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# Global Value Fund Limited

A.B.N. 90 168 653 521

# Appendix 4E
# for the year ended 30 June 2021

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# Global Value Fund Limited
# Appendix 4E
# For the year ended 30 June 2021

**Preliminary Report**

This preliminary report for Global Value Fund Limited (also referred to as 'GVF' or 'the Company') is for the financial year ended 30 June 2021.

**Results for announcement to the market**

| | 2021 $ | 2020 $ | up/down | % mv't |
|---|---|---|---|---|
| Revenue from ordinary activities | 56,988,475 | 4,745,473 | 52,243,002 | 1,101 |
| Profit before tax for the year | 44,859,175 | 31,929 | 44,827,246 | 14,0397 |
| Profit from ordinary activities after tax attributable to members | 32,478,975 | 138,817 | 32,340,158 | 23,297 |

*All comparisons are to the full year ended 30 June 2020.*

**FY2021 review**

The Company's adjusted pre-tax Net Tangible Assets ("NTA") increased by 29.2%[1] during FY2021, or 30.2% inclusive of the benefit of franking credits received. Shareholder total returns for the period were +32.0%[2], driven by both a strong appreciation in the Company's share price and the continued high level of dividend payments the Company makes. The Company's discount capture strategy generated a 24.9% (gross) (2020: 3.1%) return over the year. Positive returns from this strategy represent outperformance (known as 'alpha') over the underlying market and currency exposures of the Company's investment portfolio.

**Dividends**

During the year, the Company declared and paid dividends of 5.90 cents per share. 2.90 cents per share of this related to the FY2020 fully-franked final dividend payment. This was paid on 9 November 2020. The remaining 3.00 cents per share related to the FY2021 fully-franked interim dividend. This was paid on 13 May 2021.

Since year end the Company has declared a fully-franked final dividend for FY2021 of 3.30 cents per share, to be paid on Monday 8 November 2021. The ex-dividend date is Thursday 30 September 2021 and the record date for entitlement to the FY2021 final dividend is Friday 1 October 2021.

**Dividend reinvestment plan**

The Company's dividend reinvestment plan ("DRP") will be in effect for the FY2021 fully-franked final dividend payment of 3.3 cents per share.

The DRP has been designed so that participants will always receive the lowest reinvestment price possible, without their reinvestment diluting the post-tax NTA of those shareholders who choose not to participate in the plan. When the Company's share price is greater than or equal to its NTA per share, dividends are paid as newly issued shares in the Company. If the share price for GVF is above the Company's NTA per share on the dividend ex-date, participating shareholders will be issued new shares at the greater of a 2.5% discount to the volume weighted average share price over the three trading days from the ex-date, or the NTA value per share of the Company on this day. If the share price for GVF is less than its NTA per share on the ex-date, cash available for distribution as dividends on shares subject to the DRP will be used to acquire the Company's shares on market in accordance with the terms set out in the plan. Full details of the DRP are available on the Company's website - click here.

Shareholders who would like to participate in the DRP can enrol at www.investorserve.com.au, or alternatively contact the Company's share registrar, Boardroom, on 1300 737 760. The enrolment deadline for participation in the DRP for the FY2021 final dividend is 5.00 pm (AEDT) Monday 4 October 2021.

[1] Adjusted NTA returns are net of all fees and expenses. NTA adjusted for dividend and tax payments and the effects of capital management initiatives. Source: Staude Capital Ltd.

[2] Shareholder total returns include dividend payments and franking credits. Source Bloomberg LLP.

| **Net tangible assets** | **30 June 2021 $** | **30 June 2020 $** |
|---|---|---|
| Net tangible asset backing per share before tax | 1.2040 | 1.0031 |
| Net tangible asset backing per share after tax | 1.1419 | 1.0016 |

**Audit**

This report is based on the financial report which has been audited. All the documents comprise the information required by Listing Rule 4.3A.

**Annual General Meeting**

The Company advises that its Annual General Meeting will be held on Thursday 11 November 2021. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch.

In accordance with the Company's constitution and ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) Tuesday 14 September 2021.



Jonathan Trollip
Chairman

Sydney
27 August 2021

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# Global Value Fund Limited

A.B.N. 90 168 653 521

# Annual Report
# for the year ended 30 June 2021

# Global Value Fund Limited
# A.B.N. 90 168 653 521
# Corporate directory

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| | |
|---|---|
| **Directors** | Jonathan Trollip<br>*Chairman & Independent Director*<br><br>Chris Cuffe, AO<br>*Independent Director*<br><br>Geoff Wilson, AO<br>*Director*<br><br>Miles Staude<br>*Director* |
| ***Company* Secretary** | Mark Licciardo<br>Mertons Corporate Services Pty Ltd<br>Level 7, 330 Collins Street<br>Melbourne Victoria 3000 |
| **Investment Manager** | Mirabella Financial Services LLP<br>130 Jermyn Street<br>London SW1Y 4UR<br>United Kingdom |
| **Portfolio Manager** | Miles Staude<br>Staude Capital Limited[1]<br>Beaumont City Tower<br>8th Floor, 40 Basinghall Street<br>London EC2V 5DE<br>United Kingdom<br>Telephone: (44) 0203 874 2241 |
| **Administrator** | Citco Fund Services (Australia) Pty Ltd<br>Level 22, 45 Clarence Street<br>Sydney NSW 2000 |
| **Auditors** | Deloitte Touche Tohmatsu<br>Level 9, 225 George Street<br>Grosvenor Place<br>Sydney NSW 2000 |
| **Registered Office** | Global Value Fund Limited<br>C/- Mertons Corporate Services Pty Ltd<br>Level 7, 330 Collins Street<br>Melbourne Victoria 3000<br>Telephone: (03) 8689 9997 |
| **Share Registrar** | Boardroom Pty Limited<br>Level 12, 225 George Street<br>Sydney NSW 2000<br>Telephone: (02) 9290 9600<br>Fax: (02) 9279 0664 |
| **Stock Exchange** | Australian Securities Exchange (ASX)<br>The home exchange is Sydney<br>ASX code: GVF |

[1] 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 Global Value Fund Limited and has seconded the investment team at Staude Capital to manage the Company's investment portfolio.

# Global Value Fund Limited
# A.B.N. 90 168 653 521
# Annual Report – 30 June 2021

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# Global Value Fund Limited
## Chairman's Letter
## 30 June 2021

**Dear fellow shareholders,**

On behalf of the directors of Global Value Fund Limited (also referred to as 'GVF' or 'the Company'), I am pleased to present the Company's full-year results and annual report for the year ended 30 June 2021 ('FY2021').

FY2021 was a very successful year for the Company. GVF enjoyed its strongest year yet in terms of investment performance, while a significant number of both new and existing shareholders supported a $25.6M capital raising the Company undertook in December 2020.

The Portfolio Manager's letter to shareholders that follows provides a detailed description of the performance of the investment portfolio throughout FY2021 and discusses the outlook for the year ahead.

**Investment performance and financial highlights**

The Company's adjusted pre-tax NTA increased by 29.2%[2] during FY2021, or 30.2% if we include the benefit of franking credits received during the year. Shareholder total returns for the period were +32.0%[3], driven by both a strong appreciation in the Company's share price and the continued high level of dividend payments the Company makes.

Over the course of the year, GVF's share price traded between a small premium to its pre-tax NTA and a modest discount, averaging a 4.2% discount when measured over the full year.

As GVF is an investment company, its profitability is driven by the returns from its investment portfolio. The Company reported a net profit after tax of $32,478,975 for the year ended 30 June 2021. As at year end, the pre-tax NTA backing of the Company was $1.2040 per share and the post-tax NTA backing was $1.1419 per share.

**Dividends**

Following the strong investment returns generated during FY2021, the Board is pleased to announce a 3.30 cents per share fully franked final dividend for FY2021. This represents a 14% increase over the final FY2020 dividend payment of 2.90 cents per share fully franked, and a 10% increase over the FY2021 interim dividend of 3.00 cents per share fully franked. The record date for the FY2021 final dividend is 1 October 2021 and the final dividend will be paid on 8 November 2021. The Company's shares will trade ex-dividend on 30 September 2021 .

**FY2022 dividend guidance**

The Board currently anticipates that both the interim and final dividend for FY2022 will be 3.30 cents per share, franked as fully as possible. Whether a further increase in dividend payments in FY2022 is possible will depend on the Company's investment performance during the year.

