

## Investment Update and Net Tangible Assets

### Net Tangible Assets (NTA) per share

|                 |          |
|-----------------|----------|
| NTA before tax* | \$1.0646 |
| NTA after tax   | \$1.0587 |

\* There were no tax payments made during June  
 \$ denotes Australian dollar.

### June review

One of the most common measures of risk in financial markets is volatility. The more an asset price moves up and down over time, the greater the risks to your invested capital. Increased volatility can be a positive thing for investors, in that it can result in oversized gains as much as it can result in greater than expected losses. Regardless of your risk profile however, ignoring a rise in volatility as you pursue your investment objectives is rarely an advisable strategy. One of the clear trends in equity markets recently has been that volatility is rising, with the monthly price swings seen across share markets today much greater than what is typically expected. By example, over the last five years, global share markets<sup>2</sup> have risen or fallen by more than 5% in a month only eleven times - with five of these eleven occurrences happening since October of last year.

The month of June was no exception to this trend of increasing market volatility. After falling by 5.9% in May in US\$ terms, global share markets<sup>2</sup> rose by 6.5% during June. A weaker than expected US payroll report during June fuelled already building expectations that the US Fed may deliver a 0.50% 'insurance' rate cut at its July meeting. Share markets duly rallied on the prospect of substantially easier Fed policy in the months to come. In local currency terms, the US share market rose 7.0% in June, while European and Japanese equity markets rose by 5.2% and 3.5% respectively. In Australia, the local equity market rose by 3.7%, while in Australian dollar terms the MSCI All Country World Index increased by 5.3%.

GVF successfully exited one of its larger positions during June, an investment in the bonds issued by Rangers Direct Lending (RDL). RDL is a UK listed company that found itself in distress in 2017. After doing substantial due diligence on the situation RDL was in, GVF invested into the company's bonds at an attractive discount to their face value. At our discounted entry price, GVF was earning a yield to maturity of 5.4% on the bonds, while there was first loss equity above us in the capital structure which was greater than three times the value of our debt investment, ensuring our holding was well protected. What we found most compelling about the situation however, were the legal rights afforded to bond investors if RDL was put into liquidation, an outcome we believed to be the most likely given RDL's circumstances. RDL was in fact put into liquidation, at which point GVF called a meeting of RDL bond holders. While only owning 4% of the outstanding bonds on issue, holders representing c.70% of the bonds on issue handed us negotiating authority on behalf of the group, alongside an agreement to share legal costs with GVF on a pro-rata basis, meaning that the bulk of all legal expenses would be borne by investors other than GVF. Over the last nine months we have been engaged in robust negotiations with RDL on behalf of bond holders, and it is satisfying to report that an [agreement was reached with the company in June](#) under which RDL agreed to buy back all its bonds at a 5.9% *premium* to their face value. Pleasingly, as part of the settlement, RDL also agreed to reimburse all legal expenses incurred by bond holders throughout these negotiations. Much of the positive uplift from this outcome for GVF has already been realised by the fund, as in recent months the market price for the bonds had moved higher, reflecting the strength of our negotiating position. The fund did however record a small final uplift in June. In investment terms, over a two-year holding period,

#### Global Value Fund Limited

|                                      |           |
|--------------------------------------|-----------|
| ASX Code                             | GVF       |
| Listed                               | July 2014 |
| Shares on issue                      | 148M      |
| Share price                          | \$0.97    |
| Market cap                           | \$143M    |
| FY19 indicated dividend <sup>1</sup> | 6.3 cents |
| FY19 indicated yield                 | 6.5%      |
| (70% franked)                        |           |

#### 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

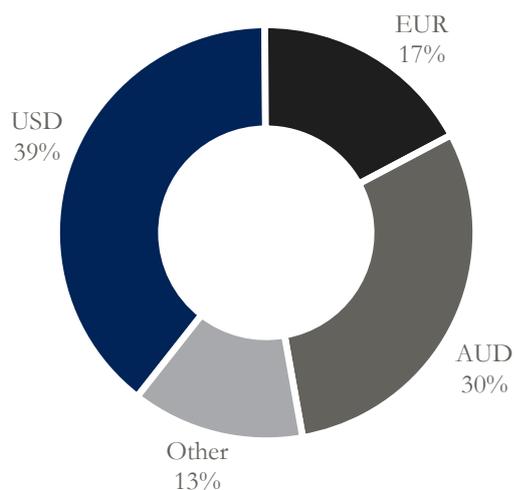
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GVF earned a 9.5% annualised rate of return on these bonds, which we believe to be a highly attractive outcome given the low risk nature of the investment.

