We seek to generate equity market like returns but with a significantly lower risk profile**

- 1 Data source Bloomberg LP and Staude Capital.
- 2 GVF investment returns are after management fees and trading costs, but before company expenses and tax.
- 3 Reference Index is calculated using a weighting of 50% to the MSCI All Country World Index in Australian dollar terms, and 50% to Australian cash interest rates. Australian cash interest rates are derived from monthly swap rates.
- 4 Monthly alpha is calculated as gross monthly excess return divided by beginning of month total portfolio value.

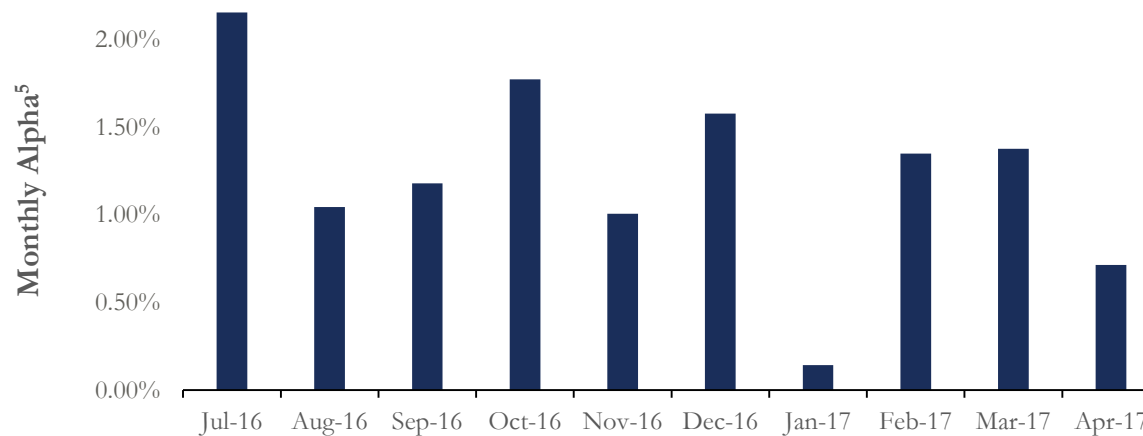
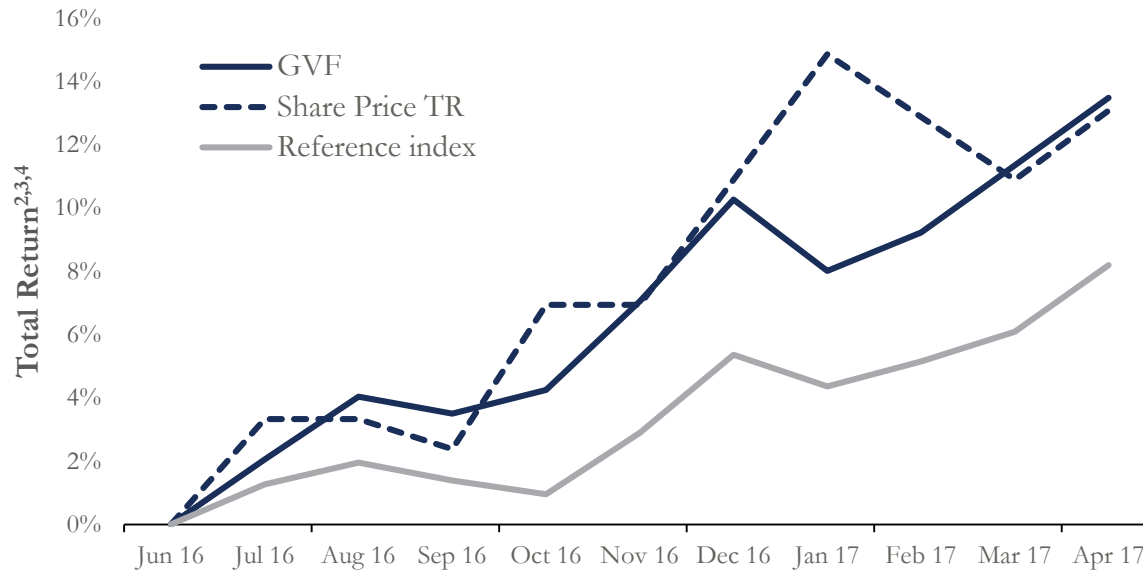
Please note that past performance is not indicative of future returns.



