Recommended

Product Review
Global Value Fund Limited

ANALYST: CLINTON ALEXANDER | APPROVED BY: JAMES KIRK

About this Review

ASSET CLASS REVIEWED	ALTERNATIVES
SECTOR REVIEWED	GROWTH ALTERNATIVES (MODERATE)
SUB SECTOR REVIEWED	LIC
TOTAL COMPANIES RATED	2

About this Company

LIC REVIEWED	GLOBAL VALUE FUND LIMITED
TICKER	GVF
LISTING DATE	21 JULY 2014
COMPANY OBJECTIVE	EQUITY MARKET LIKE RETURNS ACROSS AN INVESTMENT CYCLE WITH A MEANINGFULLY LOWER RISK PROFILE
RECENT CAPITAL MANAGEMENT	44,033 SHARES REPURCHASED (9/21)
MANAGEMENT COSTS	1.5% P.A.
PERFORMANCE FEE	15% (1YR INTEREST RATE SWAP + 4% WITH HWM)

Market data

MARKET CAPITALISATION	$211M
SHARES ON ISSUE	173M
SHARE PRICE (21-9-2021)	$1.22
52 WEEK HIGH/LOW SHARE PRICE	$1.26 / $1.00
NTA (31-8-2021)	$1.26
52 WEEK HIGH/LOW NTA	$1.26 / $1.04
SHARE PRICE PREM/(DISC) TO NTA	-2.90%

Board of Directors

NO. OF DIRECTORS	4
MAJORITY INDEPENDENT DIRECTORS	YES (CHAIR HAS CASTING VOTE)
CHAIRPERSON	JONATHAN TROLLIP

About the Investment Manager

INVESTMENT MANAGER	STAUDE CAPITAL LIMITED
OWNERSHIP	100% MILES STAUDE
ASSETS MANAGED IN THIS SECTOR	A$219M (AUGUST 2021)
YEARS MANAGING THIS ASSET CLASS	7

Investment Team

PORTFOLIO MANAGER	MILES STAUDE
INVESTMENT TEAM SIZE	3

Investment process

STYLE	VALUE/ACTIVISM
BENCHMARK	50% MSCI AC WORLD INDEX (A$)/50% RBA CASH RATE
POSITION LIMITS	10% OF NTA (MAX.)
TYPICAL NO. OF POSITIONS	40
PERMITTED INVESTMENTS	EQUITY (LISTED & PRIVATE), CREDIT, FIXED INCOME, INFRASTRUCTURE, REAL ESTATE, CASH
CORRELATIONS	TYPICAL EQUITY BETA OF 0.5

Company rating history

SEPTEMBER 2021	RECOMMENDED
SEPTEMBER 2020	RECOMMENDED
SEPTEMBER 2019	RECOMMENDED

What this Rating means

The **'Recommended'** rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Scope of this rating

- Lonsec has used its Managed Funds research process in forming an opinion on this Listed Investment Company's (LIC or Company) ability to meet its stated investment objectives. The extent of any 'point-in-time' divergence between GVF's share price and its underlying Net Tangible Asset Value (NTA) per share is not part of the ratings consideration.
- Lonsec does consider whether structural or management issues could potentially lead to a LIC trading at a significant discount to its NTA over an extended period of time without any recourse for shareholders. This aspect forms part of the wider qualitative and quantitative assessment that Lonsec undertakes when assessing the relative investment merits of a LIC.

Strengths

- Miles Staude is an experienced investor who demonstrates a strong understanding of various corporate activism and trading strategies.
- GVF's trading strategies are considered logical and intuitively appealing providing investors with potentially a differentiated alpha source.
- High level of alignment with investors, specifically Staude.
- Well-positioned from a capacity standpoint.

Weaknesses

- Relatively small and illiquid closed-end company which may trade at a discount to NAV.
- High fee load, including a management fee, corporate expenses (incl. directors fees), a performance fee and underlying holding fees, albeit commensurate with strategy capacity.
- Relatively small-sized investment team with Staude considered to have a high workload.
- While improving, business risk in Staude Capital remains heightened given it has been operating sub-scale since inception.
- GVF's returns are expected to have a relatively high equity beta during market declines, therefore limiting the diversification benefits expected from an alternatives allocation.

Global Value Fund Limited

Company Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK			●
CAPITAL VOLATILITY			●
CREDIT RISK		●	
FOREIGN CURRENCY EXPOSURE			●
LEVERAGE RISK		●	
SECURITY CONCENTRATION RISK		●	
SECURITY LIQUIDITY RISK			●

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIOmetrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE						●	

A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW	MODERATE	HIGH
RISK TO INCOME		●	

Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY			●
ESG		●	

Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE			●
FEES VS. ASSET CLASS			●

Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

What is this Company?

- Global Value Fund Limited (GVF or 'the Company') is an ASX-listed investment company which was first listed on the exchange (ASX: GVF) on 21 July 2014. The Company had a market capitalisation of A$199m and 173m shares on issue as at July 2021. GVF's aims to generate equity market-like returns across an investment cycle with lower realised volatility than a comparable international equity portfolio. This is interpreted by Staude Capital Limited (Staude Capital or 'the Manager') as being a total return of 10% p.a. (gross) over five-year periods.