The above dividend guidance is not a formal declaration of dividends for FY2022. The size and payment of any interim or final dividend for FY2022 will be subject to the Company having sufficient profit reserves and the dividend payment being within prudent business practices. If a FY2022 interim dividend is declared, the Board expects that it would be payable during May 2022.

**GVF Roadshow and AGM**

Given the current lockdowns across large parts of Australia and wanting to prioritise the health and wellbeing of our shareholders, the Board has again elected to hold the FY2021 annual general meeting (AGM) online this year. Shareholders will have live video access to the meeting and following the formal Company business, Miles Staude and Emma Davidson will provide an investor presentation to shareholders from London. The AGM and shareholder presentation will be held on 11 November 2021 at 4.30pm AEDT. While the AGM and shareholder presentation will be held online this year, shareholders will still be able to pose questions to their Board and will also have the opportunity to ask Emma and Miles questions following their video presentation.

Sadly, once again, the usual investor roadshow that Miles and Emma conduct around the country will not be possible this year. To replace this, the Company will be making a recording of the AGM investor presentation which will be circulated to all shareholders following the meeting. In addition to this, it is currently Emma and Miles' intention to conduct an investor roadshow during February and March of 2022. Whether this can be done will depend on the restrictions prevailing at that time and we will update shareholders over the coming months accordingly.



Jonathan Trollip
Chairman

Sydney
27 August 2021

[2] Adjusted NTA returns are net of all fees and expenses. NTA adjusted for dividend and tax payments and the effects of capital management initiatives. Source: Staude Capital Ltd.

[3] Shareholder total returns include dividend payments and franking credits. Source Bloomberg LLP.

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**Reaching for normalcy**

There seems little to be gained from adding greatly to the reams of copy that have now been written about Covid-19 and its impact on financial markets. In our view, 'unprecedented' is a superlative that gets bandied around too frequently by the financial commentariat. When studying the past 18 months, however, it is really the only word that fits the job. The pandemic, and the ensuing response from policy makers, caused both: the deepest global recession since the Second World War; and then possibly the fastest economic expansion on record.

Central banks responded to the crisis by flooding financial markets with liquidity on a jaw-dropping scale, dwarfing the actions that were taken in the aftermath of the global financial crisis (GFC). At the same time, governments directly stepped into the economy in a way that has never been seen outside of wartime. In total, governments added c.US$20 trillion to their collective debt burdens in 2020 in their efforts to mitigate the impact of the crisis, equivalent to 21% of global GDP.

Looking at the big picture, these policy actions have worked incredibly well. A massive wave of company defaults and job losses has been averted and the global economy has been spared unimaginable damage. Even with all this support, the World Bank estimates that the pandemic has pushed 120 million people into extreme poverty. It beggars belief to think what that figure might have been without the massive interventions that were undertaken.

It is natural to want to dwell on the past 18-months, given how utterly extraordinary this period of history has been. Nonetheless, as investors, our main task is to look forwards not backwards. While they can seem clinical at times, financial markets are forward-looking machines. They generate prices for assets today, based on the best understanding we have of how the future is expected to unfold. The events of the past 18-months have been tragic, but from a market pricing point of view, and absent a vaccine-resistant strain of Covid-19 arriving, the main drivers for security prices today are much more typical market concerns. Indeed, if we were to bottle up the past 18 months and set it to one side, what is interesting is that many of the 'post-Covid' debates that are beginning to appear in the market today, look remarkably like the angsts that troubled both bears and bulls before Covid began. Once again, interest rates seem about as low as they could possibly go. Once again, markets are wringing their hands over how soon they will rise, and by how much. At the time of writing, the two fiercest debates in the market centre around whether we have hit 'peak growth', and whether the current uptick in inflation will prove transitory or longer lasting. In other words, markets are back to pricing the bread-and-butter issues we leave them to contend with day-to-day: economic growth and inflation expectations.

It is important to take stock and note that while markets may have moved on to more anodyne concerns, for most of us, our everyday lives are still dominated by the pandemic and its repercussions. As is often the case with financial markets, this is a development that can seem rather perverse. Yet, to the extent that financial markets are often the best predictor we have about what the future holds, it offers a wonderful hope to all of us - the prospect of normalcy sitting just a little further along the horizon.

**Performance of the investment portfolio in FY2021**

We finished FY2020 pleased to have avoided a loss in the wake of the Covid market crash, and incredibly excited about our prospects for the year ahead, given the extraordinary amounts of value we were seeing within our portfolio and across our universe. We wrote extensively at that time that our ability to unlock this value should be largely independent of how broader markets were going to unfold. Consequently, it is very pleasing to be able to report a banner year for the Company, both in terms of absolute investment returns, and in the success of our discount capture strategy. For FY2021, GVF's adjusted pre-tax NTA[4] increased by 29.2%, a figure that rises to 30.2% if we include the benefits of franking credits the company received during the year. By far the biggest contributor to these returns was the Company's discounted capture strategy, which generated gross returns of 24.9%. To put the result from our discount capture strategy into context, when we launched GVF we set a target of generating 5% per annum of market outperformance from our approach. In today's brutally efficient financial markets, aiming to outperform any market by 5% a year should be an audacious goal. Prior to FY2021, GVF had generated 6.2% per annum of outperformance over the Company's six-year life. While as investment managers we will always want to have delivered more, this was a result we were greatly satisfied by. In contrast, in FY2021 we generated as much market outperformance - measured in discount capture terms - as we achieved in the preceding four years combined.

Several important factors came together during the year to drive this success. The first was our commitment to always staying light on our feet at a portfolio level. When the crisis first struck, the short duration of the portfolio and the embedded catalysts we have for releasing value meant we were very quickly able to begin recycling the portfolio into a new, much more exciting investment universe. Combined with our ability to draw-down on low-cost borrowing lines when we need them, the Company was able to deploy large amounts of capital relatively quickly into deeply dislocated markets. The final leg of the success came from the lessons we had learnt during the GFC. If investing is the art of balancing risk and reward, we saw vanishingly small risks in the prices we were paying for the distressed assets we were buying. Having been through a similar cycle in 2008/9, we were also highly confident in our ability to unlock large amounts of value from these securities, regardless of broader market conditions. Thus, while we were using more leverage than GVF had ever deployed before, the absolute risk in the GVF portfolio was, in our view, as low as it had ever been. At the same time, the return targets we were going after had never been higher. This combination of factors led us to aggressively pursue the opportunity set we saw in front of us, including asking the GVF Board for permission to temporarily increase the limits on leverage the Company has in place[5].

[4] Adjusted NTA returns are net of all fees and expenses. NTA adjusted for dividend and tax payments and the effects of capital management initiatives. Source: Staude Capital Ltd

[5] The Company announced in September 2020 that the Board had approved an increase in the maximum level of borrowings that the Company may utilise, from 15% to 20% of net asset value. This increased limit was for one year, after which time the Board shall review its effectiveness and merit and may extend or vary.

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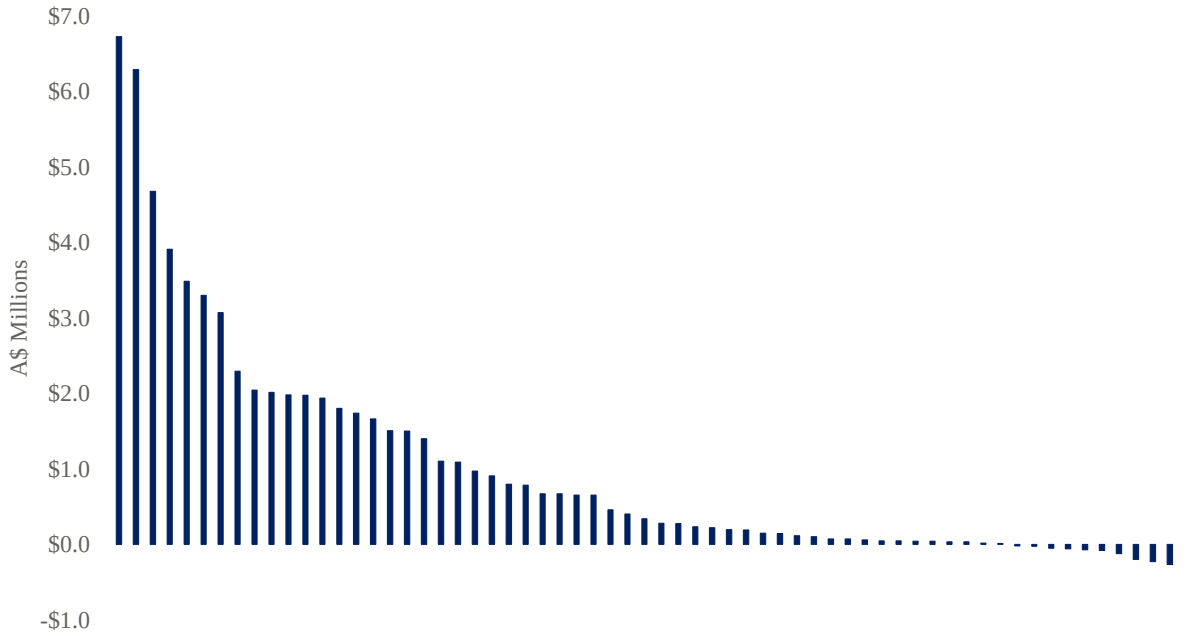
**Performance of the investment portfolio in FY2021 (continued)**