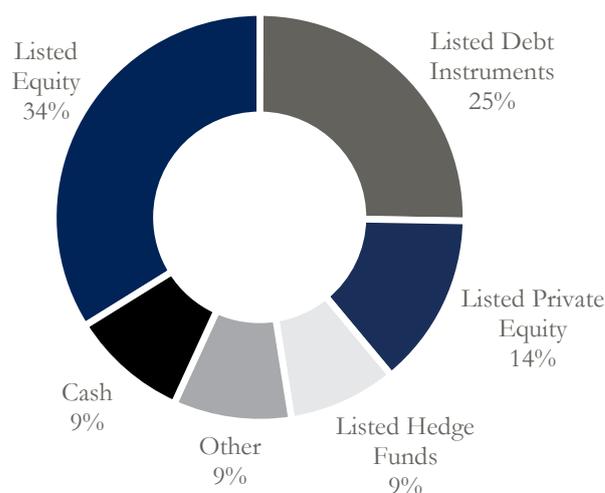
Finally, we wrote [last month](#) about our investment in Blue Sky Alternatives Access Fund (BAF). During June, the directors of BAF invited GVF portfolio manager, Miles Staude, to [join the BAF Board](#). Miles is looking forward to working with the existing BAF directors in their efforts to ultimately see the substantial underlying value within the company realised for the benefit of all shareholders.

The investment portfolio increased in value by 0.9% during June. The fund's discount capture strategy did not add or subtract to returns during the month, while the fund's various market exposures contributed 1.5% to performance. These positive returns were offset by underlying currency exposures, which detracted 0.4% from returns over the month. The remaining attribution of returns are accounted for by the Company's operating costs.

### 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 30<sup>th</sup> June.

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 30<sup>th</sup> June.

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  | 9.3%  | 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.                                      |
| Martin Currie Unconstrained Asia | 6.7%  | London-listed CEF that invests into a portfolio of shares across the Asia ex-Japan region. The board has recently announced that it will be bringing forward proposals to liquidate the company. Having accumulated our position at an attractive discount to NAV, we expect to exit our holding in full through the liquidation. As with Polar Capital above, 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         | 6.2%  | London-listed CEF that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 25% discount to its NAV and, under pressure from shareholders, the manager has recently enacted several positive initiatives designed to lower this discount, including a substantial share buy-back program.   |



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|                                   |      |   |
|-----------------------------------|------|---|
| Pershing Square Holdings          | 5.9% | Dutch-listed CEF managed by a well-known investment manager. The CEF currently trades on a 30% discount to its net asset value, which currently comprises a portfolio of just nine publicly listed large-cap US stocks. The Pershing investment portfolio has returned 45% year-to-date, greatly outpacing the return of the S&P500 index.  |
| VPC Specialty Lending Investments | 5.7% | 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 20% discount to NAV and is paying a yield of 11% 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. |

<sup>1</sup> The Board has guided that it anticipates FY19 dividend payments being at least 6.3 cents per share, 70% franked. This guidance is not a formal declaration of dividends for FY19 and actual dividend payments may differ to this amount.

<sup>2</sup> 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 30<sup>th</sup> June 2019.

Staude Capital Limited is an appointed representative of Mirabella Advisers LLP, which is authorised and regulated by the Financial Conduct Authority. Mirabella Financial Services LLP is the Investment Manager of the Global Value Fund and has seconded the investment team at Staude Capital to manage the Global Value Fund. This information is not an offer to buy or sell, or solicitation of an offer to buy or sell, any security or investment. Investors should read the Fund prospectus before making a decision to invest.

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