The Structure

- GVF is formally structured as a listed investment company and is governed by a Board of Directors ('the Board'). The Company is currently externally managed by Mirabella Financial Services LLP, who have seconded Staude Capital to manage the portfolio.
- Staude Capital has appointed Mirabella Financial Services to act as its Regulatory Host in the UK. (Mirabella Financial Services is one of the largest regulatory hosts in Europe, having helped over 100 firms with regulatory permissions and manages over US$10bn in assets.) The arrangements in place between Mirabella and Staude Capital ensure that Mirabella only remains involved in GVF for as long as Staude Capital continues to engage Mirabella's services.
- The Board is comprised of four individuals, and is led by Jonathan Trollip as Independent Chairperson. Trollip has a casting vote as Chairperson thereby the Board is majority independent. It has operational responsibilities for the effective functioning of the vehicle. Additionally, and more importantly from a practical shareholder value perspective, the Board is responsible for GVF's capital management decisions.
- The Company has a management fee of 1.5% p.a. (with the total expense ratio – taking into consideration the cost of the Board and running costs to c.1.8% p.a.). The fee drag from fixed costs is accentuated given the Company's relatively small market capitalisation. The Company also has a performance fee of 15% over a hurdle rate of the mid-price of the Australian Financial Markets Association one-year Interest Rate Swap plus 4% (subject to a high-water mark). This total fee load is relatively high and is even higher when factoring in the underlying investment fees of the CEFs. It should be noted, however, that the underlying fees of CEFs are accounted for by Staude Capital when assessing the overall case (and discount) of an underlying investment and there is limited capacity on offer.
- The GVF dividend reinvestment plan ('DRP') was designed such that if the GVF share price is below NAV, the Board buys back existing shares on market to fulfil the DRP obligation and will only issue new shares if the share price is above NAV. This DRP has been in place for 11 dividends now with GVF often buying back shares under the terms of the plan when it has traded at a discount and when the vehicle has traded at a premium to NTA, the Company typically has issued new shares. Since year end (FY21), the Company has declared a fully-franked final dividend for FY2021 of 3.30 cents per share.

The Investment Strategy

- Staude Capital believes that financial markets are broadly efficient and that it is difficult to outperform general market indices through active stock selection over the long term. Instead, Staude Capital seeks to add value through the purchase of assets trading below their assessed intrinsic or net asset value. This approach is then combined with an active strategy aimed at capturing the value presented by the discount. The firm's investment style has been described as 'value' alongside 'an arbitrage mentality'. As such, the underlying portfolio will primarily comprise investments in discounted securities of closed-end funds ('CEFs') listed on major global stock exchanges. In addition to CEFs, Staude Capital may also invest in convertible bonds, preference shares and hybrid securities, as well as investments in listed entities with significant holdings in cash, or conglomerates.
- The underlying portfolio will be diversified across a range of underlying asset classes, including listed equity, credit, fixed income, infrastructure, private equity, real estate and cash holdings. Staude Capital will also utilise market hedging techniques, with the aim of delivering superior risk-adjusted returns for shareholders over the medium-to-long term (five-to-seven years). The Company will also seek to maximise the total return to shareholders,

incorporating capital gains and dividend income franked to the maximum extent possible.
- The underlying portfolio will generally include positions in over 40 securities, with a maximum of 10% in a single exposure (at initial entry point). The underlying portfolio will be managed with a 'long' bias, but Staude Capital may use short selling and derivatives to manage the Company's market and currency exposures up to an aggregate notional value of 30% of its NTA. The Company is also permitted to utilise leverage which has recently been temporarily increased for a one-year period beginning September 2020 to a 20% maximum limit of the Company's NTA. Historically, the turnover of the underlying portfolio has averaged around 130% p.a.

Using this Company

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- The Company will generally sit within the 'growth' component of a balanced portfolio. It is suitable for mid-to-high risk profile investors with a five-year-plus investment time horizon.
- The Company is subject to equity market risks and movements (both positive and negative) in the prices of the underlying securities in the portfolio. Potential investors should therefore be aware of, and comfortable with, the potential for the Company to experience periods of negative absolute returns which may result in capital losses being incurred on their investment. Lonsec recommends advisors consult the Lonsec Risk Profile Review and/or the Lonsec Risk Profile Definitions document/(s) for guidance on appropriate asset allocations for a diversified investment portfolio. Lonsec recommends that equity investments are suitable for investors with an investment time horizon of at least five years.

Suggested Lonsec risk profile suitability

SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
		●	●	●	●

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- Staude Capital launched the Staude Value Fund, a Cayman exempted limited partnership, in June 2021 seeded externally with US$15m. An additional US$5m was provided via a managed account. The underlying strategy of both replicates that implemented by GVF.
- The Metage Capital commercial relationship (research sharing and business consultation) was terminated during Q1 2021 following the launch of the Staude Value Fund and after being scaled down across 2020.
- Plans have been set forth for Miles Staude, Portfolio Manager, and Emma Davidson, Director and Investor Relations, to relocate to Australia around October 2022. Mark Ambrose, Investment Manager, will oversee the London office with Staude maintaining a periodic presence across both offices.
- GVF announced a Share Purchase Plan (SPP) on 17 November 2020. The SPP was offered to existing shareholders at a price of $1.06 per share, which was in line with GVF's pre-tax NTA as at 31 October 2021. The transaction alongside a shortfall Placement to sophisticated and professional investors raised $25.6m. The Company issued 11.6m new shares in respect of the SPP and a further 12.6m new shares pursuant to the Placement, at an issue price of $1.06 per share representing 16.3% of the pre-SPP share capital of the Company.
- Effective 30 September 2020, GVF's leverage limit has been temporarily increased for a one-year period from 15% to 20%. This limit increase was reasoned to allowing the investment team to capitalise on the wider opportunity set following the COVID-19 market dislocation and the closed-end structure of GVF, investor demand and competitive financing rates.
- Lonsec has not been advised of any further material changes impacting the Company or Manager.

Lonsec Opinion of this Company

Board of directors

- The Board is chaired by Jonathan Trollip and includes Chris Cuffe and Geoff Wilson, who are both well-known figures in the Australian funds management landscape, alongside Portfolio Manager, Miles Staude. The Board comprises four members and is majority independent as Trollip, as Independent Chairperson has a casting vote. Lonsec considers the majority independent director board representation alongside an independent chairperson to be consistent with good corporate governance principles.
- Lonsec notes that GVF is stewarded by a Board with a blend of strong industry and financial services experience. This includes, most importantly, personnel with relevant and extensive investment markets experience. Both Wilson and Cuffe have strong domain experience in asset management and/or financial services, with Wilson having particularly strong experience in the management of LIC vehicles through his eponymously named firm. Lonsec considers GVF's Board composition to be reasonable and notes it has been stable since listing. Separately, Lonsec considers the remuneration arrangements for the Board to be also reasonable considering the overall cap of A$90,000 p.a. for the four and notes positively that Staude has forgone his director fees.
- Given the nature of the strategy focuses heavily on closing the discounts of its investments, Lonsec believes that the GVF Board will need to be vigilant in managing any discounts in GVF's share price itself.