### **3. Investment portfolio update**

# Year-to-date performance

## GVF investment returns & monthly alpha generation<sup>1</sup>

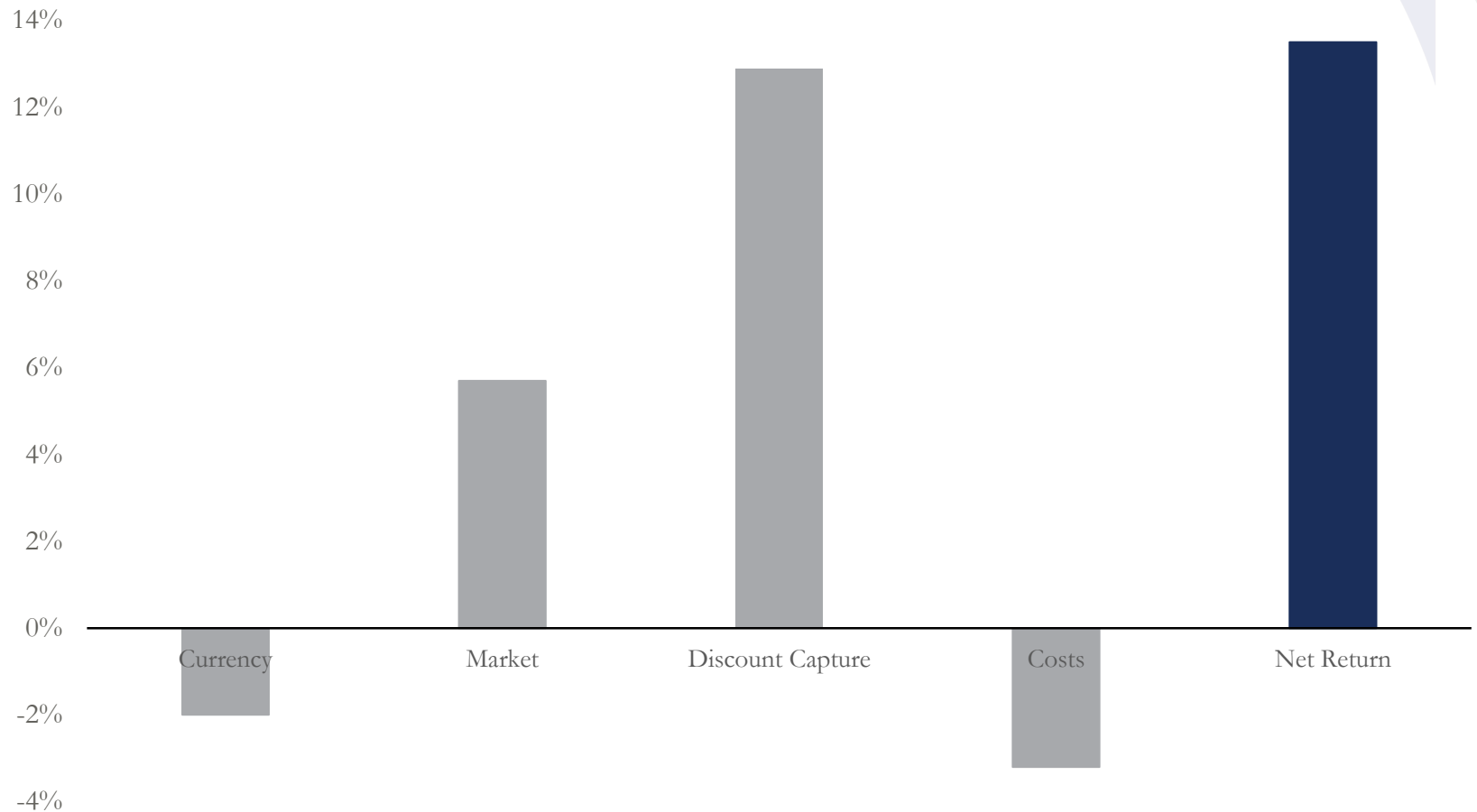


**Year-to-date net portfolio return<sup>2</sup> of 13.5%**

- 1 Data source Bloomberg LP and Staude Capital.
- 2 GVF investment returns are after management fees and trading costs, but before company expenses and tax.
- 3 Share price total returns include dividend payments and franking credits.
- 4 Reference Index is calculated using a weighting of 50% to the MSCI All Country World Index in Australian dollar terms, and 50% to Australian cash interest rates. Australian cash interest rates are derived from monthly swap rates.
- 5 Monthly alpha is calculated as gross monthly excess return divided by beginning of month total portfolio value.