Looking back on FY2021 now, it is easy to conclude that most investment strategies made healthy returns, principally riding the coattails of the enormous levels of government and central bank support. However, this high-level analysis misses an important distinction. It was not until November 2020 that we had confirmation there was a working Covid-19 vaccine, and it was not until *after* this development that higher-risk assets generated most of the returns they ended up posting for FY2021. In contrast, in discount capture terms, GVF had some of its best ever months before the November turning point in markets. We were able to unlock large amounts of value from our holdings before markets began to run, and then continued to do so after the point when risky assets began to shoot ahead. While this might seem like nuance to highlight, we believe it is an important point to emphasize. We set out that the value we unlock from our discount capture strategy is largely independent of what broader markets do. If the vaccine had taken longer to arrive, or if a stimulus-supporting Democrat party had not won both the White House and the Senate, it is easy to envisage risk assets following a radically different path in the latter parts of FY2021. In contrast, and pleasingly, we consistently unlocked large amounts of value across the entire year, regardless of which way the market wind was blowing at the time.

For FY2021, GVF's adjusted pre-tax NTA increased by 30.2[6]% exceeding global equity market returns[7] (+28.2% in A$ terms), despite the fund running with an average equity market exposure of just 44% throughout the year. They also comfortably exceeded global credit market returns[8] (-3.2% in A$ terms), with the company holding an average credit market exposure of 22% through the period. GVF did not suffer a single down month (in A$ terms global equity and credit markets had two and seven respectively), while it enjoyed an extraordinary win/loss ratio in terms of its holdings.

The diagram below shows the absolute Australian dollar returns on all investments GVF held through FY2021.

**Total return[9] of every GVF investment held in FY2021**




The remarkable skew between winners and losers hopefully justifies the considerable 'table pounding' we have inflicted on our shareholders over the past 18-months. While a heavily skewed win/loss ratio has always been a hallmark of our strategy, we doubt we will be able to replicate our FY2021 results again anytime soon.

**Notable winners and detractors in FY2021**

It is customary in our annual letter to shareholders to discuss the three best investments of the year, and the three worst. Without any hyperbole, this year there seems little to be gained from following this approach this year. Our worst performing trade cost the fund only 0.15% of performance - it is also one of the investments we are most excited about for the year ahead. Knowing that we will not always have this luxury, we have decided instead to selectively discuss two loss making trades, both of which are worthy of a brief analysis for reasons other than their financial impact on the portfolio during the year. Similarly, having discussed successes such as VPC Specialty Lending (VSL) in considerable length in our monthly updates, we will instead selectively discuss three of our best performing investments. In each case, we have aimed to focus on the more recent and forward-looking developments, rather than examining areas we have previously covered. For those who are interested, this discussion of notable GVF holdings throughout the year follows this letter.

[6] Including the value of franking credits received.
[7] As measured by the MSCI All Country World net return index.
[8] As measured by the Bloomberg Barclays Global High Yield Index.

[9] Total return by investment shows the gross A$ profit or loss of each investment GVF held during FY2021, including any associated hedging activities related to the particular investment. It also includes the value of franking credits each investment received. These figures exclude the returns from cash balances held in non-Australian currency. Gross returns are before taxes paid, expenses, management fees and dividends paid. Data sourced from Staude Capital as of 31st July 2021.

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**Outlook**

One of the biggest challenges we see for investors today is the lack of real financial pain anybody in the market has felt over the past five years. While the pandemic caused a severe market crash, global equity markets recovered to their all-time high within six-months, a feat that took three years following the GFC, or five years following the 'dot-com' crash.

Over the very long-run global equity markets have delivered total returns of 7.5%[10] p.a. for investors. Looking at the past five years, however, that figure rises to 14.6%. The share market has not been unique in this regard. When viewing recent history, most asset classes have enjoyed a period of spectacular price appreciation – whether it is the Australian property market, or US high-yield bonds. The drumbeat behind these moves has been the relentless fall in interest rates all around the world. It is a truism that as the cost of money falls, the value of assets must rise. What has driven this situation until now has been the near collapse of inflation as a phenomenon in the developed world. Without the need to worry about price pressures like they have in the past, central banks have been free to drop interest rates at the first hint of economic trouble – and then keep them there until some new crisis takes them lower still.

We see two important observations from this recent period of above average market strength. The first is a reminder of the adage "don't fight the Fed". No matter how low you think interest rates have fallen, central banks have shown time and again that they can create new ways to drive them meaningfully lower still. Just because we have vertigo looking at term deposit rates of 0.3% pa, this does not mean interest rates are about to revert to levels we have spent a lifetime accustomed to. It also does not mean they cannot go lower.

Our second observation is guided by a simple question. Is it plausible that higher-risk asset classes, like the share market, can compound at 15% pa into perpetuity? To answer yes to this question would imply a re-writing of our understanding of finance and economics. It would also dismiss the entire body of financial history we have to draw from. The reason long-run returns are substantially lower than those seen recently, is that asset classes move in broad cycles. Periods of below-trend growth typically follow the more exciting times. Over a full investment cycle the two periods average themselves out. There would be very few seasoned asset consultants, or large institutional investors, who would use long-run share market return forecasts of above 8%. Indeed, given the large gains we have witnessed across asset prices recently - and the valuations they now command - many professional forecasters will be assuming low single digit returns for some time to come.

Looking ahead, for financial markets to hold the incredible gains they have enjoyed recently, interest rates need to remain roughly where they are today for years to come. That is an entirely plausible outcome. Yet holding recent gains is different to generating future returns. The latter requires boring fundamentals, such as companies growing earnings, or economies expanding faster than the lofty assumptions already baked into market prices. If interest rates do remain at today's incredibly low levels, and barring some new unforeseen market crisis, expecting single digit returns for most asset classes would seem to be the neutral place to sit.

Against such a backdrop we would expect GVF to perform very well. While the markets we focus on have begun to normalise, the opportunity set for us continues to remain elevated compared to what we typically find. Moreover, even in more 'normal' operating environments, we have been able to demonstrate large amounts of outperformance - over a long period of time now - through a range of different market conditions.

Our more conservative, all-weather portfolio will always struggle to keep pace with periods of very strong share market returns. We console ourselves to this by knowing that a backdrop of ever falling interest rates is not a normal or sustainable state of affairs, and that over the long-run sustained market outperformance of the magnitude we have delivered should compound powerfully for our investors. Finally, and most importantly, we remain deeply respectful of the fact that investors have trusted us with their hard-earned savings. All of which is to say that we will continue to run with our lower-risk portfolio, focusing on unlocking value and generating outperformance, regardless of how the coming year decides to unfold.

The team and I would like to thank all our shareholders for their trust and support throughout FY2021, and for the many kind messages that we received during the year.

Miles Staude
Director and Portfolio Manager
27 August 2021

[10] As measured by the MSCI All Country World net return index in US$ terms. Returns are from the index's inception on 31 December 1987, through to 30 June 2021. Net returns (excluding withholding taxes) are only available from August 1998, before then gross returns are used.

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**Notable Winners and Losers in FY2021**

**Amedeo Air Four Plus**

Our worst performing investment in FY2021 was our holding in Amedeo Air Four Plus (AA4), a London-listed aircraft leasing fund designed to provide investors with a steady source of long-term income and, eventually, the prospect of capital growth.

With air travel being one of the sectors hardest hit by Covid-19, AA4 was an opportunistic deep value investment that GVF made in May and June 2020 after the shares had fallen by more than 60% in value. At the time of this investment, we were buying shares in the company below its cash backing. The large cash balance the company had was the result of a fortunately timed sale of two aircraft in February 2020. It meant our entry price assigned little to no value to 12 underlying aircraft that AA4 owned, or the long-term leases it had in place for them.