People and resources - Investment manager

- The Company is currently externally managed by Mirabella Financial Services LLP, who have seconded Staude and the Staude Capital investment team to manage the portfolio. Staude Capital is a London-based hedge fund manager with a heritage in discount capture and activist techniques. Staude Capital is fully owned by Staude and Emma Davidson, Director and Investor Relations.

- Staude Capital was spun out of Metage Capital, a London-based investment management firm, after the principals of Metage Capital decided to scale its business down. Lonsec notes that a formal relationship had been in place with Metage Capital since the inception of Staude Capital involving idea and analysis sharing alongside broader business consultation. That said, this arrangement has recently been terminated which does not raise any immediate material concerns for Lonsec.
- Staude Capital, at current funds under management (FUM), is advised as being modestly profitable (management fees alone) although at times, the firm has fallen below its break-even (e.g. March 2020). Lonsec highlights that below-market salaries continue to be paid to Staude and Davidson to support the business and whilst performance fees have been earned (FY17, FY18 and FY21), these are not considered a stable revenue stream. Lonsec notes that the firm has been operating in this manner since being spun out of Metage Capital (2016). That said, the LIC structure somewhat moderates business risk, and Lonsec recognises some positive momentum within the firm of late, namely, the recent external seeding of the Staude Value Fund which provides another avenue of firm growth albeit attracting further costs. This, alongside the recent uptick in GVF's size through placements are viewed as positive developments to profitability. Whilst Staude appears firmly committed to the business and has stated both he and Davidson have the financial capacity to support this venture over the medium-term, business risk is judged as high with continued improvements in profitability required to further moderate Lonsec's business risk concerns.
- Lonsec has held the view that the modest financial affairs of Staude Capital have inhibited the ability to expand resourcing and execute on its growth plans. This, in Lonsec's view, had been contingent on the launch of the Cayman vehicle. The recent launch of this vehicle is therefore an important milestone for the firm which can facilitate team expansion, assist in staff retention and enable team co-investment. Lonsec notes however that given the nascency of this development, these aspects will be a focus of future reviews.
- The underlying portfolio is managed by an investment team of three, comprising of Staude, James Dow and Mark Ambrose, both Investment Managers. Staude is well-experienced with 21 years' industry experience in trading, investment management and research, covering a wide range of financial markets. Prior to founding Staude Capital, Staude spent 10 years as a Portfolio Manager and Investment Analyst at Metage Capital, and five years as a sell-side Equity Analyst at RBC Capital Markets.
- Lonsec considers Staude to be highly impressive with an excellent understanding of the CEF space, which it considers to be a highly specialised market sub-set. Lonsec has met with Staude since assuming coverage of the Company and views him as an astute investor who displays strong market acumen of the CEF industry and believes he is well-suited to manage GVF.
- Staude and Dow share an extensive history working together, having previously served together at Metage Capital for 10 years prior to managing GVF since its IPO (2014). In aggregate, Staude and Dow have an extensive level of experience investing in the CEF space and combined have 44 years of market experience.
- Nonetheless, the relatively small-sized investment team experienced a departure of a long-standing investor in March 2020. Lonsec notes however that Ambrose was recruited shortly after and holds over 16 years' investment experience mainly built on the sell-side. Lonsec understands that Ambrose garnered extensive contacts and knowledge of the CEF universe alongside engaging with Staude Capital whilst at his prior employer which it considers highly valuable for his role at Staude Capital and assimilating culturally. Lonsec has met with Ambrose at the most recent review and notes his contribution on activism positions since joining. That said, Lonsec will continue to assess his contribution and philosophical alignment as his tenure lengthens.
- Lonsec believes the team to be lightly resourced and would benefit from headcount expansion, particularly given the short duration to which the portfolio is managed to and time intensive nature of unstructured positions. The workload of Staude given the scope of his responsibilities (e.g. broader business, name due diligence and portfolio management) is of particular concern. The recruitment of Ambrose, as mentioned, has however broadened some responsibilities amongst the team, specifically assuming some activism responsibilities which is viewed positively. Lonsec also recognises corporate developments of late (e.g. launch of the Cayman vehicle) which may enable bolstering of headcount although notes that product expansion does create additional responsibilities (e.g. marketing) for Staude to manage in the near-term. Resourcing will be an area of focus during future reviews.
- Key person risk in Staude is very high, given his role as Portfolio Manager, his investment skill and experience and his ownership of the firm. Moreover, given GVF's investment strategy is highly specialised and is supported by a small team, key person risk is likewise considered to be elevated in Dow and Ambrose. That said, key person risk is well mitigated in Staude by virtue of his ownership of Staude Capital, alongside his co-investment in GVF via a private holding company. The same can not be said for Dow nor Ambrose currently. That said, the launch of the Cayman vehicle enables an avenue for future co-investment.