# Investment returns<sup>1</sup> year-to-date

## Attribution of investment returns<sup>2</sup>

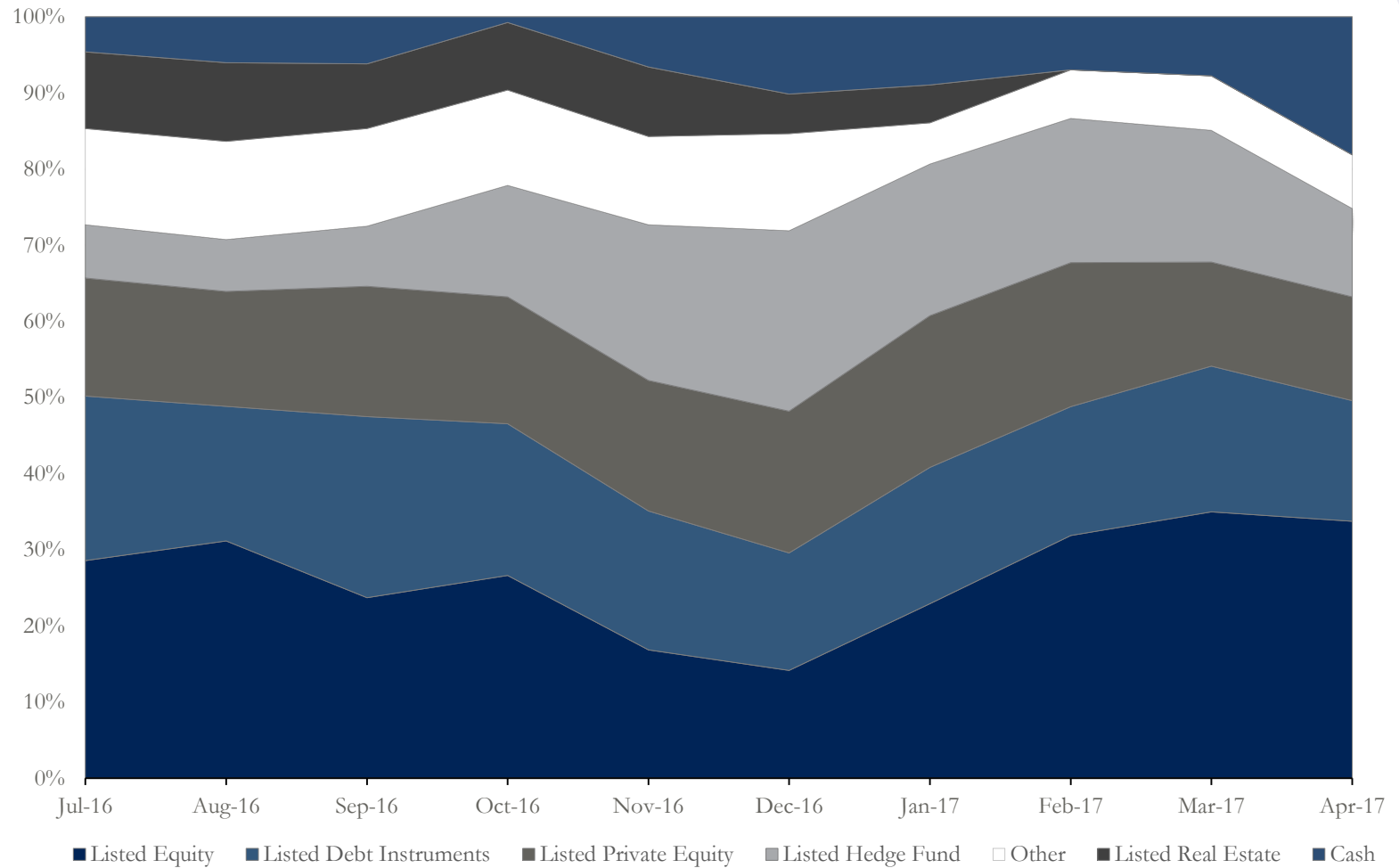


1 GVF investment returns are after management fees and trading costs, but before company expenses and tax.

2 Data source Bloomberg LP and Staude Capital

# Underlying asset class exposures

We opportunistically move between asset classes



Please note that past performance is not indicative of future returns.

