31st May 2020

STAUDE CAPITAL
GLOBAL VALUE FUND

Investment Update and Net Tangible Assets

Net Tangible Assets (NTA) per share

NTA before tax*	$0.9956
NTA after tax	$0.9951

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

May review

'Bear markets end with recessions; they don't begin with them'

In our April letter we highlighted that a pivotal debate was taking shape in the market, one that broadly turned on the following question: does the market now have enough information to properly price in the economic damage that the Covid-19 pandemic will bring? Making sense of the impressive rally in risk assets that has occurred over the past six weeks really depends on where your sympathies in this debate lie. The incoming economic data continues to be bleak beyond compare, yet despite this, share markets and growth sensitive asset classes have posted an almost relentless rally. The US share market recently completed its best 50-day run on record, a run that has occurred against the most dire economic backdrop the country has faced since the second world war.

If you believe that the worst of the Covid-19 pandemic is behind us, this rally in risk assets makes some sense. Financial markets are forward looking instruments. What concerns stock market investors is a company's earnings 12 to 24 months into the future, not where earnings will fall today. Recently, the view that the worst of Covid-19 is behind us has combined with the 'wall of money' argument – that the vast stimulus packages which have been announced will greatly support asset prices – to drive financial markets higher

The speed and scale of this rally, however, has likely surprised even the most ardent optimists of just a few months ago. To our minds it raises two key questions. Firstly, while lock-downs are easing around the world, does this mean we have actually passed the worst of the Covid-19 challenge? To our eye, markets seem remarkably sanguine about this now being an established base case. Secondly, and perhaps more importantly, how much upside realistically remains in higher-risk assets from here? Even if you are comfortable that Covid-19 is now firmly in the rear-view mirror - and that the 'wall of money' should continue to support asset prices - it's hard to argue that the risk versus reward equation of holding higher risk assets has not changed greatly. Markets have moved substantially higher in a very short period of time, have the risks around the outlook, however, really changed that much?

For now, markets continue to be driven by the optimists and that was very much the case in May. Global stock markets[2] registered a 4.3% increase in US$ terms during the month, with similarly strong performances recorded in higher-risk credit during the period too. US high-yield bonds rose by 4.4%, while US and European leveraged loan indices increased by 3.8% and 2.8% respectively. In tandem with the lift in risk assets, the Australian dollar rose by 2.4% over the month. This has the effect of meaningfully dampening global investment returns for Australian investors. Thus, in Australia dollar terms, global share markets rose by a more modest 1.9%, while the local Australian share market rose by 4.4% over the period.

As we have written before, happily the GVF portfolio does not turn greatly on the outcome of the building market debate as to whether markets have now gone too

Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	148M
Share price	$0.915
Market cap	$135M
FY20 indicated dividend[1] (fully franked)	5.8 cents
FY20 indicated gross yield (inclusive of franking)	9.1%