Global Value Fund Limited

Research and portfolio construction

- Staude Capital's core strategy is to buy investments in CEFs which are trading at discounts to their respective NAVs. This strategy involves two key components, namely: 1) Trading – where there is a potential near-term catalyst which is both foreseeable and that is likely to narrow the discount gap (i.e. a likely impending share buyback); and 2) Activism – where change can be forced upon the vehicle through corporate activism by Staude Capital. Lonsec considers this strategy to be logical and intuitively appealing with the potential to provide investors with a differentiated source of alpha. This view also encompasses the observation of the CEF/LIC space containing examples of discounted securities and poor management and/or conflicted corporate governance.
- An important part of the strategy is providing liquidity for the UK's Independent Financial Advisor (IFA) market and Staude Capital claims to be one of the first calls by brokers with clients looking to exit their CEF positions, presenting an opportunity for it to make-a-market for relatively illiquid securities at an appropriate discount. Historically, this has enabled Staude Capital to buy into CEF positions at large discounts and then liquidate their position at a smaller discount when another IFA client is seeking exposure. Establishing and maintaining a strong connection with the IFA network is therefore an integral part of the strategy which leverages the investment team's networks.
- Staude Capital is sophisticated in its approach to the tender process for CEF share buybacks and the strategy benefits from the apathy of shareholders on the register of most CEFs. As such, GVF will generally sell more than its fair allocation into a share buyback. This strategy has historically been a key source of alpha for the strategy.
- Activism is a central tenet of Staude Capital's discount capture strategy and when required, it involves engaging with other investors to build consensus around proposals to exert pressure for change. Such activities can sometimes lead to conflict with other stakeholders and a corporate activist can engage directly with boards or run public relations or media campaigns to exert influence. While activist campaigns can be time consuming and reduce the underlying portfolio's liquidity, Lonsec notes that Staude Capital has had reasonable success with such campaigns to date and that corporate activism has historically contributed c.50% of GVF's alpha.
- Lonsec believes the activism component brings a key advantage for GVF's performance, which has historically exhibited a strong right tail skew in its profile. This reflects that the underlying portfolio's largest trade winners tend to significantly outsize the biggest detractors. It also potentially results in a reasonably lumpy performance pattern.
- That said, Lonsec highlights the resource and time intensive nature of activist campaigns compared to other alpha sources. Historically, Staude has been almost entirely responsible for this area limiting the opportunity set to one-to-two positions at any one time. Ambrose's addition has however provided a capacity increase in such positions whilst enabling some reduction in Staude's involvement. Lonsec will although continue to test this aspect in future reviews given Ambrose's minimal prior experience in activist campaigns and their general complexity. Lonsec is mindful that such campaigns can be extended and highly complex which may prove to be a material distraction/time drag for Staude and potentially compromise his focus on the remaining portfolio as has been historically evident (e.g. director appointment to ASX: BAF).
- Lonsec highlights that Staude Capital may also attempt to implement its strategy in asset classes where it lacks specific expertise or knowledge (e.g. catastrophe bonds) or transparency of holdings or the investment strategy is opaque. Staude attempts to mitigate this risk through position sizing and a sufficient margin of safety in the valuation discount. Lonsec notes an element of basis risk exists given the difficulty in hedging some of the more complex and less liquid underlying positions, such as private equity. That said, the hedging of the underlying exposure to traditional asset classes has been satisfactory to date.
- Lonsec considers the investment process could benefit from greater clarity around sell discipline, particularly for activist-based positions. While Lonsec has been advised that sell-levels on each holding are implemented, reviewed and debated by the team semi-monthly, Lonsec believes there is limited observable assessment undertaken of the opportunity cost of remaining in such positions until completion. Lonsec accepts that Staude's ability to agitate for future change can become dependent on his reputation for past success and is likely to desire a resolution once invested. That said, extended campaigns that prove resource intensive may benefit from an exit strategy if certain time or event criteria are not met.
- Further, the Manager's sell discipline may also be challenged given the difficulties in liquidating holdings in its unlisted investments, the significant single name concentration (e.g. top five investments: 30% of NTA, July 2021) and from its high ownership stakes in activist-based positions. Sell discipline will continue to be an area of discussion for Lonsec to build on its conviction in future reviews.
- Staude as Portfolio Manager is fully responsible for portfolio construction and accountable for the performance of the strategy. The underlying portfolio has historically been diversified by both security and asset class, particularly at the underlying level, and Staude Capital has also adequately managed liquidity to date. That said, the portfolio has displayed significant concentration at the headline level to key positions as mentioned.

ESG integration

- Whilst the Manager has indicated a commitment to ESG to Lonsec, there is little evidence in their public positioning. The Manager has appropriate policies in place, however, they are not clearly accessible on the firm's website. Lonsec views the strength of this commitment to be behind peers in this sector.
- Nonetheless, governance is a large part of the Manager's assessment of investment opportunities. Additionally, the Manager has demonstrated a strong degree of engagement on a broad range of governance issues, however, does not have a

systematic approach to tracking shareholder voting and engagement outcomes nor are any details provided on this or their respective policies. Lonsec highlights the Manager has minimal consideration of environmental and social elements within their investment process. Overall, on a peer relative basis, Lonsec considers the overall level of ESG integration within GVF to be low-to-moderate.

Risk management

- Risk is reasonably well-managed in an absolute sense, reflecting the hedging overlay and the diversification of underlying assets in the underlying portfolio. The strategy may however exhibit a significant level of equity beta and is susceptible to drawdowns along with the broader market and this could exacerbated by GVF's own closed-end structure and ASX listing.
- While Staude Capital's risk systems are less sophisticated than larger peers in the Alternatives universe from Lonsec's experience, it is also worth noting that the gross and net leverage used has historically been relatively much lower. That said, Lonsec notes the potential basis risk associated with the overlay given the difficulty in offsetting some of the more complex underlying exposures.

Funds under management

- Staude Capital managed A$219m (August 2021) in FUM, defined as current fee paying capital, and is considered well-placed at this level to implement many of the trading techniques it utilises. Capacity is set at $500m across both the Company and Staude Value Fund which is reasonably conservative and reflects both the low liquidity of the underlying investments and the desire for Staude Capital to continue to provide alpha for investors. However, Lonsec notes that additional scale can be an advantage for activism strategies where a higher level of investment may be required to drive meaningful change.