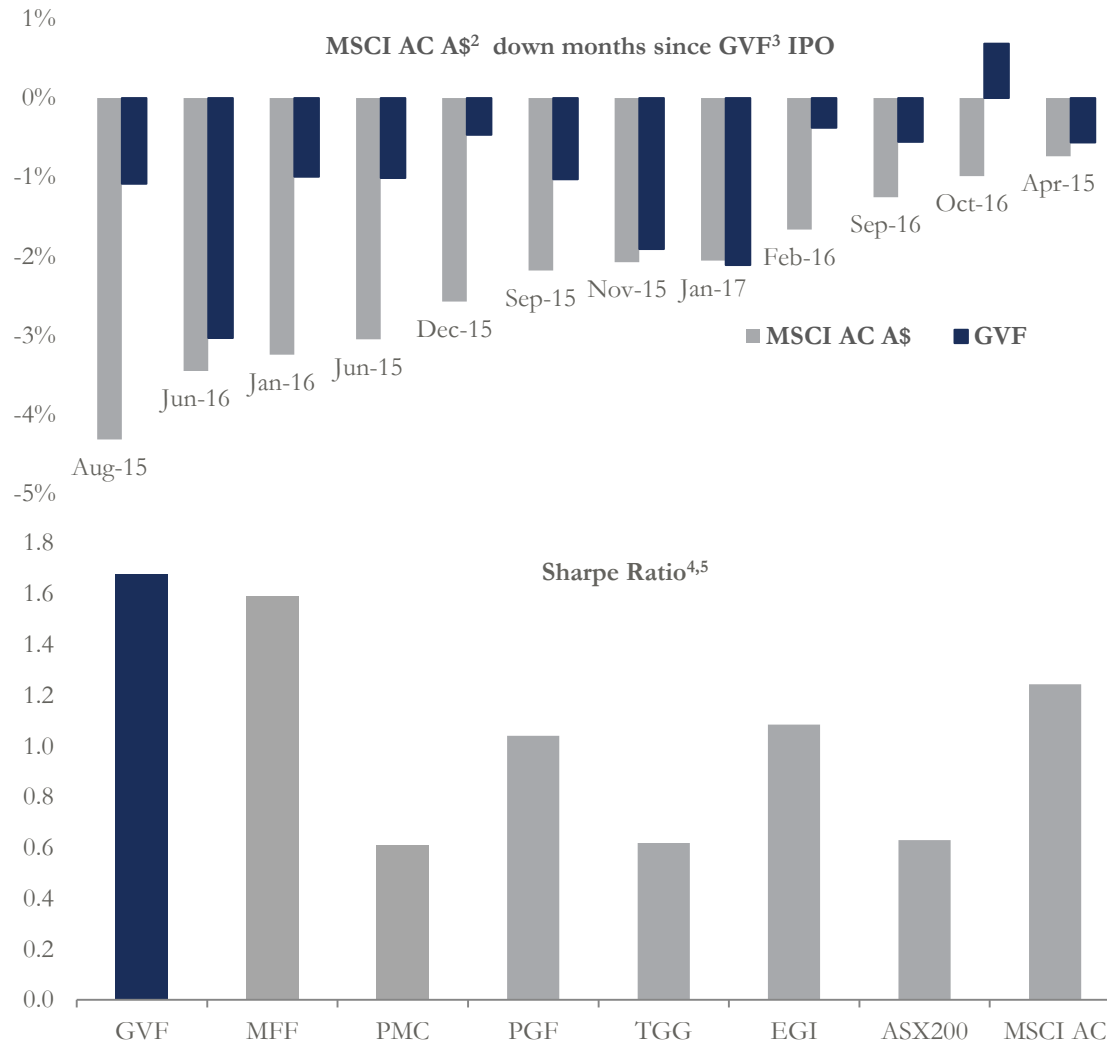


## 4. Managing risk



# Focus on risk management

## Monthly drawdowns and Sharpe Ratios<sup>1</sup>



Please note that past performance is not indicative of future returns.

**Our philosophy places a high importance on controlling for risk, whilst seeking to generate excess returns**

- 1 Data source Bloomberg LP and Staude Capital.
- 2 MSCI AC A\$ is the MSCI All Country Index in Australian dollar terms.
- 3 GVF is the GVF monthly investment return for corresponding MSCI AC A\$ down month.
- 4 Measured from July 2014 through to April 2017, except EGI, measured from Nov 2014 IPO.
- 5 LIC peer group Sharpe ratios derived from changes in pre-tax NTAs, adjusting for dilution and dividends.



## 5. Case studies



# Case Study: M&G High Income

Liquidation play

Description	Investment Rationale
<p><b>M&amp;G High Income Investment Trust (MGH)</b> was launched in 1997 to invest into the UK share market. It was structured as a ‘split capital’ investment trust, meaning its capital structure featured multiple share classes, each having a different claim on the assets of the company. The company had a fixed life and was set to wind up in March 2017.</p> <p>There were three different share classes that could be invested into and these could be invested in either individually, or in combinations of units and packages.</p>	<p>In total, there were five listed instruments, each with varying calls on the company’s capital structure. One share class no longer had any underlying value and one was a bond that provided leverage to the other two.</p> <p>The complicated share structure meant understanding the value of each listed instrument was difficult.</p> <p>We identified that the income shares presented attractive value and we were able to build up an investment in this share class, via both shares, units and packages, at an attractive discount to asset value ahead of the company’s liquidation.</p>

