

## Investment Update and Net Tangible Assets

### Net Tangible Assets (NTA) per share

NTA before tax*	\$1.0945
NTA after tax	\$1.0796

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

### August review

Financial markets were left with much to digest during August, with more evidence that the global growth outlook is deteriorating, and another series of tit-for-tat escalations in the unfolding trade war between the US and China. Starting with the trade war, at the beginning of the month, the Trump administration announced that the US would impose a 10% tariff on all remaining Chinese imports, covering approximately US\$300Bn of trade. China retaliated later in the month, announcing new tariffs of its own on a further US\$75Bn of US imports. The following day, the Chinese announcement was answered by the Trump administration increasing its originally announced 10% tariff rate by a further 5%, to 15% in total.

While a school-yard shoving contest was playing out between the world's two largest economies, financial markets were further left to contend with more evidence that the global growth outlook is darkening. Notably, data released during the month showed that the German economy shrank during the second quarter of 2019, while China posted its weakest rate of industrial output growth since 2002. After assessing all the incoming data, the Federal Reserve Bank of New York lifted its expected probability of a U.S. recession to 31%, close to its highest level since the global financial crisis.

Global share markets fell by 2.4%<sup>2</sup> in US\$ terms during August, with emerging market equities bearing the worst declines, falling by 4.9% in US\$ terms. Share markets also fell across the US, Europe and Japan, with the local markets falling respectively by 1.6%, 1.3% and 3.7% in local currency terms. In Australia, the local share market fell by 2.4%, while in Australian dollar terms, global share markets fell by 0.1%.

How financial markets responded to the incoming bad news during August was unusual in the sense that it precipitated a much more 'normal' market reaction. Growth sensitive assets, like global share markets and industrial commodities, sold-off, while risk havens, such as government bonds and gold rallied. In contrast, during the first half of 2019, financial markets have tended to rally in the face of bad economic news, on the rationale that what was bad for the economy would be good for financial markets, via future lower interest rates. In our view, one of the important market dynamics to watch over the coming months will be whether this 'bad news is good news' narrative is now exhausted. Markets have already priced in considerable amounts of central bank easing expected to arrive over the months ahead. Whether they have fully priced in the rising risks of a recession is perhaps less clear.

Probably the most notable development in the GVF portfolio during the month was the announcement by Monash Absolute Investment Company Limited (MA1), an Australian LIC, to pursue a change in corporate structure to an Exchange Traded Managed Fund (ETMF). GVF holds a substantial position in MA1 and we applaud the company's Board for bringing forward proposals that will allow shareholders to realise the underlying value within the company over time. Elsewhere, the Company exited three positions during August and opened one new trade. GVF also added

#### Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	148M
Share price	\$1.04
Market cap	\$154M
FY20 indicated dividend <sup>1</sup> (fully franked)	5.8 cents
FY20 indicated gross yield (inclusive of franking)	8.0%

#### 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 Staupe, CFA**  
 Fund Manager, Global Value Fund

#### Board of Directors

**Jonathan Trollip**

Chairman

**Chris Cuffe**

Non-executive Director

**Geoff Wilson**

Non-executive Director

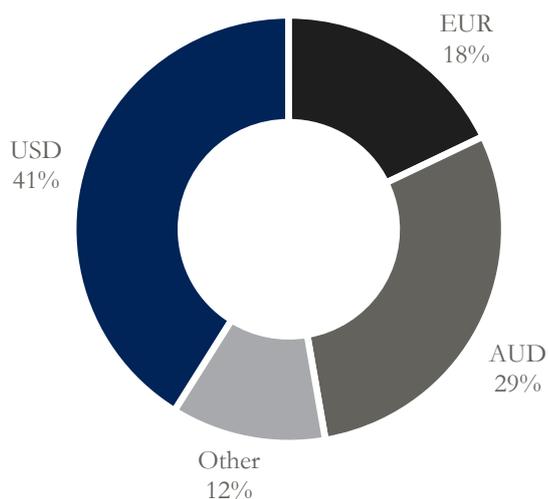
**Miles Staupe, CFA**

Non-executive Director

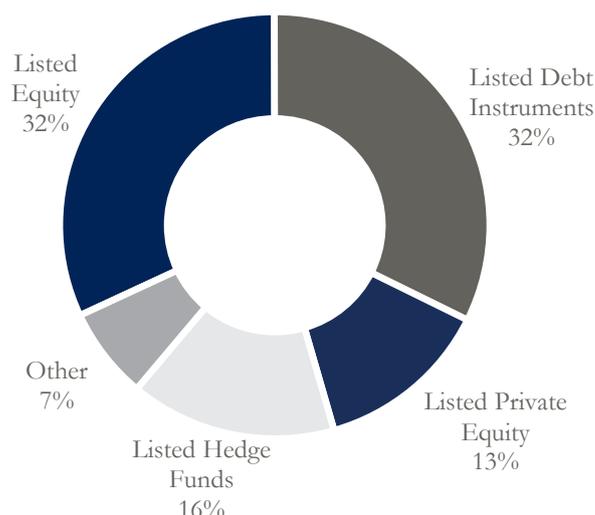
substantially to several existing positions at exciting levels, ending August 110.4% invested. While the fund is currently towards the high end of its investment capacity, we expect to receive back substantial amounts of capital during September via corporate actions.

The investment portfolio increased in value by 0.2% during August. The fund's discount capture strategy added 0.3% to returns during the month, while the fund's currency exposures contributed a further 0.8%. The remaining attribution of returns are accounted for by the fund's underlying market exposures and 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 31<sup>st</sup> August.

Including emerging market currencies that are chiefly pegged to the US\$, the fund's US\$ exposure is approximately 42%.

The above chart reflects the manager's estimate of the underlying asset classes held through the fund's portfolio of investments as at 31<sup>st</sup> August.

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
Highbridge Multi Strategy Fund	9.3%	London-listed closed-end fund (CEF) which acts as a feeder-fund into a multi-strategy global hedge fund run by Highbridge Capital Management, a leading global hedge fund firm based in New York. The fund seeks to deliver consistent risk-adjusted returns with low volatility and low beta to equity and credit markets. Following a change in investment direction by the manager, the fund is allowing shareholders the option to realise their holding at net assets value.
Polar Capital Global Financials	8.8%	London-listed 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	6.7%	London-listed CEF that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 26% 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.
Martin Currie Unconstrained Asia	6.2%	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



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		full through the liquidation. As with Polar Capital, we have hedged a substantial portion of the underlying market risk, greatly improving the risk vs. reward characteristics of the investment.
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 18% 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.

<sup>1</sup> 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.

<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 31<sup>st</sup> 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. 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.

**Past performance is not an indicator of future returns. This document is not suitable for distribution into the EEA.**