

Investment Update and Net Tangible Assets

Net Tangible Assets (NTA) per share

NTA before tax*	\$1.0612
NTA after tax	\$1.0362

* After the provision of a \$0.5M tax liability payable with GVF's FY2020 tax return
 \$ denotes Australian dollar.

October review

After a positive start to October, global share markets⁴ finished down on the month for the second time in a row, falling 2.4% in US dollar terms. The driver for this was once again COVID-19, as a second wave in Europe saw a fresh rollout of lockdowns announced. The lack of progress on a further US stimulus bill, and uncertainty ahead of the looming US elections also weighed on markets.

Unsurprisingly, European markets were particularly hard hit, and fell 5.7% over the month. However, US equities were also impacted and declined by 2.7%, while credit markets were roughly flat. In contrast and reflecting the greater success that the region is having in containing the pandemic, Asia ex-Japan equities rose 2.8% in US dollar terms. Consistent with the global 'risk off' month, the Australian dollar fell by 1.9% against the US\$, meaning that in Australian dollar terms, global share markets fell a more modest 0.6%. In Australia, the local share market rose by 1.9% over the month.

Against the negative global backdrop, the GVF investment portfolio enjoyed a positive month, increasing in value by 2.7%. And in contrast to last month, where returns were concentrated in several holdings, this month the gains were spread across the portfolio.

Shareholders may recall that in our June [newsletter](#) we discussed VPC Specialty Lending (VSL) and a successful public campaign we had fought earlier this year. As a reminder, this ended with the board offering vastly improved terms to shareholders, the resignation of a director, and a shareholder consultation exercise to better understand the reasons for shareholders' anger.

In October, the preliminary findings of this consultation were announced, and its conclusions were consistent with the arguments we have made for some time. Regardless, we found the acceptance of the major issues we have been highlighting encouraging, and were pleased to see 1) a commitment to regular direct dialogue between the board and its shareholders in the future, 2) confirmation that the board is considering how it can address the potential conflict of interest that the manager's large voting stake represents, and 3) a commitment that the search for a new director would be for somebody that is "experienced in the investment trust market and has the standing, mindset, and knowledge to be independent and capable of challenge" – criteria that we and other shareholders will hold them to.

Despite the pandemic, VSL has delivered strong investment performance this year. We estimate year-to-date returns have been 5.8%. Further, trading at a 31% discount to asset backing, the shares offer significant potential for discount capture over the years ahead. As a result of the improved terms that were secured this year, if VSL's investment portfolio fails to deliver investment performance of 24% between 31 March 2020 and 31 March 2023, GVF will have the opportunity to exit its entire holding at asset backing. This would represent an uplift of c.45% based on the current share price. As an illustration of the power of this exit mechanism, if VSL

Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	148M
Share price	\$1.03
Market cap	\$152M
Total dividends declared ¹	44 cents
Profits Reserve ²	11.3 cents
Fully franked yield ³	8%

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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generated investment returns in-line with its long-term average of 5.2% pa, GVF would earn an annualised investment return of 16.6% between now and exiting the investment.

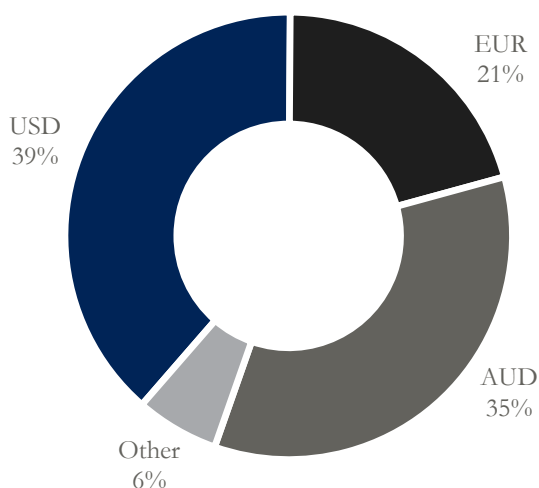
On the other hand, if VSL achieves the ambitious return target that has been set, but the discount to asset backing on its shares is greater than 5% in Q1 2023, then we are entitled to an exit of at least 25% of our holding at asset backing. This would still be a tremendously accretive event given the size of the current discount, and the fact that the fund will have had to have generated a 15% investment return between now and 31 March 2023. On the basis that the current discount tightens to 15%, a level it was at this time last year, GVF would again earn a 16.6% annualised return between now and exiting our investment.

