31st December 2019

STAUDE CAPITAL
GLOBAL VALUE FUND

Investment Update and Net Tangible Assets

Net Tangible Assets (NTA) per share

NTA before tax*	$1.0946
NTA after tax	$1.0736

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

December review

After thoroughly disappointing over Christmas of 2018, December 2019 saw a 'Santa rally' that delivered a stocking stuffed with goodies for most asset classes. Global share markets[2] rose by 3.5% in US$ terms, with higher-risk and economically sensitive asset classes firmly leading the way. In US$ terms, shares in emerging market countries[3] soared 7.5%, while the 'FANG' index of high-growth technology stocks similarly jumped 7.8%. Key industrial commodities like oil, copper and iron ore, rose by 10.7%, 5.3% and 2.6% respectively. In tandem with these moves, the currencies of countries highly exposed to global growth and commodity prices also rose sharply. Notably, the Australian dollar rose by 3.9% in value against the US$, while the Brazilian Real and South African Rand both also rose strongly, increasing by 5.1% and 5.0% respectively. Australia however, bucked the trend of rising markets with the local share market falling by 2.2%. Further, in Australian dollar terms, global share markets fell by 0.3%, with the strength of the Australian dollar more than offsetting the broader market gains.

December's market vim was primarily driven by reports that the US and China had agreed terms for a 'phase one' trade deal, scheduled to be formalised in January 2020. Adding weight to these reports, the US cancelled plans to further hike tariffs on Chinese goods and reduced the level of some tariffs that were already in place. As the trade war between the US and China has been the key driver of falling global growth over the past 18 months, clearly a shift from a place of continual escalation to one of ceasefire is a significant development. Despite this however, a ceasefire (if it holds) is far from an end to the hostilities. With both countries mindful of their domestic audiences - and their respective places in the world - de-escalation, or indeed a return to normalcy, seem like elusive goals.

The end of a calendar year always begets reflections on the year past. Looking back to December 2018, markets were in a fitful state. Global share markets fell by 7.0% in US$ terms over the month, as fears about tighter monetary policy from the US Fed, and worries about a sharp slowdown in growth in 2019, dominated sentiment. Global growth did slow significantly over the course of calendar 2019, falling to 3.0%[4], the lowest annual level since the financial crisis. Following growth lower, company earnings (remember those) also fell, with earnings per share for the MSCI All Country World index falling 3.2% relative to 2018. Despite this, calendar 2019 will go down as one of the best years on record for global share markets, which rose by 26.6% in US$ terms.

Against a backdrop of falling growth and falling profits, the chief driver of share market returns over the past 12-months has been falling interest rates. In anticipation of a worsening growth outlook, all major central banks undertook easing actions over the course of the year, with three interest rate cuts by the US Fed being the most significant of these. Falling interest rates increase the relative value of future income streams like company profits. Thus, despite the fact that companies' earnings fell, the value of those earnings became much more valuable as the year progressed.

Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	148M
Share price	$1.12
Market cap	$165M
FY20 indicated dividend[1] (fully franked)	5.8 cents
FY20 indicated gross yield (inclusive of franking)	7.4%

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

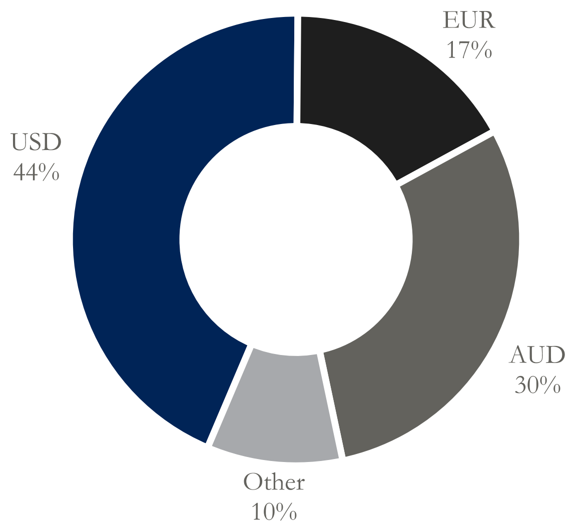
Jonathan Trollip
Chairman
Chris Cuffe
Non-executive Director
Geoff Wilson
Non-executive Director
Miles Staude, CFA
Non-executive Director

As we've written before, while falling interest rates provide a one-time re-basement higher for many assets classes, they hardly paint an optimistic picture about the future outlook. Looking ahead, with markets anticipating that global growth stabilises in 2020, it is unlikely that we will see any further easing by central banks. Neither too, does it look like there will be much in the way of a growth or earnings tailwinds to rely on. In short then, in 2020, financial markets will be on their own.

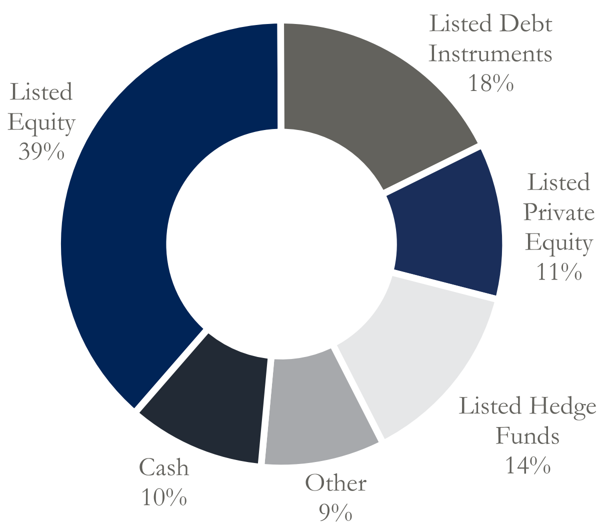
Despite the small investment loss, December was a relatively successful month for the Global Value Fund's discount capture strategy. During the month two of the fund's holdings announced they would undertake large tender offers at prices that are substantially above current market levels. Both holdings rallied significantly on the news. The fund also opened two new trades during the month and continued to add to a number of existing holdings at exciting levels.

The investment portfolio decreased in value by 0.5% during December. The fund's discount capture strategy added 0.6% to returns during the month, while underlying market exposures added a further 1.0%. These gain where more than offset however, by the strong rally in the Australian dollar during December, with the fund's currency exposures detracting 2.1% from returns. 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. The fund was 94% invested at the end of December.

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 31st December.

Including emerging market currencies that are chiefly pegged to the US$, the fund's US$ exposure is approximately 46%.

The above chart reflects the manager's estimate of the underlying asset classes held through the fund's portfolio of investments as at 31st December.

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	9.1%	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	7.0%	London-listed CEF that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 23%% 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	6.1%	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 16.0% discount to NAV and is paying a yield of 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	6.0%	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.
Pershing Square Holdings	5.3%	London-listed CEF managed by a well-known investment manager, that currently trades on a 28.9% discount to its NAV. The fund holds a concentrated portfolio of large capitalisation US stocks that can be hedged at a relatively low cost.

[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] As represented by the MSCI Emerging Markets equity index.

[4] IMF World Economic Outlook, October 2019.

Unless otherwise stated, source for all data is Bloomberg LP and data as at 31st December 2019.