Performance

- **Lonsec highlights the Quantitative Performance Analysis charts at the rear of the report may not reflect the same figures reported by Staude Capital. Specifically, the data series used in this document are based on share price returns that exclude franking credits. As outlined above, the addition of franking credits improves the comparability (from a performance viewpoint) with peers in a managed fund/trust vehicle. Additionally, the Net Tangible Asset Value (NTA) data in this document is calculated based on the undiluted NTA approach, which in GVF's case, results in a different outcome to the diluted NTA approach due to the option issuance at its IPO. Please refer to GVF's website for further information on GVF's franking credits, undiluted NTA and diluted NTA calculations.**
- From a total shareholder return perspective, over the one-year, all figures to July 2021 (net) unless otherwise stated, GVF generated a strong absolute return of 26.6% which reflects the pre-franking credits returns of the share price. FY2021 performance was particularly strong with GVF's discount capture strategy generating a 24.9% (gross) return over this period. Total shareholder return was 32% over this period with the Company's pre-tax NTA increasing by 30.2% (incl. franking). Performance was benefited by holdings in Third Point Investors, Ellerston Global Investments and Empiric Student Property with the former two names contributing strongly over CY2020 and H1 2021. Holdings in Amedeo Air Four Plus and SME Loan Fund modestly detracted.
- Over the medium-to-long term, specifically the three and five years and since inception to June 2021, GVF's net portfolio returns were 9.8% p.a., 10.3% p.a. and 10.3% p.a., respectively. The 10% p.a. return target was therefore met.
- Lonsec notes that share price returns over a defined period can be materially influenced by the premium/discount to NTA. Generally, over the short-term, LIC's discount to NTA have a tendency to widen during periods of strong directional market moves due to the market over or under reacting to the broader environment relative to the underlying assets within the portfolio. This characteristic will, however, largely depend on the LIC's size, the number of investors and the underlying asset class. Lonsec highlights that GVF is likely to exhibit a higher equity beta during market declines which limits the diversification benefits expected from an alternatives allocation. The vehicle has traded at a modest average discount to pre-tax NTA (c.3%) since listing with this being at a c.6% discount as at July 2021.
- GVF's volatility (Standard deviation of shareholder returns on a monthly basis) over the one year was 8.9% p.a. which was marginally (+0.7%) higher than the MSCI AC World NR Index A$.
- GVF has consistently paid six-monthly dividends since the second half of 2015. The most recent two dividend payments were 2.9c and 3c in November 2020 and May 2021, respectively both being 100% franked.

Overall

- Lonsec has maintained the Company's '**Recommended**' rating. Lonsec has a high regard for Portfolio Manager, Miles Staude, who demonstrates a deep understanding of various corporate activism and trading strategies which offer investors a differentiated alpha source.
- Business risk in Staude Capital is however considered high given it has been operating sub-scale since its inception whilst its investment team of three is relatively small with Staude himself having a high workload. That said, Lonsec recognises some positive firm developments of late (e.g. product expansion, team progression). Lastly, Lonsec cautions that GVF has historically exhibited a relatively high equity beta for an alternatives strategy reducing its diversification benefits within a broader portfolio.
- GVF is stewarded by a Board with complementary skillsets and deep prior experience. GVF's trading performance relative to NTA has averaged a modest discount albeit this has fluctuated throughout its operating history. The Company is relatively small and can be thinly-traded.

Global Value Fund Limited

People and Resources

Corporate overview

The Company is currently externally managed by Mirabella Financial Services LLP, who have seconded Miles Staude and the Staude Capital investment team to manage the GVF portfolio. Staude Capital is a London-based hedge fund manager with a heritage in discount capture and activist techniques. Staude Capital is fully owned by Miles Staude.

Size and experience - Board of directors

NAME	POSITION	YEAR JOINED
JONATHAN TROLLIP	CHAIRMAN & INDEPENDENT DIRECTOR	2014
CHRIS CUFFE AO	INDEPENDENT DIRECTOR	2014
GEOFF WILSON AO	NON-INDEPENDENT DIRECTOR	2014
MILES STAUDE	NON-INDEPENDENT DIRECTOR & PM	2014

Jonathan Trollip (Chairman and Independent Director) is an experienced Director with over 33 years of commercial, corporate, governance, legal and transaction experience. Trollip is Chairman of ASX-listed Future Generation Investment Company Limited, Antipodes Global Investment Company Limited, Spheria Emerging Companies Limited and Plato Income Maximiser Limited and a non-executive Director of ASX listed Propel Funeral Partners Limited, BCAL Diagnostics Limited and ASX, AIM and JSE listed Kore Potash Plc.

Trollip holds commercial private company directorships with Meridian International Capital Limited and Yellow Holdings Limited and is involved in the not-for-profit sector as Chairman of Science for Wildlife Limited, and a Director of the Watarrka Foundation Limited and Pinnacle Charitable Foundation Limited.

Trollip worked as a Principal of Meridian for 22 years and prior to that he was a Partner with law firm Herbert Smith Freehills.

Chris Cuffe AO (Independent Director) has more than 30 years' experience building wealth management practices. Most notably, Cuffe joined Colonial First State in 1988 and became its CEO two years later, leading the company from a start-up operation to Australia's largest investment manager. In 2003, Cuffe became the CEO of Challenger Financial Services Group Limited and subsequently led Challenger's Wealth Management business.

Cuffe is Chairman of Hearts and Minds Investments Limited, and a director of Argo Investments Limited and Antipodes Global Investment Company Limited (each listed investment companies). He is also Chairman of Australian Philanthropic Services Limited (a non-profit organisation assisting philanthropists), and a director of Third Link Investment Managers (the manager of an Australian equities fund known as Third Link Growth Fund).

Geoff Wilson AO (Non-Independent Director) has 41 years' direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Wilson founded Wilson Asset Management in 1997. Wilson created Australia's first listed philanthropic wealth creation vehicles, the Future Generation companies.

