29th February 2020

STAUDE CAPITAL
GLOBAL VALUE FUND

Investment Update and Net Tangible Assets

Net Tangible Assets (NTA) per share

NTA before tax*	$1.0949
NTA after tax	$1.0782

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

February review

'*Be sure you put your feet in the right place, then stand firm*' - Abraham Lincoln

The past few weeks have served a rapid-fire reminder of how unpredictable and fast-moving financial markets can be. In the space of just fourteen trading days, from the 24th of February to the 12th of March, global share markets[2] fell by 25%, the price of oil collapsed, falling 41%, while the yield on the world's safe-haven asset, the US ten-year government bond, fell from 1.5% to 0.8%. Given the extreme financial market volatility witnessed over this time, this monthly report to shareholders will cover February as usual, as well as the first few weeks of March. We will also endeavour to focus on the issues that we believe shareholders would want to hear about from us at a time like this.

Firstly, in a very short period of time, markets have had to absorb a heavy one-two punch: the Covid-19 Coronavirus has now spread rapidly outside of China, while Saudi Arabia and Russia have declared an all-out oil price war. For share market investors, episodes like this provide an uncomfortable reminder of the great number of risk factors that get bundled into the 'equity risk premium'. Many investment risks will always remain 'unknown unknowns' - no one is clever enough to include pandemics or geo-political shocks into their market forecasts.

Most importantly, as we highlighted in our message to the market on the 3rd of March, the GVF investment portfolio has behaved as we would expect it to through a period like this. We have for some time been warning that, in our view, the biggest risk in the current market environment was complacency. As higher-risk asset classes have raced ahead in recent years, we have maintained our overall risk exposures within acceptable bounds through careful portfolio construction and hedging. Thus, while we are not aiming to run a market-neutral strategy, our overall lower-risk profile has protected us well from the worst of this market shake-out.

As previously announced, for the month of February, the GVF investment portfolio fell by 3.5%, substantially outperforming the large falls seen in global equity markets and other higher-risk asset classes.

Additionally, we can report that from the end of February through to the close of trading on the 12th of March[3], being the period that covers this latest market correction, the GVF investment portfolio has decreased in value by 3.4%. Over this same period, global share markets have fallen 12.6% in A$ terms, while the local Australian index has fallen 17.1%.

Notably, this leaves GVF's financial year-to-date[3] investment returns at +2.3%. This compares to a 6.8% loss for global share markets in A$ terms, while the Australian share market has fallen by 17.2%.

Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	148M
Share price	$0.985
Market cap	$145M
FY20 indicated dividend[1] (fully franked)	5.8 cents
FY20 indicated gross yield (inclusive of franking)	8.4%

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

This announcement is authorised by the Board

Managing risk, capitalising on opportunities

Severe market dislocations like this typically produce the most exciting opportunities that we find for our specialist investment strategy. Market actors can become highly emotive, with security prices moving irrationally as a result. Through these periods, we are typically paid handsomely for providing liquidity to the market, something we are always excited to do in situations where catalysts are in place that will allow us to unlock underlying value. Additionally, we constantly monitor a range of deep-value situations that we believe we could help unlock value in through constructive corporate engagement. Market episodes like this typically provide us with some of the most exciting entry points we find in these names.

True to form, the current market rout has thrown up many of the sorts of unique opportunities that we look for through periods like this. As a result, the team and I have been judiciously putting new money to work throughout the heightened market volatility.

When we are confronted with a period of extraordinary market volatility like this, there are two important questions that we have to address: are we managing our market risks correctly, and are we fully capitalising on the exceptional opportunity set that is now available.

In terms of managing market risks appropriately. This is dealt with primarily *in advance* through portfolio construction and modest hedging. In our view, one of the dangers that periods like this can create for investors is a desire to 'move the goal posts'. If you had a thought-through investment plan going into this, stick to it. While the market movements we have seen recently have been severe, they are in fact normal episodes to expect over a full investment cycle. 'Going to cash' or hedging your portfolio *after* a c.25% share market fall is very much shutting the gate after the horse has bolted. Thus, while we have moved quickly to capitalise on the new opportunities we are finding amongst the turmoil, we have also worked to maintain our overall risk levels in line with where they would normally be. Share markets that can fall c.25% over a two week period, can also rally by this much, and this quickly, again. It is instructive to observe that in China, where the Covid-19 virus first emerged, share markets initially fell by 11%, but have since regained around half of this lost value, with the Chinese share market now just 4%[3] lower than when the worst of the outbreak hit.