AA4 was one of GVF's most profitable investments in FY2020, as the shares rebounded relatively quickly after our purchases at deeply distressed prices. During FY2021, the vast majority of AA4's large surplus cash balance (£100M) was returned to shareholders, which substantially de-risked our original investment. The company also paid two dividends, funded by the company's lease income from Emirates. Adjusting for those distributions and the large capital return, the company's share price drifted a little lower over the year, and the position detracted 0.15% from total portfolio performance.

Despite the stagnant share price, the outlook in our view has improved fundamentally since last June. We attribute the share price weakness to selling pressure from several of the company's original investors, for which AA4 has become too small, too 'messy', or incompatible with their income mandate since regular dividends have recently been suspended. Besides the obvious positive - that we now have several approved vaccines and visibility on when air travel can return to some semblance of normality - Emirates' cash position has been bolstered by a US$3Bn injection from the Dubai government. Every one of AA4's eight leases to the airline continues to be paid in-full, and in-line with the original terms.

Based purely on the Emirates leases, we estimate that the company has the capacity to pay dividends that would represent a yield of almost 20% on the year-end share price. Moreover, even after the large initial capital return, roughly half of the company's current market capitalization is still covered by its cash balances. As such, we continue to believe AA4 offers a highly compelling and asymmetric risk/reward profile. It is not without significant risk, however. As such, we have sized the position modestly within GVF, and only after underwriting the investment based on very conservative assumptions. At the current share price we believe there is a substantial margin of safety embedded in the investment, while there are plausible future scenarios that could see the company's share price more than double over the coming 12 to 24 months.

**Secured Income Fund Plc**

The second loss making investment from FY2021 that merits a discussion was our holding in Secured Income Fund Plc (SSIF), a London-listed direct lending closed-end fund that focuses on small and medium-sized enterprise loans. SSIF has an interesting business model of lending directly to SME companies, a sector that has struggled to get capital since the GFC, and hence offers appealing rates of return. Having invested at an attractive discount to asset backing, our thesis for the trade revolved around a restructuring of the company. However, a series of high-profile problems at a much larger sister fund that the manager ran led to a serious de-rating of the manager's brand in the market, effectively ending the restructuring event we had been looking towards. It seemed clear to us at this point that the fund had little future, given its small size and the problems surrounding its sister fund, which was weighing heavily on broader sentiment. We therefore began an active engagement process with both the board and the manager – one that resulted in a new director we nominated joining the board and the company announcing a formal winding down process. SSIF has always enjoyed a much stronger lending model than its problematic sister fund, and up until recently had traversed the crisis with no meaningful impairments, while still distributing the high rate of interest its lending book generated. In the final months of FY2021, however, it announced some modest write-downs relating to loans it had made to the UK film sector. The film industry is being hit particularly hard by the pandemic due to the blanket closure of cinemas. While these write-downs are a little disappointing, the fund had already returned a third of its capital back to shareholders before they occurred, and we expect most of the outstanding capital to be returned over the year ahead.

Our holding in SSIF detracted 0.07% from our portfolio performance in FY2021. While the loss itself was not material to GVF's returns during the year, we believe it is a good illustration of our ability to effect corporate change when it becomes necessary to protect our investors' interests.

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**Notable Winners and Losers in FY2021 (continued)**

**Third Point Investors Ltd**

Our most successful investment in FY2021 was our holding in Third Point Investors Ltd (TPOU). TPOU is a London-listed feeder fund, which invests all its capital into an US$8Bn dollar master fund run by Third Point, a well-known New York based hedge fund group. TPOU invests across a range of asset classes, but it is better known for employing shareholder activism strategies, notably at high-profile companies such as Nestle and Sony. Despite the manager purporting to be a shareholder advocate - and a specialist in advising companies on how to improve their stock market rating - TPOU has suffered from one of the worst discounts to asset backing the London market has seen over the past decade. The fund began FY2021 trading at a 26% discount to its asset backing and we, along with several other exasperated shareholders, engaged heavily with the board, manager, and fellow shareholders throughout the year. In response, the board announced a fresh strategic review, a development we initially had high hopes for. Concurrent with the board beginning to take the discount problem seriously, the manager - whose investment performance had been lacklustre for some time - also delivered one its best years, with the underlying fund enjoying investment returns of 54.4% for FY2021. Combined with the discount on the fund tightening from 26.1% to 11.5% over the period, GVF enjoyed total local currency returns of 84.9% on its investment. TPOU was one of GVF's largest holdings through FY2021 and as such the position added 3.6% to total portfolio performance.

As an aside, positive returns of this magnitude (+84.9%) illustrate one of the interesting features of our strategy – the powerful compounding effect that occurs when a large contraction in a fund's discount occurs at the same time as a significant move in the fund's underlying NAV. Said another way, we aim to provide our investors with two sources of returns, the returns that come from the underlying assets that we have bought cheaply, and then the second source of return that comes from unlocking value from these holdings. These two sources of return are not additive, but rather compound together. This is how GVF has enjoyed an 84.9% gain from holding a listed fund that generated a 54.4% investment return, while its discount contracted by 14.6%. The returns we have generated on TPOU this financial year are extreme examples of this compounding factor at play. It does, however, demonstrate the significant potential that exists from combining two separate sources of investment return together in the manner that we do.

Returning to TPOU. The fund's discount began to tighten once the (under pressure) board announced it was undertaking a new strategic review. We were initially optimistic that this might result in real changes at the company, however the 'shareholder consultation' process the board undertook turned out to be something of a sham. The board did announce further improvements, notably a new commitment to a 7.5% discount target for the fund, and two large future capital returns if this is not to be achieved. Despite this, these announcements fell far short of what we believe shareholders in the company wanted. It is also an outcome we view as unacceptable. In July of 2021, GVF - along with other shareholders holding in total 17% of TPOU's outstanding ordinary shares – requisitioned an extraordinary general meeting of the company. This meeting was called to allow shareholders an opportunity to vote on measures that, in our view, will unlock significant further value in the company, and which we believe should have wide-ranging support. Rather pitifully, the board of TPOU has recently rejected the calling of this meeting on obscure legal grounds. Without publicly disclosing what our next steps in this campaign will be, it would be reasonable to assume that we are not about to give up the fight here. TPOU remains one of GVF's largest holdings today and we will be sure to update our shareholders throughout the coming year as the story continues to evolve.

**Ellerston Global Investments Ltd**

Ellerston Global Investments Ltd (EGI) was an Australian listed investment company (LIC) that held a portfolio of global equities managed by Ellerston Capital. Despite the manager having a good long-term track record, and the fund performing respectably over its six-year life, the LIC itself struggled with a poor market rating. GVF accumulated a very large position in the fund, becoming the largest shareholder on the company's register. We engaged with the board in a constructive manner and were impressed with the directors' commitment to finding an appropriate solution. Ultimately a restructuring was announced which saw the LIC converted into an open-ended trust, a perfectly viable format for this type of fund. Upon the conversion, GVF realised a substantial uplift on its investment with the removal of the large discount to asset backing that shareholders had suffered from.

In our time running GVF, we have been instrumental in a range of similar restructuring events of Australian LICs. While each situation has been unique, most of them have had two important components. A restructuring or liquidation that allows shareholders the ability to access the underlying value of their investment, and a tax crystallization event. The latter is a function of the fact that when a company structure is retired in Australia, the entity in question must realise its entire portfolio for tax purposes. When the pre-tax NTA of such a LIC is greater than the post-tax NTA, this results in a final tax payment to the ATO and the creation of franking credits in the process. In the case of EGI, the strong investment performance from the manager meant there was a large tax payment necessary as part of the fund's restructuring. This, in turn, created a sizeable franking account balance for the benefit of shareholders.

Slightly unusually in the case of the EGI reorganisation, these franking credits were transferred to the open-ended fund, rather than being immediately paid out. They then had to be paid out as two special dividends to unit holders as part of the distributions that would be made for financial year 2021. We expect the total value of these franking credits to GVF shareholders to be c.A$1M, half of which were recognised in FY2021 with the balance being received in FY2022.

**Notable Winners and Losers in FY2021 (continued)**

**Ellerston Global Investments Ltd (continued)**
In terms of the typical performance numbers we report to investors, our investment in EGI added 3.6% to our total portfolio performance. However, if we were to include the value of these franking credits that figure rises to 3.9%.

During FY2021 we were instrumental in several large restructuring events of Australian LIC's, of which EGI was just one. In total, these accrued A$1.5M in franking credits for the benefit of GVF, equivalent to an additional 1% of investment returns for our shareholders. Our primary objective in these situations is always to generate investment returns by unlocking value for the benefit of all shareholders, while the collection of franking credits provides an additional secondary benefit for the Company.