Wilson is currently Chairman of WAM Capital Limited, WAM Research Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited, WAM Global Limited, WAM Strategic Value Limited and the Australian Stockbrokers Foundation. He is the Founder and a Director of Future Generation Global Investment Company Limited and Future Generation Investment Company Limited and a Director of WAM Alternative Assets Limited, Hearts and Minds Investments Limited, Century Australia Investments Pty Limited, Wealth Defender Equities Pty Limited, Incubator Capital Limited, Concentrated Leaders Fund Pty Limited, Wollongong 2022 Limited, Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation, and the Australian Children's Music Foundation. He is also founder and Director of investment management companies Wilson Asset Management (International) Pty Limited and MAM Pty Limited.

Miles Staude (Non-Independent Director) has 21 years' experience in trading, investment management and research, covering a wide range of financial markets. He is the Portfolio Manager of the Global Value Fund. Under Mirabella's regulatory licences, he has overall responsibility for the GVF portfolio management team, trading and investment management activities.

Prior to founding Staude Capital, Staude spent 10 years' as a Portfolio Manager and Investment Analyst at Metage Capital, a London-based investment management firm. Before joining Metage, Staude spent five years as a sell-side Equity Analyst at RBC Capital Markets, based in both Sydney and London.

Board remuneration

The annual fees paid to the Board of Directors in the financial year ending 30 June 2021 were: Trollip ($40,000), Cuffe ($35,000), Wilson ($10,000) and Miles Staude (nil).

Size and experience - Investment team

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
MILES STAUDE	PORTFOLIO MANAGER	21 / 7
JAMES DOW	INVESTMENT MANAGER	24 / 7
MARK AMBROSE	INVESTMENT MANAGER	16 / 1

James Dow (Investment Manager) is a member of the GVF portfolio management team. Dow has over 24 years' experience in financial markets, having managed a diverse range of financial instruments in his career. Prior to working at Staude Capital, Dow spent 16 years as an Investment Manager at Metage Capital, a London based investment management firm. Before joining Metage he spent two years as an Investment Manager at Credit Suisse and four years working in various investment support roles at Buchanan Partners, a London-based hedge fund manager.

Mark Ambrose (Investment Manager) is a member of the GVF portfolio management team. Ambrose has 16 years' experience in financial markets, covering a diverse range of sectors at Atlas Capital Group, ABN Amro, CLSA (UK) and LingBridge. Most recently, Ambrose spent almost ten years as a desk strategist and specialist salesman on the investment companies team at Jefferies in London before joining Staude Capital in March 2020.

Investment team remuneration

As the 100% equity owner of Staude Capital, Staude is strongly aligned to both the success of the business and strategy through GVF's performance fees. Both analysts are paid a salary and an annual bonus, which is linked to the performance of the strategy, individual stock calls, the profitability of the business and other subjective qualitative factors.

Research Approach

Overview

Staude Capital looks to identify investment opportunities from a variety of internal and external sources. Internal sources include proprietary systems which monitor a wide range of global markets for attractive discount opportunities, with a particular focus on the CEF sector. External sources of opportunities come from broker relationships with Staude Capital, and other CEF investors who may seek Staude Capital's assistance in bringing about change in the entity.

Staude Capital undertakes qualitative and quantitative analysis on potential opportunities and seeks only to invest in circumstances where it believes that the risk/reward characteristics presented by a discounted security are favourable. This involves detailed analysis of both the underlying assets of a security and the factors causing the discount to exist. Staude Capital will aim to establish likely catalysts to unlock this discount prior to investing.

Closed-end funds ('CEFs')

CEFs (like listed investment companies or listed investment trusts) are collective investment vehicles that have a fixed number of securities that are traded between investors. This feature means that it is common for CEFs to trade above or below the realisable value of their portfolio. CEFs publish a net asset value (NAV) which identifies the value of their underlying portfolio and listed CEFs normally also produce a transparent list of their portfolio holdings. This enables the Manager to assess whether the published NAV is realisable and realistic.

CEFs are a major international asset class and Staude believes that the market capitalisation of the investable universe of these securities is in excess of US$700bn. The scale of this universe presents a wide range of securities, many of which trade at attractive discounts relative to their underlying value. These discounts can be volatile over time and this volatility can provide further investment opportunities.

As an asset class, CEFs provide access to a wide range of global financial markets and underlying assets. Discount capture techniques within a CEF portfolio provide investors with the dual benefit of an investment in a diversified portfolio of international markets, as well as a potential source of market outperformance. Where a CEF has a significant portion of its portfolio in cash, this can provide downside protection for investors willing to unlock this value.

Discount capture

The value presented by discounted securities can be unlocked through a variety of techniques which include trading, the use of existing catalysts and through corporate activism. Staude Capital views a willingness to engage proactively with boards, management teams and other shareholders as an essential element of discount capture.

The crucial factor in running a successful discount capture strategy is separating promising opportunities from 'value-traps' and recognising where there is the potential to bring about change and release value.

Activism is not always a prerequisite for capturing the underlying value presented by a discount. There are many opportunities to capture the value embedded in a security through passive techniques. These can include taking advantage of corporate actions such as tender offers, buybacks or liquidation events, as well as trading opportunities that arise in different markets from time-to-time.

Staude Capital utilises a variety of proprietary systems to engage in this form of passive discount capture and leverages its relationships with intermediaries for access to stock and information flows.

While Staude Capital will look to capture value through passive techniques, activism remains a central tenet of the discount capture strategy. When required, it involves engaging with other investors to build consensus around proposals to exert pressure for change. Such activities can sometimes lead to conflict with other stakeholders. A reputationally-risk-averse manager will avoid such conflict; although it is often the key to driving an increase in shareholder value.

Changes that may unlock value for investors include amendments to a company's capital management, alterations to its balance sheet structure, the return of capital to shareholders, changes to corporate strategy, board and management personnel, or corporate actions such as takeovers or divestitures. A corporate activist can engage directly with the board or run public relations or media campaigns to exert influence.