Much like our holding Highbridge Tactical Credit Fund, which we covered in last month's newsletter, we therefore see significant value in our VSL holding over the years ahead.

During October, GVF's discount capture strategy added 2.7% to returns, representing another strong month for our investment strategy. Currency exposures added 1.2% to this, but these were fully offset by GVF's underlying market exposures and the Company's operating costs, which detracted the same amount. The fund was 115% invested at the end of October.

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

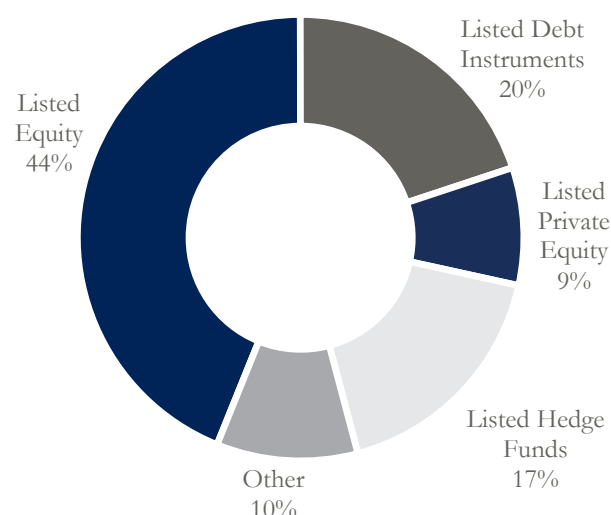
Underlying Currency Exposures



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 October.

Including emerging market currencies that are chiefly pegged to the US\$, the fund's US\$ exposure is approximately 41%.

Underlying Asset Classes



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

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
Ellerston Global Investments	9.2%	Australian listed investment company (LIC) that holds a portfolio of global equities. Having traded below Net Asset Value (NAV) for some time, the board implemented a restructuring of the LIC and converted the company into an open-ended trust.
Highbridge Tactical Credit Fund	7.9%	London-listed closed-end fund (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 12.6%. The fund has a discontinuation vote in December 2020 at which point shareholders have the right to put the fund into a managed wind-



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		down. Given the size of the current discount, a managed wind-down would represent an exit approximately 13% above the current share price.
Third Point Investors	7.6%	London-listed CEF that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 21.2% discount to its NAV and, under pressure from shareholders, the Board has enacted several positive initiatives designed to lower this discount, including a \$200M share buy-back program.
WAM Alternative Assets	6.5%	Australian LIC that invests into a diverse portfolio of agricultural, private equity and other alternative assets. The position was accumulated at a significant discount to asset backing. GVF's portfolio manager, Miles Staude, previously served on the Board of the company and was actively involved in the design of a new corporate strategy. This new strategy is intended to close the large discount to asset backing that the company's shares trade at.
US Masters Resi Bond 24/12/2021	7.75% 5.4%	Bonds issued by an Australian-listed property trust, well covered by a portfolio of US residential property in the NY area. Trading at a discount to par and paying a large coupon, the bonds offer a 12.6% yield to maturity. The trust has stated its intention to redeem the bonds early which would further enhance returns.

¹ Grossed up dividends of 43.52c declared from IPO at \$1 through to 9th November 2020, the FY2020 final dividend payment date.

² The profits reserve sits at 11.3c as of 31st October 2020 and after accounting for the FY2020 final dividend payment on the 9th November 2020.

³ Based on the end of month share price and the FY2020 full year dividend of 5.8 cents per share, fully franked.

⁴ 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 October 2020.

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