**Empiric Student Property**
One final notable contributor to GVF's performance in FY2021 was our holding in Empiric Student Property (ESP), a London-listed student accommodation real estate investment trust. We discussed ESP in some detail in our commentary during FY2020. At that time, ESP had been one of our worst performing investments for FY2020, despite being a relatively small position for us.

As we discussed last year, we undertook a forensic analysis of ESP during the depths of the Covid crisis. The UK purpose-built student accommodation (PBSA) sector has several very attractive supply/demand dynamics, including: a structural undersupply of student accommodation beds (one purpose-built accommodation bed for every three students); a desirable destination for the large, and growing international student market; and, currently, a domestic demographic 'bulge' of UK 18-year-olds that will last until 2026.

Despite this, ESP was hit particularly hard during Covid, owing to the way the PBSA business model works. Each academic year the rent roll effectively resets to zero as students only rent their premises for one academic year at a time. In times of strong consistent rental growth this is a positive attribute, as each year the property owner captures all this rental growth. In the event of the global pandemic, however, the business model was particularly hard hit, as property owners potentially faced incredibly low occupancy rates.

As we argued last year, while the pandemic had caused severe short-term disruption to its business, we felt ESP had significant upside potential that could be captured either through a turnaround in operating performance or, alternatively, through the attractiveness of the company's assets to a trade buyer. We spent considerable time 'stress testing' ESP's financials to satisfy ourselves that it could ride out the pandemic. Confident that it was well-placed to do so, we added considerably to our investment during the depths of the pandemic sell-off.

Pleasingly, ESP's share price was up almost 50% over the 2021 financial year, spiking on the news of a vaccine and then continuing to rise on the back of a successful rollout of the vaccine program in the UK. In addition, there were extremely strong university application numbers, with growth of 11% in domestic students and 17% in international students.

While the discount to asset backing has narrowed from more than 40% to just under 20%, we continue to see further upside in the share price. We expect to capture this value once occupancy rates return to pre-pandemic levels – something ESP management is cautiously optimistic about for the 21/22 academic year – and dividends than being reinstated.

The long-term attractiveness of the UK PBSA sector has been highlighted recently through the considerable merger and acquisition activity that has been taking place, with multiple asset purchases being undertaken by large private equity funds. Most relevantly, in July 2021 a London-listed peer of ESP's, GCP Student Living, announced it had received an approach from a consortium advised by US private equity giant Blackstone. This bid came at a 9% premium to the company's asset backing, and a 30% premium to the pre-announcement share price. By comparison, ESP finished FY2021 trading at a 20% discount to its asset backing.

Our investment in ESP added 1.3% to total portfolio performance in FY2021, more than offsetting the 0.7% it detracted in FY2020. We continue to see substantial remaining upside from here.

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**Investment Portfolio Composition**
**As at 30 June 2021**

**Total Portfolio at 30 June 2021**

| | Fair Value $ |
|---|---|
| **Long Equity Positions – Fair Value through Profit or Loss** | |
| Betashares Australian High Interest Cash ETF[11] | 34,061,200 |
| Ellerston Global Mid Small Cap Fund | 16,801,740 |
| Third Point Offshore Investors Limited | 12,091,744 |
| VPC Specialty Lending Investments PLC | 11,475,296 |
| Highbridge Tactical Credit Fund Limited | 10,916,594 |
| Harbourvest Global Private Equity Limited | 10,899,232 |
| HSBC China Dragon Fund | 10,432,328 |
| CVC Credit Partners European Opportunities Limited | 9,587,302 |
| NB Global Monthly Income Fund Limited | 8,622,200 |
| Antipodes Global Investment Company Limited | 8,355,650 |
| JPEL Private Equity Limited | 8,024,575 |
| Empiric Student Property PLC | 7,935,614 |
| Boussard and Gavaudan Holding Limited | 7,053,009 |
| WAM Alternative Assets Limited | 6,487,110 |
| Boussard and Gavaudan Eire Fund Class A | 6,439,303 |
| Fat Prophets Global Contrarian Fund Limited | 6,145,760 |
| Blackrock Global Funds – World Mining Fund | 6,100,857 |
| Jupiter Emerging and Frontier Income Trust PLC | 5,549,984 |
| Starwood European Real Estate Finance Limited | 5,314,370 |
| CVC Credit Partners European Opportunities Limited | 5,088,996 |
| Amedeo Air Four Plus Limited | 4,968,068 |
| Pantheon International PLC | 4,305,357 |
| Riverstone Credit Opportunities Income PLC | 3,240,944 |
| Strategic Equity Capital PLC | 3,018,953 |
| Templeton Global Growth Fund Limited | 2,834,239 |
| Trian Investors 1 Limited | 2,699,461 |
| Sherborne Investors (Guernsey) C Limited | 2,485,741 |
| Secured Income Fund PLC | 1,650,812 |
| Henderson Alternative Strategies Trust PLC | 1,375,833 |
| Monash Absolute Investment Company Limited | 1,320,847 |
| Ellerston Asian Investments Limited | 1,026,887 |
| Milton UK Microcap Trust PLC | 846,810 |
| Doric Nimrod Air Two Limited | 742,445 |
| US Masters Residential Property Fund | 636,140 |
| Catco Reinsurance Opportunities Fund Limited | 630,921 |
| HTCF Redemption Portfolio 2019 | 590,648 |
| UK Mortgages Limited | 385,943 |
| East Capital Eastern Europe Small Cap | 366,985 |
| Blue Capital Alternative Income Fund Limited | 195,593 |
| VGI Partners Asian Investments Limited | 142,038 |
| Lazard World Trust Fund | 123,235 |
| Chenavari Capital Solutions Limited | 113,439 |
| Contrarian Value Fund Limited | 109,736 |
| Aberdeen Private Equity Fund Limited | 39,747 |
| Highbridge Multi-Strategy Fund Limited | 16,212 |
| Alcentra European Floating Rate Income Fund Limited | 3,658 |
| Candover Investments PLC | 3 |
| | **231,253,559** |

[11] GVF's holding in this ETF forms part of the Company's currency management operations

**Investment Portfolio Composition (continued)**
**As at 30 June 2021**

**Total Portfolio at 30 June 2021**

| | Fair Value $ | Notional Value[1] $ |
|---|---|---|
| **Short Equity Positions – Fair Value through Profit or Loss** | | |
| Blackrock World Mining Trust PLC | (5,461,133) | |
| Ferguson PLC | (1,284,360) | |
| | **(6,745,493)** | |
| **Convertible and Corporate Bonds** | | |
| Ceiba Investment 10% CB March 2026 | 3,953,194 | |
| Crown Subordinated Notes II | 2,308,458 | |
| CAMAU 6.2500% 2021-11-30 | 615,670 | |
| | **6,877,322** | |
| **Derivative Financial Instruments – Fair Value through Profit or Loss** | | |
| ***Long and Short Equity Swaps*** | | |
| FTSE/ Xinhua China A50 Index | 44,037 | (2,929,857) |
| Highbridge Multi-Strategy Fund | (180) | 1,032 |
| | **43,857** | **(2,928,825)** |
| Total fair value investment portfolio | **231,429,245** | |
| Aggregate notional value of all derivatives [1] | | **(2,928,825)** |

[1] The aggregate notional value of all derivatives is $(2,928,825). The notional value represents the face amount of the underlying instrument referenced in the contract and is the amount at risk - refer note 3 (a)(ii).

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**Corporate Governance Statement**

The Board of Directors of the Company is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ('CGS') in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations under which the CGS may be made available on a Company's website.

Accordingly, a copy of the Company's CGS is available on the Company website www.globalvaluefund.com.au under the Company Summary/ Company Policies section.

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**Directors' Report**

The Directors of Global Value Fund Limited ('GVF' or 'the Company') present their report together with the financial report of the Company for the year ended 30 June 2021.

Global Value Fund Limited is a company limited by shares and is incorporated in Australia.

**Directors**

The following persons held office as Directors of the Company during the financial year:

| | |
|---|---|
| Jonathan Trollip | Chairman & Independent Director |
| Chris Cuffe | Independent Director |
| Geoff Wilson | Director |
| Miles Staude | Director |

Directors have been in office since the start of the financial year to the date of this report.

**Principal activity**

The Company was established to provide investors with the opportunity to invest in global financial markets through a carefully constructed investment portfolio of financial assets trading at a discount to their underlying value.