The success and profitability of a discount capture strategy depends primarily on the ability of the investment manager to identify and purchase securities at a discount to their underlying value and then to successfully engage in strategies to realise this value. The key risk with such a strategy lies with poor security selection by Staude Capital and/or an inability to successfully execute its strategies to unlock value. If these strategies are unsuccessful, the underlying portfolio's assets will continue to trade at a discount. It also may be difficult for Staude Capital to exit its investment positions if these securities are illiquid. In such instances the underlying portfolio may incur a loss.

Portfolio Construction

Overview

Staude, as Portfolio Manager, is responsible for portfolio construction and accountable for the performance of the strategy.

The underlying portfolio will generally be diversified with over 40 securities and a maximum of 10% in a single exposure (at initial entry point). Staude Capital expects that the underlying portfolio will comprise mainly of investments listed on developed market stock exchanges; however the assets underlying these investments will be exposed to a wider range of geographies, including emerging markets. Staude Capital will aim to construct the underlying portfolio to ensure that there is a wide diversification across different global markets and currencies to mitigate country specific risk. Individual geographic exposures will be driven by the relative attractiveness of opportunities available in a particular market or asset class.

Where an attractive set of investment opportunities exists, but the Manager is concerned about the aggregate exposure of the underlying portfolio to a particular currency or asset type, Staude Capital may use hedges to mitigate this risk.

While Staude Capital is also permitted to utilise leverage of up to 20% of the Company's net asset value, this is expected to be used more heavily in times of market stress when discounts tend to widen as has been evident since March 2020.

Risk Management

Risk limits

MAXIMUM GROSS EXPOSURE	120% OF NTA
MAXIMUM INDIVIDUAL SECURITY WEIGHT	10% OF NTA
MAXIMUM ALLOCATION TO CASH	100%
MAXIMUM TOTAL ALLOCATION TO ILLIQUID ASSETS	20% OF NAV (SOFT)
MAXIMUM TOTAL ALLOCATION TO EMERGING MARKETS	30% OF NAV (HARD)
MAXIMUM HEDGING	30% OF NTA
DERIVATIVES	USED FOR HEDGING EXPOSURE LEVELS

Risk is managed in an absolute sense and Staude Capital will endeavour to hedge any significant market exposures with a broad mix of equity (both private equity and listed equity), debt, and alternative exposures (real estate, hedge fund and other such as catastrophe bonds).

Risk monitoring

Portfolio management, risk management and portfolio attribution is enabled through the use of a suite of Excel-based MIS (Management Information Service) reports developed by Staude Capital. These reports are either generated automatically or produced manually as a part of periodic P&L runs. Reports include those facilitating a regular review of trades, positions and fund exposures.

The Exposure System is the primary portfolio risk management tool. The Exposure Reports produced are effectively a portfolio-wide stress test, describing the aggregate portfolio sensitivity to a variety of market factors. The two key market-priced risk factors which are considered the most significant are asset class risk and currency risk.

Staude Capital examines each underlying portfolio holding, 'long' or 'short', with a view to estimating its exposure both to relevant benchmark asset class indices and to currencies. These estimates are based on empirical measurements of historical experienced beta as well as on fundamental factors, such as the cash on a company's balance sheet or the theoretical delta of a derivative. In the case of closed-end funds this typically involves a 'look-through' analysis to the assets comprising the underlying portfolio of the investee fund as well as consideration of the currency and market of the fund itself.

Security exposure to each of the measured risk factors is then aggregated to give a view of these exposures at the overall portfolio level, which is the central risk-management tool. This portfolio exposure report is continuously updated to reflect changes to the constitution of the underlying portfolio as well as changes to the risk characteristics of the individual holdings, which are reviewed on a regular schedule.

Currency management

The underlying portfolio will also include a broad mix of major currency exposures, Staude Capital may utilise FX hedges to limit the Company's exposure to an individual currency or basket of currencies. Staude Capital typically aim to broadly align the portfolio's currency exposures with the global investable universe (as viewed from an Australia investor). That said, Staude Capital tend to structurally have an overweight to the A$ (typically 30%) due to using the A$ as a proxy for emerging market currencies.

Risks

An investment in the Company carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the Prospectus and should be read in full and understood by investors. Lonsec considers major risks to be:

Equity market risk

Investments in equity markets are subject to numerous factors which may have an impact on the performance of an investment (both positive and negative). Unexpected changes in economic, technological, structural, regulatory or political conditions can have an impact on the returns of all investments within a particular market.

Investment risk

Being an LIC, its securities may trade on the ASX at a either a discount or premium to its NTA for extended periods of time which will alter the realised performance outcome over a given period.

Derivatives risk

The Company has scope, to implement various derivative strategies. Derivative market values can fluctuate significantly and, as a result, potential gains and losses can be magnified.

Liquidity risk

Liquidity risk is the risk that an underlying investment may be difficult or impossible to sell in a timely fashion when required, or that the price at which such a sale may be made differs substantially from what Staude Capital considers to be fair market value.

Currency risk

The Company will invest principally in entities listed on international markets, which may themselves hold assets either listed or trading in different countries. This will expose the underlying portfolio to movements in the relative values of different currencies. If the Australian dollar increases in value compared to the currency in which the Company holds assets, the assets will have a lower value in Australian dollar terms. Staude Capital may utilise FX hedges to limit the Company's exposure to an individual currency or basket of currencies, but there can be no guarantee that such hedging will be effective.

Corporate activism risk

The Company may sometimes employ an 'activist' strategy, which may involve engaging with other shareholders, the boards of investee entities and other stakeholders to seek to increase shareholder value. Such actions could potentially lead to litigation and/or some form of enforcement action. This could include action by other stakeholders, market operators and/or financial services regulators. This could be costly and time consuming and may adversely impact on the financial performance of the Company. The Company may incur expenses as a result of such action, including but not limited to litigation, legal and other expert's fees, travel and accommodation costs, and other expenses.

