

**Dear fellow shareholders,**

On behalf of the directors of Global Value Fund Limited (“Global Value Fund” or “the Company”), I am pleased to present the Company’s full-year results and annual report for the year ended 30 June 2019 (“FY2019”).

One of the more notable features of financial markets recently has been a significant increase in the levels of market volatility, a trend that FY2019 demonstrated amply. In US dollar terms, global share markets<sup>1</sup> recorded a monthly gain or loss of more than 5%<sup>2</sup> in five of the twelve months of the year. To put these sorts of market swings into context, between FY2012 and FY2018, share markets rose or fell by more than 5%<sup>3</sup> in a month only seven times in total.

Despite this volatile backdrop, the Company’s investment portfolio delivered positive returns over the year, with adjusted pre-tax NTA increasing by 3.2%<sup>4</sup>. FY2019’s investment returns, while lower than what shareholders have been accustomed to in recent years, were largely driven by the Portfolio Manager running a lower-risk investment portfolio throughout this period of greatly heightened volatility. The benefits of this lower risk profile were evident during the significant market correction in the December quarter of 2018, when global share markets in Australian dollar terms fell by 14% from the end of September to their low on the 24 December 2018. Over this same period, the Company’s adjusted NTA fell by 4.0%<sup>5</sup>. Please read the Portfolio Manager’s report for further information on the performance of the investment portfolio during FY2019 and the Portfolio Manager’s outlook.

**Investment performance and financial highlights**

Over FY2019 the Company’s adjusted pre-tax NTA increased by 3.2%<sup>4</sup>. Disappointingly, shareholder total returns over the year were -1.2%<sup>6</sup>, with the Company’s share price moving from a 3.3%<sup>7</sup> discount to pre-tax NTA at the end of FY2018, to an 8.9% discount on 30 June 2019. While the weakness in the Company’s share price is a cause of concern - and a situation the Board is monitoring closely - our belief is that it is closely tied to the sectoral de-rating that all Australian listed-investment companies (LICs) have suffered throughout 2019.

In the run up to the Australian Federal election, the ability of investors to reclaim franking credits under the current Australian taxation system became a touchstone electoral issue. Without being drawn into the arguments for or against the new tax policies that the ALP campaigned on, the consequences of its implementation would have been negative for many of the investors who use LICs. Against this backdrop, the entire Australian LIC sector has de-rated this year, a function, we believe, of a broad-based ‘buyers strike’, with investors and financial advisors refrained from using LICs given the environment of uncertainty. At the end of December 2018, the average discount to pre-tax NTA for the LIC sector was 4.8%<sup>7</sup>. By the end of June 2019, this discount had widened to 11.4%, or 12.6% for LICs with a market capitalisation of less than \$500M.

The LIC is an excellent corporate structure for longer-term investors. With the franking debate now behind us, we believe the sector de-rating seen this year should begin to unwind during the year ahead.

As Global Value Fund is an investment company, its profitability is driven by the returns from its investment portfolio. The Company reported a net profit after tax of \$3.8 million for the year ended 30 June 2019. As at 30 June 2019, the pre-tax NTA backing of the Company was \$1.0646 per share and the post-tax NTA backing was \$1.0587 per share.

**Dividends**

The Board has resolved to pay a fully-franked final dividend of 2.90 cents per share for FY2019. The record date for the FY2019 final dividend is 1 October 2019 and the final dividend will be paid on 11 November 2019. The Company’s shares will trade ex-dividend on 30 September 2019.

<sup>1</sup> Global share market returns refer to the MSCI All Country World Index.

<sup>2</sup> All market returns quoted are total returns, including net dividends. Source: Bloomberg LLP.

<sup>3</sup> In US dollar terms.

<sup>4</sup> Adjusted NTA returns are net of all fees and expense. NTA adjusted for dividend and tax payments and the effects of capital management initiatives. Source: Staude Capital Ltd.

<sup>5</sup> Source: Staude Capital.

<sup>6</sup> Shareholder total returns include dividend payments and franking credits. Source Bloomberg LLP.

<sup>7</sup> Source: Staude Capital and Bloomberg LLP.

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.



### **FY2020 dividend guidance**

The Board currently anticipates that both the interim and final dividend for FY2020 will be 2.9 cents per share, 100% franked. Whether an increase in dividend payments is possible will depend on the Company's investment performance during FY2020.

The above dividend guidance is not a formal declaration of dividends for FY2020. The size and payment of any interim or final dividend for FY2020 will be subject to the Company having sufficient profit reserves and the dividend payment being within prudent business practices. If a FY2020 interim dividend is declared, the Board expects that it would be payable during May 2020.

### **Conclusion**

Thank you to all our shareholders for their continuing support of the Company. The Company's annual general meeting will be held in Sydney on the 12 November 2019, and I look forward to seeing many of you there. I also encourage shareholders to attend the Company's various interstate investment presentations, which will be held during November 2019.

Jonathan Trollip  
Chairman  
Sydney  
29 August 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.