To achieve its objective, the Company has appointed Mirabella Financial Services LLP ('Mirabella') to act as Investment Manager and Mirabella has seconded the investment team at Staude Capital to manage the Company's portfolio. Staude Capital is based in London and its investment team has considerable experience in finding international assets trading at a discount to their intrinsic worth, and in identifying or creating catalysts that will be used to unlock this value.

The portfolio held comprises mainly equities, bonds and closed ended funds that are listed on various international exchanges as well as cash deposits denominated in domestic and foreign currencies.

The Company's approach is designed to provide superior risk-adjusted returns compared to more traditional forms of international equity investing.

No change in this activity is anticipated in the future.

**Dividends**

During the year, the Company declared and paid dividends of 5.90 cents per share. 2.90 cents per share of this related to the FY2020 fully-franked final dividend payment. This was paid on 9 November 2020. The remaining 3.00 cents per share is related to the FY2021 fully-franked interim dividend. This was paid on 13 May 2021.

Since year end the Company has declared a fully-franked final dividend for FY2021 of 3.30 cents per share, to be paid on Monday 8 November 2021. The ex-dividend date is Thursday 30 September 2021 and the record date for entitlement to the FY2021 final dividend is Friday 1 October 2021.

The Company's dividend reinvestment plan ('DRP') will be in effect for the fully-franked FY2021 final dividend of 3.30 cents per share.

The DRP has been designed so that participants will always receive the lowest reinvestment price possible, without their reinvestment diluting the post-tax Net Tangible Asset ("NTA") of those shareholders who choose not to participate in the plan. When the Company's share price is greater than or equal to its NTA per share, dividends are paid as newly issued shares in the Company. If the share price for GVF is above the Company's NTA per share on the dividend ex-date, participating shareholders will be issued new shares at the greater of a 2.5% discount to the volume weighted average share price over the three trading days from the ex-date, or the NTA value per share of the Company on this day. If the share price for GVF is less than its NTA per share on the ex-date, cash available for distribution as dividends on shares subject to the DRP will be used to acquire the Company's shares on market in accordance with the terms set out in the plan.

Shareholders who would like to participate in the DRP can enrol at www.investorserve.com.au, or alternatively please contact the Company's share registrar, Boardroom, on 1300 737 760. The enrolment deadline for participation in the DRP for the FY2021 final dividend is 5.00 pm (AEDT) Monday 4 October 2021. Details of the DRP are available on the Company's website, click here.

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**Review of operations**

For the full year ended 30 June 2021, the Company's investment portfolio generated a 29.2% (2020: 0.2%) increase in adjusted pre-tax NTA, or 30.2% inclusive of the benefit of franking credits received during the year. The Company's discount capture strategy generating a 24.9% (gross) (2020: 3.1%) return over the year. Positive returns from this strategy represent outperformance (or alpha) over the underlying market and currency exposures of the Company's investment portfolio.

Investment operations for the year ended 30 June 2021 resulted in an operating profit before tax of $44,859,175 (2020: $31,929) and an operating profit after tax of $32,478,975 (2020: $138,817).

The after tax NTA backing for each ordinary share at 30 June 2021 amounted to $1.1419 (2020: $1.0016). The before tax NTA backing for each ordinary share at 30 June 2021 amounted to $1.2040 (2020: $1.0031).

Further information regarding the Company performance is contained in the Portfolio Manager's Report.

**Share Purchase Plan**

On 17 November 2020 the Company announced a Share Purchase Plan (**SPP**) and a placement in respect of the SPP shortfall (**Placement**). The SPP was offered to existing shareholders at a price of $1.06 per share, which was in line with the Company's NTA per share as at 31 October 2020. The SPP offered existing shareholders the opportunity to invest up to $30,000 to acquire ordinary shares in the Company without incurring any brokerage or other charges. Eligible shareholders on the Company's register as at 7pm on Monday 16 November 2020 were offered the opportunity to acquire parcels of shares to the value of $1,000, $2,500, $5,000, $10,000, $15,000, $20,000 $25,000 or $30,000. The $1.06 per share issue price represented a discount of 2.8% to the closing GVF share price of $1.09 on 16 November 2020 (the last trading day before the announcement of the SPP), and a 0.1% discount to the 5-day volume-weighted average share price to that date of $1.0611. The SPP offer closed on 5pm Sydney time on Thursday 10 December 2020.

The Company successfully completed its SPP and Placement, raising gross proceeds of $25,638,395. The Company issued 11,569,607 new shares in respect of the SPP and a further 12,617,558 new shares pursuant to the Placement.

**Coronavirus ('Covid-19')**

The Covid-19 pandemic remains a major global issue and is likely to have an ongoing impact on the market value of equity markets and future earnings from assets. The Directors will continue to review the situation and the Company's investment portfolio as new information emerges.

**Matters subsequent to the end of the financial year**

Since year end the Company has declared a fully-franked final dividend for FY2021 of 3.3 cents per share to be paid on Monday 8 November 2021. The ex-dividend date is Thursday 30 September 2021 and the record date for entitlement to the FY2021 final dividend is Friday 1 October 2021.

Other than the dividend declared after year end, no other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

**Likely developments and expected results of operations**

The Company will continue to pursue its investment objectives for the long term benefit of shareholders. This will require continual review of the investment strategies that are currently in place and may require changes to these strategies to maximise returns.

The underlying holdings of the Company consist of an investment portfolio of carefully selected global assets trading at significant discounts to their intrinsic value. The Portfolio Manager is optimistic about the outlook for the Company's discount capture strategy given the opportunity set available. Further, given the diverse nature of the underlying investment portfolio, the Portfolio Manager expects to be able to capitalise on new opportunities as they arise with meaningfully less market risk than one invested solely in international shares.

**Environmental regulation**

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.

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**Information on directors**

**Jonathan Trollip** Chairman and Independent Director

***Experience and expertise***

Jonathan Trollip is an experienced Director with extensive commercial, corporate, governance, legal and transaction experience. Jonathan has a Bachelor of Arts degree in Economics from the University of Cape Town, post graduate degrees in Economics and Law from the University of Cape Town and the University of London (London School of Economics) and is a Fellow of the Australian Institute of Company Directors.

***Other current directorships***

Jonathan 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. Jonathan holds commercial private company directorships with Meridian International Capital Limited and Yellow Holdings Limited. Jonathan 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.

***Former directorships in last 3 years***

Jonathan Trollip was a former director of Spicers Limited.

***Special responsibilities***

Chairman of the Board

***Interests in shares***

Details of Jonathan Trollip's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Jonathan Trollip has no interests in contracts of the Company.

**Chris Cuffe AO** Independent Director

***Experience and expertise***

Chris Cuffe has many years of experience in building successful wealth management practices. Most notably he 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 Chris became the CEO of Challenger Financial Services Group Limited and subsequently headed up Challenger's Wealth Management business.

Chris Cuffe is now involved in a portfolio of activities including a number of directorships, managing public and private investments and in various roles assisting the non-profit sector.

Chris Cuffe holds a Bachelor of Commerce from the University of NSW and a Diploma from the Securities Institute of Australia. He is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Institute of Company Directors and an Associate of the Financial Services Institute of Australasia. In October 2007 Chris was inducted into the Australian Fund Manager's RBS Hall of Fame for services to the investment industry.

***Other current directorships***

Chris 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).

***Former directorships in last 3 years***

Chris Cuffe was formerly a director of Class Limited.

***Interests in shares***

Details of Chris Cuffe's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Chris Cuffe has no interests in contracts of the Company.

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**Information on directors (continued)**

**Geoff Wilson AO** Non-Independent Director

***Experience and expertise***

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

Geoff Wilson holds a Bachelor of Science, a Graduate Management Qualification and is a Fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors.

***Other current directorships***

Geoff 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.

***Former directorships in last 3 years***

Geoff Wilson is a former Director of 8IP Emerging Companies Limited and Australian Leaders Fund Limited.

***Interests in shares***

Details of Geoff Wilson's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Details of Geoff Wilson's interests in contracts of the Company are included in the Remuneration Report.

**Miles Staude** Non-Independent Director

***Experience and expertise***

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

Prior to founding Staude Capital, Miles Staude spent ten years as a Portfolio Manager and Investment Analyst at Metage Capital, a London based investment management firm. Before joining Metage he spent 5 years as a sell-side equity analyst at RBC Capital Markets, based in both Sydney and London. Miles holds an economics degree from the University of Sydney and is a CFA Charterholder.

***Other current directorships***

Miles Staude is currently a Director of Staude Capital Limited (UK), Staude Capital Pty Limited (Australia) and Staude Capital GP Limited (Cayman).