M&G High Income: Entry and exit discount	Liquidity trades – NB Global Floating Rate												
	<table border="1"> <thead> <tr> <th>Portion of NAV/shr due at Liquidation</th> <th>Share Class</th> <th>Combinations</th> </tr> </thead> <tbody> <tr> <td>First 122.83224 p</td> <td>Zero Dividend Preference Share (ZDP)</td> <td rowspan="3"> <div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; height: 100px; margin-right: 5px;"></div> <div style="margin-right: 5px;">Unit</div> <div style="border-left: 1px solid black; border-right: 1px solid black; height: 100px; margin-left: 5px;"></div> <div style="margin-left: 5px;">Package</div> </div> </td> </tr> <tr> <td>from 122.83224 p to 192.83224 p</td> <td>Income Shares</td> </tr> <tr> <td>Anything above 192.83224 p</td> <td>Capital Shares</td> </tr> </tbody> </table>	Portion of NAV/shr due at Liquidation	Share Class	Combinations	First 122.83224 p	Zero Dividend Preference Share (ZDP)	<div style="display: flex; align-items: center;"> <div style="border-left: 1px solid black; border-right: 1px solid black; height: 100px; margin-right: 5px;"></div> <div style="margin-right: 5px;">Unit</div> <div style="border-left: 1px solid black; border-right: 1px solid black; height: 100px; margin-left: 5px;"></div> <div style="margin-left: 5px;">Package</div> </div>	from 122.83224 p to 192.83224 p	Income Shares	Anything above 192.83224 p	Capital Shares		
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<sup>1</sup> Data source: Bloomberg LP and Staude Capital. Please note that past performance is not indicative of future returns.