In terms of being able to fully capitalise on the exceptional opportunities that episodes like this create, GVF relies on two important levers. The first is that the GVF portfolio is deliberately designed to have a short-duration. Through our trading book we are regularly exiting positions via corporate actions and restructuring events. This means that even in a distressed market, we have a steady stream of fresh capital available to reinvest when the discounts across our universe materially widen. To illustrate how this works in practice, over the coming five months we expect GVF to progressively exit 31% of its investment portfolio through a series of high-certainty corporate events. Notably, these exits are expected to take place at a weighted average price that is 8% higher than the February month-end carrying values for these securities. Reflecting the new wider levels that we are currently carrying our book at; these exits alone are expected to add 2.5% to GVF's returns over the next five months.

The second important lever that we rely on through periods like this is our ability to carefully use modest amounts of leverage. GVF enjoys a great structural advantage over many other actors in the marketplace through its prime broking relationship with Credit Suisse. Under the terms of the investment management agreement, GVF is able to borrow up to 15% of the portfolio's net asset value for investment purposes. When we choose to do this through our Credit Suisse facilities, we borrow at competitive wholesale financing rates. Importantly, when we use leverage, we are careful not to change the overall market risk profile that we are targeting for the portfolio. Once again, through our prime broking arrangements, we have access to a wide range of hedging instruments that the team and I are well versed in effectively using. We came into this correction with a number of portfolio hedges in place, and these have generated meaningful profits for us throughout this period. As we have begun employing leverage to take advantage of the opportunities we are seeing, we have simultaneously been adding to our hedges. This ensures that our targeted net market exposures remain unchanged. As at the 12th of March, GVF was 104% invested, while our estimated see-through equity market exposure was 36%. This low see-through equity market exposure ensures that the GVF investment portfolio remains relatively immune to the large swings occurring in share markets at present.

Finally, it is worth highlighting that many of the unique opportunities that we find around the world have embedded market hedges of their own, further protecting our downside, and in some cases even generating absolute positive returns. The standout position we should highlight in this regard is our holding in Pershing Square Holdings (PSH), which holds portfolio insurance to protect it against severe market corrections. PSH announced this week that the value of these hedges had generated a material payoff during this market sell-off, leaving their calendar year-to-date[4] investment performance at +2.8%. This represents a substantial outperformance over the US share market into which PSH invests, which had fallen by 14.7% over the same period. Elsewhere, GVF also holds investments in two large multi-strategy market-neutral hedge funds. Investment propositions like this typically weather large market falls well, and often benefit from the increased market volatility. Calendar year-to-date these funds have generated investment returns of +2.7% and -0.5% respectively.

Planting our feet, standing firm

The basic premise behind the GVF investment strategy is to run a portfolio that carries a relatively low-risk underlying investment profile. On top of this, we then aim to strap on substantial amounts of excess market returns, which we generate through our discount capture strategy. In sudden market sell-offs - like the one we have just experienced - we expect to see the discounts on the assets that we own to widen in the short-term. This is one of the reasons why we strive to keep the overall risk profile of the portfolio low. It ensures that we can manage large market draw-downs and then, most importantly, move to take advantage of the new highly attractive opportunity set that they typically provide. Crucially, everything that is held in the GVF investment portfolio has a clear catalyst in place that will allow us to unlock the underlying value in what we hold. Thus, while we expect our discount capture strategy to generate a negative return in the immediate-term during periods like this, we still expect to re-coup this lost value and more as our planned catalysts unfold. Importantly, the unlocking of this stored value should be independent of how markets behave over the coming months.

Having weathered the market sell-off as we would aim to do during a time like this, the portfolio is well positioned to take advantage of the current exceptional opportunity set that is now available.

Keep calm and invest on

Since inception, we have deliberately avoided taking meaningful market bets in the GVF portfolio, and we continue to believe that trying to forecast what markets may or may not do next is a poor use of time and energy. There is very little evidence to show that anybody can reliably predict near-term market movements; there is, however, a lot of evidence to suggest that attempts to do so rarely produce good investment decisions. If we could offer any counsel to our shareholders through this difficult time, it would be to stick to your original investment plans and to use the current market dislocations as a long-term opportunity, not a threat.

Finally, as we highlighted in our earlier market update, while markets are presently highly volatile, an important anchor for GVF shareholders is the Company's dividend policy. The board recently declared a 2.9 cent per share fully franked dividend for the December half period, payable to all shareholders on the register as at 30 March 2020. It also guided that it expects to declare the same again for the final FY2020 dividend payment. In grossed-up terms, this equates to 8.3 cents per share of distributions that will be paid to shareholders over the coming 12-months. Importantly, the Company has just under two years' worth of profit reserves at the current dividend run-rate. This provides considerable dividend certainty looking out into the future.