***Former directorships in last 3 years***

Miles Staude was a Non-Executive Director of Blue Sky Alternatives Access Funds Limited, now WAM Alternative Assets Limited within the last 3 years.

***Special responsibilities***

Portfolio Manager

***Interests in shares***

Details of Miles Staude's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Details of Miles Staude's interests in contracts of the Company are included in the Remuneration Report.

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***Company secretary***

**Mark Licciardo** B Bus(Acc), GradDip CSP, FGIA, FCIS, FAICD (Company Secretary)

***Experience and special responsibilities***

Mark Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Prior to establishing Mertons, Mark Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mark has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mark Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, iCar Asia Limited and Mobilicom Limited as well as several other public and private companies.

**Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

| | Directors' Meetings | |
|---|---|---|
| | **A** | **B** |
| Jonathan Trollip | 4 | 5* |
| Chris Cuffe | 5 | 5 |
| Geoff Wilson | 5 | 5 |
| Miles Staude | 5 | 5 |

A = Number of meetings attended
B = Number of meetings held during the time the Director held office during the year

*Jonathan Trollip was absent from one meeting on account of a declared conflict of interest.

Given the size of the Board and the nature of the Company's operations, a nomination committee and an audit committee have not been formed. The Board as a whole considers the composition of the Board and appointment of new directors. The Board identifies suitable candidates to fill vacancies as they arise with consideration given to the optimal mix of skills and diversity required. In the Board's opinion, an audit committee would not serve to protect or enhance the interest of shareholders beyond that the Board currently provides in terms of oversight. The Board deals with the integrity of financial reporting as a whole, including the appointment and review of the external auditor.

**Remuneration report (audited)**

This report details the nature and amount of remuneration for each Director of Global Value Fund Limited ('the Company') in accordance with the Corporations Act 2001. The Company Secretary is remunerated under a service agreement with Mertons Corporate Services Pty Ltd.

***Details of remuneration***

All Directors of the Company are non-executive Directors. The Board from time-to-time determines the remuneration of Directors within the maximum amount approved by the shareholders at the Annual General Meeting. Directors are not entitled to any other remuneration.

Fees and payments to Directors reflect the demands that are made on them and their responsibilities. The performance of Directors is reviewed annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

The maximum total remuneration of the Directors of the Company has been set at $90,000 per annum. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities.

Directors' remuneration is not directly linked to the Company's performance.

**Remuneration report (audited) (continued)**

The following tables show details of the remuneration received by the Directors of the Company for the current and prior financial year.

| | Short term Employee benefits | Post-employment benefits | Total |
|---|---|---|---|
| **2021** | **Salary and fees** | **Superannuation** | |
| **Name** | **$** | **$** | **$** |
| Jonathan Trollip | 36,530 | 3,470 | 40,000 |
| Chris Cuffe | 31,963 | 3,037 | 35,000 |
| Geoff Wilson | 9,132 | 868 | 10,000 |
| Miles Staude | - | - | - |
| **Total director remuneration** | 77,625 | 7,375 | 85,000 |
| | | | |
| **2020** | | | |
| **Name** | | | |
| Jonathan Trollip | 36,530 | 3,470 | 40,000 |
| Chris Cuffe | 31,963 | 3,037 | 35,000 |
| Geoff Wilson | 9,132 | 868 | 10,000 |
| Miles Staude | - | - | - |
| **Total director remuneration** | 77,625 | 7,375 | 85,000 |

The Company has no employees other than Non-Executive Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

***Director related entity remuneration***

All transactions with related entities are made on normal commercial terms and conditions.

Mirabella Financial Services LLP ('Mirabella') is the Investment Manager of the Company. Mirabella has a legal agreement with Staude Capital Limited, an entity associated with Miles Staude who is a Director of the Company, whereby certain individuals from Staude Capital Limited are seconded into Mirabella to perform portfolio management services for the Company. Miles Staude benefits from the manager fees payable to Mirabella, as listed below:

*Assignment fee*

Mirabella has assigned all rights, title and interest to receive 25% of all management and performance fees payable under its management agreement to Boutique Investment Management Pty Limited ('BIM'), an entity associated with Geoff Wilson.

Mirabella has undertaken to BIM not to terminate or amend the terms of the Management Agreement or waive any of its rights under the Management Agreement without the prior written consent of BIM.

*Management fee*

In its capacity as Investment Manager, Mirabella is entitled to receive a management fee of 0.125% per month (representing an annualised fee of 1.5% per annum) of the net value of the investment portfolio. The management fee is calculated monthly and payable monthly in arrears. For the year ended 30 June 2021 Mirabella was entitled to a management fee of $2,567,437 (2020: $2,319,409), of which $641,859 was paid to BIM. As at 30 June 2021, the balance payable was $60,772 (2020: $ nil).

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**Remuneration report (audited) (continued)**

***Director related entity remuneration (continued)***

*Performance fee*

In further consideration for the performance of its duties as manager of the investment portfolio, the Investment Manager may be entitled to be paid a performance fee equal to 15% of any portfolio out performance in excess of a hurdle return, being 4% above the 1 year interest rate swap rate. Further details of the terms of the performance fee calculation are disclosed in Note 16 to the financial statements.

For the financial year ended 30 June 2021, the performance fee amount payable to the Investment Manager was $6,712,790 (2020: $nil) from which $1,678,198 was payable to BIM. As at 30 June 2021, the balance payable was $6,712,790 (2020: $nil).

*Contracts*

Other than as stated above, no Director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related company with the Director of with a firm of which they are a member or with a company in which they have substantial financial interest since the inception of the Company.

***Equity instrument disclosures relating to directors***

As at the end of the reporting period, the Company's Directors and their related parties held the following interests in the Company:

***Ordinary shares held***

| **2021** | | | | |
|---|---|---|---|---|
| **Director** | **Balance as at 1 July 2020** | **Acquisitions** | **Disposals** | **Balance as at 30 June 2021** |
| Jonathan Trollip [1] | 425,000 | - | - | 425,000 |
| Chris Cuffe [2] | 1,490,000 | 290,000 | - | 1,780,000 |
| Geoff Wilson [3] | 1,380,581 | 28,301 | - | 1,408,882 |
| Miles Staude [4] | 155,000 | 26,600 | - | 181,600 |
| | **3,450,581** | **344,901** | **-** | **3,795,482** |

[1] 425,000 shares beneficially held by Piaster Pty Limited ATF Trollip Family Superfund A/C

[2] 500,000 shares beneficially held by Cherryoak Investments Pty Limited ATF C & N Family Trust, 1,100,000 shares beneficially held by Australian Philanthropic Services Pty Limited ATF Australian Philanthropic Services Foundation, 140,000 shares beneficially held by Australian Philanthropic Services Limited and 40,000 shares beneficially held by Mr Christopher Cuffe ATF Matthew Patrick Cuffe

[3] 1,408,882 shares beneficially held by GW Holdings Pty Limited <Edwina A/C>

[4] 181,600 shares beneficially held by Staude Capital Pty Limited

| **2020** | | | | |
|---|---|---|---|---|
| **Director** | **Balance as at 1 July 2019** | **Acquisitions** | **Disposals** | **Balance as at 30 June 2020** |
| Jonathan Trollip [1] | 425,000 | - | - | 425,000 |
| Chris Cuffe [2] | 1,374,969 | 115,031 | - | 1,490,000 |
| Geoff Wilson [3] | 1,380,581 | - | - | 1,380,581 |
| Miles Staude [4] | 135,000 | 20,000 | - | 155,000 |
| | 3,315,550 | 135,031 | - | 3,450,581 |

[1] 425,000 shares beneficially held by Piaster Pty Limited ATF Trollip Family Superfund A/C

[2] 350,000 shares beneficially held by Cherryoak Investments Pty Limited ATF C & N Family Trust, 1,100,000 shares beneficially held by Australian Philanthropic Services Pty Limited ATF Australian Philanthropic Services Foundation and 40,000 shares beneficially held by Mr Christopher Cuffe ATF Matthew Patrick Cuffe

[3] 1,380,581 shares beneficially held by GW Holdings Pty Limited <Edwina A/C>

[4] 155,000 shares beneficially held by Staude Capital Pty Limited

**End of the remuneration report**

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**Insurance and indemnification of officers and auditors**

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company or the improper use by the Directors of their position.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

**Proceedings on behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001.*

**Non-audit services**

The Company's auditor, did not perform any other services in addition to their statutory duties for the Company except as disclosed in Note 14 to the financial statements.