Leverage risk

Leverage through borrowing, also known as gearing, can magnify portfolio gains, but will also magnify losses. This may impact the Company's risk, liquidity and value. Staude Capital believes it is in shareholders' interests to aim to have the underlying portfolio fully invested at all times, so as to reduce the negative performance effects of 'cash drag' on the Company. As the attractiveness of the available investment universe will vary over time, Staude Capital will have the ability to borrow funds to invest, up to the value of 20% of the Company's net asset value. This facility will ensure that Staude Capital is not forced to immediately match purchases with sales, as well as providing an ability to capitalise on highly attractive investment opportunities that may arise from time-to-time.

Short selling risk

Short selling can magnify gains and/or offset risks in an investment portfolio, but can also magnify losses in a similar manner to leverage. While the use of short selling can substantially improve the risk profile for invested capital, it may also have a significantly increased adverse impact on the Company's financial performance. The Company's policy will be to use short selling to offset risk, rather than as a means of magnifying returns from investment positions. In this regard, short selling will be used to manage and moderate financial market risk for the underlying portfolio, and may be used to manage other risks as appropriate.

Global Value Fund Limited

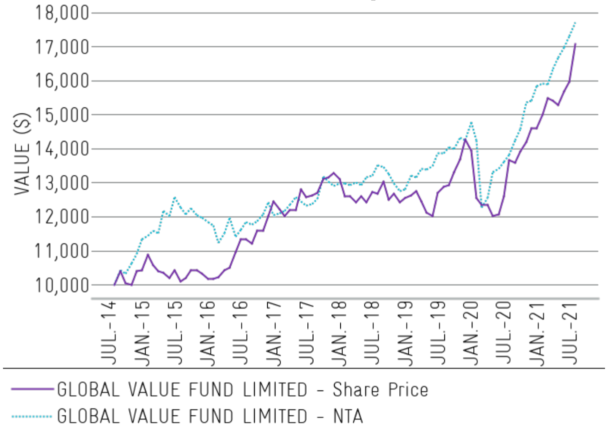
Quantitative Performance Analysis - annualised after-fee % returns (at 31-8-2021)

Performance metrics

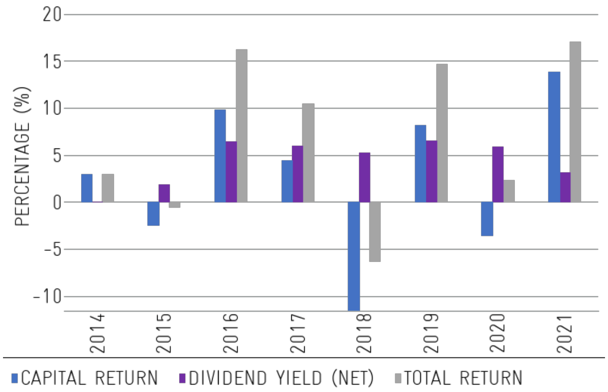
	1 YR	3 YR	5 YR	7 YR
TOTAL RETURN (% PA)	25.03	10.47	8.56	7.95
STANDARD DEVIATION (% PA)	7.61	11.53	10.06	9.54
EXCESS RETURN (% PA)	10.70	3.17	0.65	0.31
WORST DRAWDOWN (%)	-1.35	-15.74	-15.74	-15.74
TIME TO RECOVERY (MTHS)	1	7	7	7
TRACKING ERROR (% PA)	7.55	10.64	9.84	9.24

PRODUCT: GLOBAL VALUE FUND LIMITED
PRODUCT BENCHMARK: 50% MSCI AC WORLD INDEX AUD / 50% RBA CASH RATE
TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

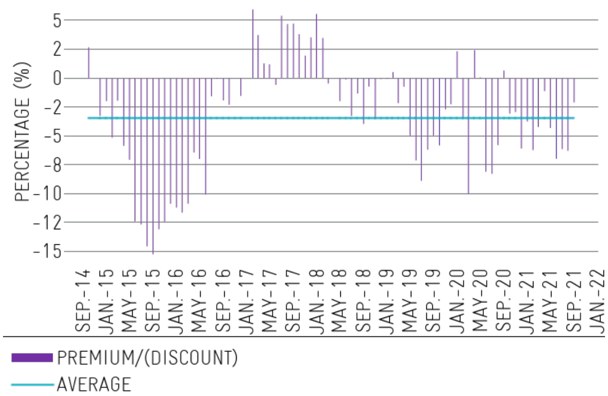
Growth of $10,000 over seven years



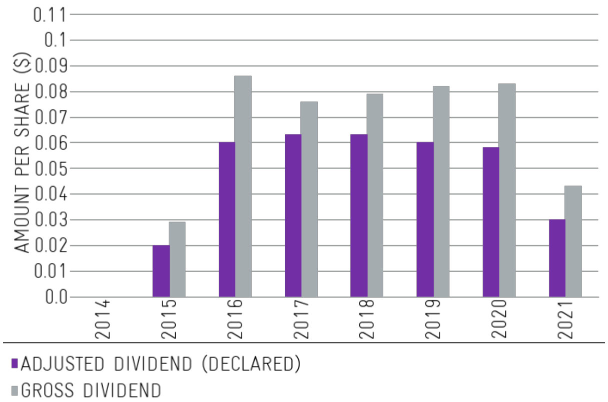
Calendar Year Returns over eight years



Share Price Premium/Discount to NTA over seven years



Dividend Record over eight years



Lonsec

Global Value Fund Limited

Glossary

Click here for the glossary of terms.

About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned entity with a multi-brand strategy of providing leading financial services research and investment execution. Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

Analyst Disclosure and Certification

Analyst remuneration is not linked to the research or rating outcome. Where financial products are mentioned, the Analyst(s) may hold the financial product(s) referred to in this document, but Lonsec considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst holdings may change during the life of this document. The Analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the matters and financial product(s) to which this document refers.