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

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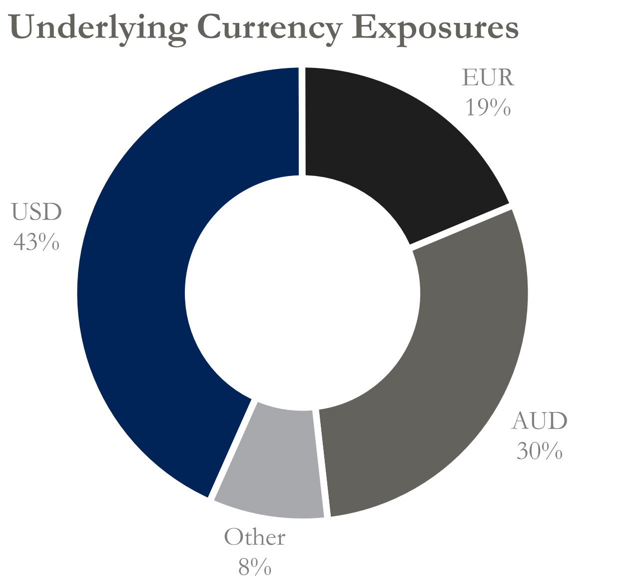
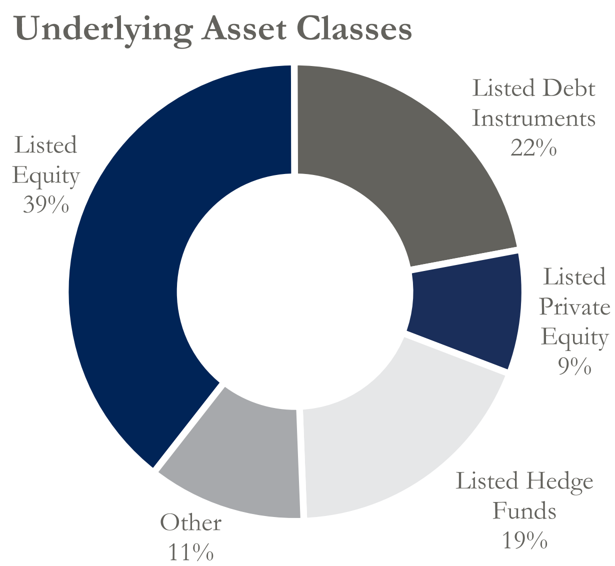
far, too fast. Over time, by far the greatest driver of GVF's total returns has been the value that we have actively unlocked from our investments, not what broader markets have done. What has been highly beneficial to GVF throughout this recent market episode, however, is the extreme levels of market volatility that it has produced. This volatility has created substantial dislocations across the markets that we primarily invest into and which we know very well. Thus, the GVF portfolio today is pregnant with considerably higher levels of underlying value than we normally find and, as we set out in our March and April updates, which we have clear plans in place to realise for the benefit of GVF shareholders.

Given the statements that we made in March and April, it is pleasing to report that we realised a significant amount of underlying value during May. Our discount capture strategy added 4.5% to returns over the month, driving total portfolio gains of 6.0%. While we released a lot of underlying value during the period, we continue to recycle capital back into new and existing positions at levels that are roughly twice as exciting as we normally find, a development that bodes well for the year ahead. To that end, portfolio activity continues to remain very high, with total portfolio turnover during the month running at 16.4% of NAV. We also continue to employ modest amounts of leverage across the portfolio, which is allowing us to fully capitalise on the range of opportunities that we are seeing. 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 110.9% invested at the end of May.

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





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 May.

Including emerging market currencies that are chiefly pegged to the US$, the fund's US$ exposure is approximately 44%.

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

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
Third Point Offshore USD	6.7%	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 27.4% 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.

Highbridge Tactical Credit Fund	6.3%	London-listed CEF which acts as a feeder-fund into a market-neutral credit hedge fund run by Highbridge Capital Management, a leading global hedge fund firm based in New York. Calendar year-to-date the fund has returned +3.7%, however the discount on the fund has widened materially recently, and currently sits at 15.5%. The fund has a discontinuation vote in Q1 2021 at which point shareholders have the right to put the fund into a managed wind-down. Given the size of the current discount, a managed wind-down would represent an exit approximately 18% above the current share price.
Pershing Square Holdings	6.1%	London-listed CEF managed by a well-known investment manager that currently trades on a 32.1% discount to its NAV. The fund holds a concentrated portfolio of large capitalisation US stocks. Calendar year-to-date the fund has generated a +27.5% investment return, substantially outperforming the US share market into which PSH invests.
Ellerston Global Investments	6.0%	Australian listed investment company (LIC) that invests in global equities. Having traded below Net Asset Value for some time, the board decided that the best way to address the company's discount was to convert the fund into an open-end trust. We expect this scheme to be implemented later this year.
Henderson Alternative Strategies Trust	5.6%	A London-listed CEF that invests into a range of hedge funds, equities and alternative asset class funds. The directors of the company have said they will call a shareholder meeting 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.

Unless otherwise stated, source for all data is Bloomberg LP and data as at 31st May 2020.

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