# Case Study: NB Private Equity

Catalysts in place to unlock deep value

## Description

**Neuberger Berman Private Equity Partners (NBPE)** is a closed-end fund that holds stakes in private equity funds and directly invests into unlisted companies.

The fund is large, with over \$750M of assets under management, while the portfolio is very diversified. The largest holding accounts for only 2% of NAV.

The fund has a strong balance sheet with more cash than debt and outstanding commitments

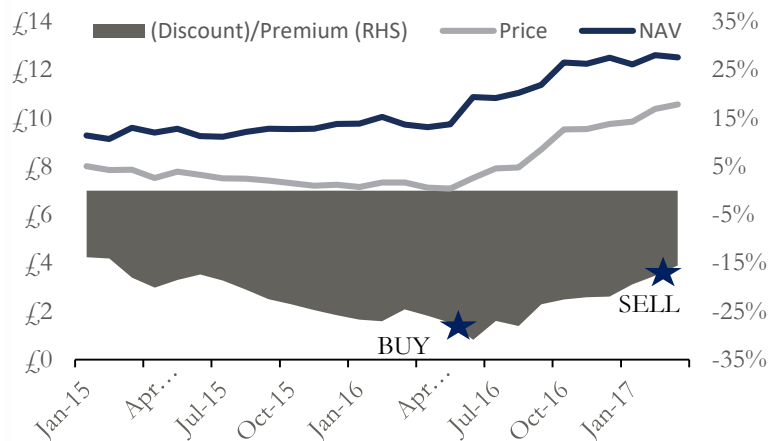
## Investment Rationale

The fund is well known to us. GVF had previously invested into NBPE during 2014 at an average discount to net asset value of 21%, exiting in 2015 at an average discount of 12%.

Post-Brexit in mid-2016, the fund moved out to its widest discount in two years and GVF was able to accumulate a position at a 28% discount to net asset value.

Having been under pressure for some time to improve corporate governance, we could see a number of important catalysts on the horizon which we believed would act to reduce the discount and unlock value.

## NBPE: Discount history



## NBPE: Catalysts which unlocked value

- The fund restructured to give all shareholders the right to vote. A crucial step towards improving corporate governance and widening the fund's appeal.
- The fund moved from the specialist fund segment of the stock exchange to a main board London Stock Exchange listing, appealing to more potential investors.
- The fund refocused its mandate, placing a greater emphasis on more efficient direct investments in unlisted companies.

<sup>1</sup> Data source: Bloomberg LP and Staude Capital. Please note that past performance is not indicative of future returns.

# Global Value Fund Limited

## Company Details

Structure Listed Investment Company

Incorporated Australia

## Service Providers

Investment Manager Mirabella Financial Services

Registrar Boardroom Pty Limited  
enquires@boardroomlimited.com.au  
Tel no. 1300 737 760

Prime Broker/Custodian Credit Suisse Group

Auditor Pitcher Partners Sydney

Company Secretary Mertons Corporate Services Pty Ltd  
Tel no. (03) 8689 9997

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**GLOBAL VALUE FUND**

Landline (UK): +44 20 3874 2243

Mobile (Australia): 0423 428 972

[miles.staude@globalvaluefund.com.au](mailto:miles.staude@globalvaluefund.com.au)

[ir@globalvaluefund.com.au](mailto:ir@globalvaluefund.com.au)

[www.globalvaluefund.com.au](http://www.globalvaluefund.com.au)