

## Investment Update and Net Tangible Assets

### Net Tangible Assets (NTA) per share

NTA before tax*	\$1.1590
NTA after tax	\$1.1120

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

### February review

During February, the bullish impulse that has propelled financial markets recently finally encountered the first serious issue it needs to contend with: a sharp rise in yields and the spectre of rising inflation. February saw a significant spike in the yield on the US ten-year government bond, a key interest rate benchmark, with markets now anticipating that an extraordinarily strong rebound in global growth is soon to unfold, particularly in the US. We wrote about this development recently ([see article here](#)), which could see the US economy ultimately grow bigger and faster than it would have done under its pre-pandemic growth trajectory.

The risks behind rising interest rates are two-fold. First, the course of ever lower interest rates in recent years has provided the torque for most of the above-trend strength we have become accustomed to seeing in financial markets, particularly during the post-pandemic rebound. A sharp rise in rates, therefore, could be expected to deliver a proportionately large negative shock. Secondly, and possibly more concerning, the recent rise in rates also reflects growing fears about a potentially damaging resurgence of inflation. Looking ahead, whether or not we do end up seeing a return of inflationary pressures is likely to be the defining issue for markets in 2021.

In US\$ terms, global share markets<sup>4</sup> rose 2.3% over the month while global credit markets<sup>5</sup> fell 1.4%, with this fall being a function of the rising yields discussed above. Consistent with growing expectations for a much stronger economic rebound, assets that are particularly sensitive to the economic cycle performed very strongly during the month. In the US, the Russell 2000, an index of small capitalisation companies, rose 6.2%, while the prices of oil, iron ore and copper all jumped noticeably, rising by 18.3%, 10% and 15.5% respectively. In tandem, the Australian dollar rose against most major currencies.

In Australia, the local share market rose 1.5%, a move driven by strong gains in the mining stocks, while in Australian dollar terms, global share markets rose 1.5% and global credit markets fell 2.2%.

February was a relatively quiet month for the GVF portfolio. We participated in one large corporate action, exiting 23% of our holding in Highbridge at a premium to carrying value. The fund also opened one new position and successfully exited three existing holdings.

Perhaps more notably, February saw the announcement that US Masters Residential Property Fund (URF), would repay the balance of its outstanding 7.75% bonds early. GVF had accumulated a sizeable position in these bonds, which during last year reached 5.4% of the fund's portfolio. Our thesis for this investment was that the bonds were being substantially mispriced by the market, which was conflating the issues URF and its manager had faced, with issues specifically relevant to the loan - which remained more than 4x covered by a robust portfolio of residential New York property. Having been able to accumulate a large portion of our holding below

#### Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	173M
Share price	\$1.11
Market cap	\$192M
Total dividends declared <sup>1</sup>	48 cents
Profits Reserve <sup>2</sup>	17 cents
Fully franked yield <sup>3</sup>	7.75%

#### 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

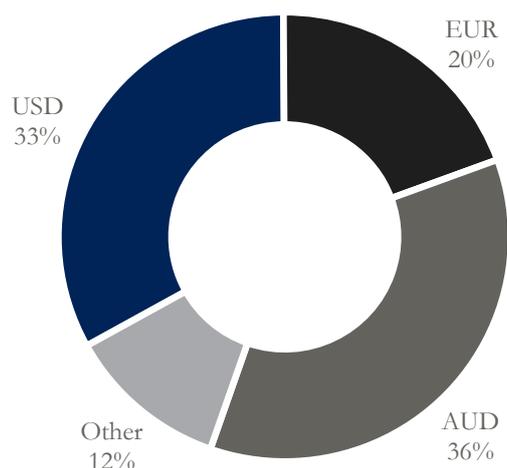
## Investment Update and Net Tangible Assets. As at 28th February 2021

par, we will now fully exit the loan at the end of March, having earned a 9.9% interest rate along the way, having held a very well covered piece of debt.

The GVF investment portfolio increased in value by 0.7% during February. The fund's discount capture strategy contributed 0.6% to returns during the month, while underlying market movements added a further 1%. These gains, however, were offset by the strength of the A\$ over the period and the company's operating costs.

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

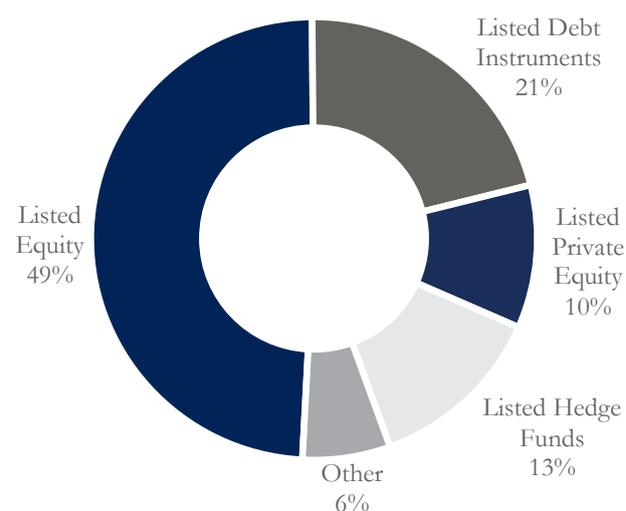
### Underlying Currency Exposures



The above chart reflects the manager's estimate of the currency exposures arising from the portfolio's underlying investments and cash balances as at 28<sup>th</sup> February.

Including emerging market currencies that are chiefly pegged to the US\$, the fund's US\$ exposure is approximately 36%.

### 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 28<sup>th</sup> February.

Exposure to cash represents both cash balances held by the Company and the underlying cash holdings of the fund's portfolio of investments.

## Significant Holdings<sup>6</sup>

Holding	% NTA	Summary
Ellerston Global Investments	7.8%	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	7.4%	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. The fund has now entered into a managed wind-down and will return capital to shareholders over the next year. Given the current discount, the managed wind-down represents an exit approximately 6.9% above the current share price.
Third Point Investors	7.0%	London-listed CEF that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 15.7% discount to its NAV and, under pressure from shareholders, the Board enacted several positive initiatives designed to lower this discount, including a \$200M share buy-back program. More recently, the Board has begun a strategic review to look for more permanent solutions to the fund's discount problem.
Australian Leaders Fund	6.3%	Australian Leaders Fund is an Australian listed hedge-fund that is converting into an open-end structure during Q1 of 2021.



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VPC Specialty Lending Investments	6.3%	London-listed CEF, managed by a US investment manager, that predominantly lends to middle market financial companies mainly in the US. The company currently pays a yield of c.9.3% pa based on the current share price, and trades on a discount of 12.6% to NAV. In conjunction with continuation vote in 2020, and following pressure from shareholders (including GVF), the company put in place an opportunity for shareholders to realise some or all of their investment at NAV in 2023, if discount or performance targets are not achieved.
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<sup>1</sup> Grossed up dividends of 47.81c declared from IPO at \$1 through to 13th May 2021, the HY2021 interim dividend payment date.

<sup>2</sup> The profits reserve sits at 17.1c as of 28th February 2021.

<sup>3</sup> Based on the end of month share price of 1.105 and the FY2021 dividend guidance of 6.0 cents per share, fully franked.

<sup>4</sup> All references to global shares markets refer to the total return (price and dividends) of the MSCI All Country World Equity Index.

<sup>5</sup> All references to global credit markets refer to the Bloomberg Barclays Global Credit Total Return Index.

<sup>6</sup> In order to protect the interests of GVF shareholders, certain large holdings may not always be publicly disclosed.

Unless otherwise stated, source for all data is Bloomberg LP and data as of 28<sup>th</sup> February 2021.

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