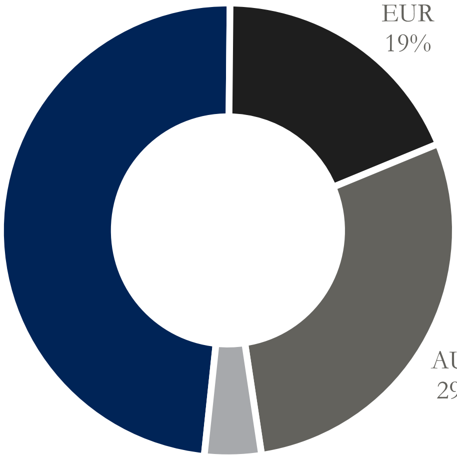
February performance

For the month of February, global share markets fell by 8.1% in US$ terms, or 5.1% in A$ terms, while the local Australian index fell by 7.7%.

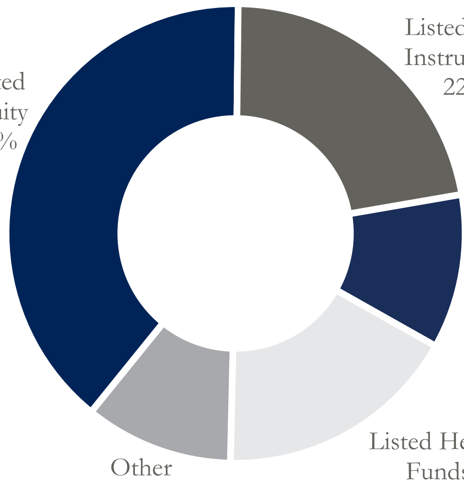
By comparison, the GVF investment portfolio decreased in value by 3.5%. The fund's discount capture strategy detracted 2.0% from returns during the period. As discussed earlier, in the immediate-term we expect that the discounts on our holdings will widen through a sharp market correction. This, however, does not impede on the path we have for ultimately realising this value.

Elsewhere, the fund's underlying currency exposures added 1.8% to returns during February, while underlying market exposures and company costs detracted 3.3%. A list of GVF's top five holdings is shown below, along with a breakdown of the fund's underlying currency and asset class exposures.

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 29th February.

Including emerging market currencies that are chiefly pegged to the US$, the fund's US$ exposure is approximately 49%.

The above chart reflects the manager's estimate of the underlying asset classes held through the fund's portfolio of investments as at 29th February.

Exposure to cash represents both cash balances held by the Company and the underlying cash holdings of the fund's portfolio of investments.

Top Five Holdings

Holding	% NTA	Summary
Polar Capital Global Financials	8.5%	London-listed closed-end fund (CEF) that invests into a diversified portfolio of large-cap global financial companies. The CEF was launched in 2013 with a fixed life that expires in May 2020, and GVF has accumulated its position at an attractive discount to NAV. Given the large and liquid shares held by the CEF, we have hedged a substantial portion of the underlying market risk, greatly improving the risk vs. reward characteristics of the investment.
Third Point Offshore USD	6.9%	London-listed CEF that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 21.7% discount to its NAV and, under pressure from shareholders, the manager has recently enacted several positive initiatives designed to lower this discount, including a $200M share buy-back program.
VPC Specialty Lending Investments	5.9%	A London-listed CEF, managed by a large US investment manager, that lends to middle market financial companies mainly in the US. The company currently trades on a 18.5% discount to NAV and is paying a yield of c.10% pa based on the current share price. The company is subject to a continuation vote in 2020, at which shareholders have the right to put the company into liquidation.
Blue Sky Alternatives Access Fund Ltd	5.6%	Australian listed investment company (LIC) that invests into a diverse portfolio of agricultural, private equity and other alternative assets. The position has been accumulated at an attractive discount to asset backing.
Henderson Alternative Strategies Trust	5.0%	A London-listed CEF that invests into a range of hedge funds, equities and alternative asset class funds. The directors of the company have called a shareholder meeting for March 2020, at which they will propose realising the company's assets and returning cash to shareholders. GVF has acquired its position in this CEF at an attractive discount to asset value.

[1] The Board has guided that it anticipates FY20 dividend payments being at least 5.8 cents per share, 100% franked. This guidance is not a formal declaration of dividends for FY20 and actual dividend payments may differ to this amount.

[2] All references to global shares markets refer to the total return (price and dividends) of the MSCI All Country World equity index.

[3] All price and return figures in this report are to the close of business on the 12th of March, unless otherwise stated.

[4] PSH's reported calendar year-to-date performance is to the 9th of March, which is the date of their most recent net asset valuation release.

Unless otherwise stated, source for all data is Bloomberg LP and data as at 29th February 2020.

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