The Board of Directors is satisfied that the provision of other services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 14 did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

**Rounding of amounts to nearest dollar**

The Company is of the kind referred to in ASIC Corporations (Rounding in Financials/ Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial report are rounded to the nearest dollar, unless otherwise indicated.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

This report is made in accordance with a resolution of Directors made pursuant to section 298(2) of the *Corporations Act 2001*.



Jonathan Trollip
Chairman

Sydney
27 August 2021

Deloitte Touche Tohmatsu
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27 August 2021

The Directors
Global Value Fund Limited
C/- Mertons Corporate Services Pty Ltd
Level 7, 330 Collins Street
Melbourne, Victoria, 3000

Dear Directors,

Auditor's Independence Declaration to Global Value Fund Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Global Value Fund Limited.

As lead audit partner for the audit of the financial report of Global Value Fund Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

**Statement of Profit or Loss and Other Comprehensive Income**

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Income** | | | |
| Net realised gains/ (losses) on disposal of investments | | 25,237,135 | (1,246,796) |
| Net unrealised gains/ (losses) on market value movement of investments | | 26,094,081 | (1,112,166) |
| Net realised (losses)/ gains on foreign exchange movement | | (4,110,521) | 742,923 |
| Net unrealised (losses)/ gains on foreign exchange movement | | (1,094,032) | 46,814 |
| Interest income | | 471,349 | 964,145 |
| Other income | | 19,055 | 16,241 |
| Dividend income | | 10,371,408 | 5,334,312 |
| **Total income** | | **56,988,475** | 4,745,473 |
| **Expenses** | | | |
| Management fees | **16** | (2,567,437) | (2,319,409) |
| Performance fees | **16** | (6,712,790) | - |
| Administration fees | | (313,080) | (263,080) |
| Brokerage and clearing expenses | | (917,791) | (919,496) |
| Accounting fees | | (30,800) | (28,000) |
| Share registry fees | | (79,141) | (65,963) |
| Dividends paid on borrowed stock | | (291,117) | (217,618) |
| Interest expense | | (783,001) | (461,168) |
| Tax fees | | (41,400) | (30,642) |
| Directors' fees | | (85,000) | (85,000) |
| Legal fees | | (31,664) | (98,988) |
| Secretarial fees | | (34,031) | (35,348) |
| ASX fees | | (83,389) | (73,951) |
| Audit fees | **14** | (47,000) | (42,000) |
| Other expenses | | (111,659) | (72,881) |
| **Total expenses** | | **(12,129,300)** | (4,713,544) |
| **Profit before income tax** | | **44,859,175** | 31,929 |
| Income tax (expense)/ benefit | **5** | (12,380,200) | 106,888 |
| **Profit attributable to members of the Company** | | **32,478,975** | 138,817 |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year** | | **32,478,975** | 138,817 |
| | | **Cents** | **Cents** |
| **Earnings per share for profit attributable to the ordinary equity holders of the Company:** | | | |
| Basic and diluted earnings per share | **18** | 20.18 | 0.09 |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes



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# Global Value Fund Limited
# Statement of Financial Position
# As at 30 June 2021

**Statement of Financial Position**

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | **6** | - | - |
| Trade and other receivables | **7** | 727,025 | 560,442 |
| Financial assets at fair value through profit or loss | **8** | 238,174,918 | 160,425,049 |
| Deferred tax asset | **5** | - | 277,629 |
| **Total assets** | | 238,901,943 | 161,263,120 |
| **Liabilities** | | | |
| Bank overdraft | **6** | 15,145,470 | 2,040,146 |
| Trade and other payables | **9** | 8,722,526 | 200,505 |
| Financial liabilities at fair value through profit or loss | **8** | 6,745,673 | 10,456,486 |
| Current tax liability | **5** | 3,547,931 | 505,730 |
| Deferred tax liabilities | **5** | 7,192,180 | - |
| **Total liabilities** | | 41,353,780 | 13,202,867 |
| **Net Assets** | | **197,548,163** | 148,060,253 |
| **Equity** | | | |
| Issued capital | **10** | 177,820,166 | 151,350,505 |
| Profits reserve | **11** | 34,705,755 | 11,687,506 |
| Accumulated losses | **11** | (14,977,758) | (14,977,758) |
| **Total equity** | | **197,548,163** | 148,060,253 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes

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# Global Value Fund Limited
# Statement of Changes in Equity
# For the year ended 30 June 2021

**Statement of Changes in Equity**

| | Note | Issued capital $ | (Accumulated losses) $ | Profits reserve $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 30 June 2019** | | 151,227,208 | (3,837,277) | 8,974,562 | 156,364,493 |
| Profit for the year | **11** | - | 138,817 | - | 138,817 |
| Other comprehensive income for the year | | - | - | - | - |
| Transfer of profits during the year | **11** | - | (11,279,298) | 11,279,298 | - |
| Transactions with owners: | | | | | |
| Dividends paid | **12** | - | - | (8,566,354) | (8,566,354) |
| Shares issued on dividends reinvested | **10** | 123,297 | - | - | 123,297 |
| **Balance at 30 June 2020** | | 151,350,505 | (14,977,758) | 11,687,506 | 148,060,253 |
| Profit for the year | **11** | - | 32,478,975 | - | 32,478,975 |
| Other comprehensive income for the year | | - | - | - | - |
| Transfer of profits during the year | **11** | - | (32,478,975) | 32,478,975 | **-** |
| Transactions with owners: | | | | | |
| Dividends paid | **12** | **-** | **-** | (9,460,726) | (9,460,726) |
| Shares issued on dividends reinvested | **10** | 1,030,684 | - | - | 1,030,684 |
| Shares issued with SPP and Placement | **10** | 25,638,395 | - | - | 25,638,395 |
| SPP and Placement costs | **10** | (199,418) | - | - | (199,418) |
| **Balance at 30 June 2021** | | **177,820,166** | **(14,977,758)** | **34,705,755** | **197,548,163** |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

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**Statement of Cash Flows**

| | Note | 2021 $ | 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Proceeds from sale of investments | | 284,088,096 | 193,817,487 |
| Payment for investments | | (355,792,472) | (227,900,188) |
| Realised foreign exchange gains/ (losses) | | (4,110,521) | 742,923 |
| Other income received | | 19,055 | 16,240 |
| Interest received | | 701,293 | 871,850 |
| Dividends received | | 10,424,266 | 5,297,224 |
| Proceeds from return of capital on investments | | 42,946,747 | 20,603,579 |
| Interest paid | | (777,915) | (450,040) |
| Management fees paid | | (2,506,666) | (2,367,872) |
| Dividends paid on borrowed stock | | (303,965) | (218,273) |
| Income tax paid | | (1,782,391) | (534,203) |
| Payment for other expenses | | (1,839,957) | (1,762,302) |
| **Net cash (used in) operating activities** | **17(a)** | **(28,934,430)** | (11,883,575) |
| **Cash flows from financing activities** | | | |
| Shares issued on SPP and Placement, net of costs | | 25,353,178 | - |
| Dividends paid | | (8,430,040) | (8,443,057) |
| **Net cash provided by/ (used in) financing activities** | | **16,923,138** | (8,443,057) |
| **Net (decrease) in cash and cash equivalents held** | | (12,011,292) | (20,326,632) |
| Cash and cash equivalents at beginning of financial year | | (2,040,146) | 18,239,672 |
| Effect of foreign currency exchange rate changes on cash & cash equivalents | | (1,094,032) | 46,814 |
| **Cash and cash equivalents/ (bank overdraft) at end of financial year** | | **(15,145,470)** | (2,040,146) |
| **Non cash financing activities** | | | |
| Dividends reinvested | **17(b)** | **1,030,686** | 123,297 |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

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## 1 General information

Global Value Fund Limited (the 'Company') is a listed public company domiciled in Australia. The address of the Company's registered office is C/- Merton's Corporate Services Pty Limited, Level 7, 330 Collins Street, Melbourne.

The financial statements were authorised for issue on [x] August 2021 by the Directors of the Company.

## 2 Significant accounting policies

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and financial statements have been rounded to the nearest dollar, unless otherwise stated.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001,* Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity. All balances are expected to be recovered or settled within 12 months, except for financial assets held at fair value through profit or loss.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

### (b) Financial instruments

(i) Initial recognition and measurement
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. For financial assets, trade date accounting is adopted, which is equivalent to the date that the Company commits to purchase or sell the assets. Financial instruments are initially measured at fair value. Transaction costs related to instruments classified "at fair value through profit or loss" are expensed to the profit or loss immediately.

(ii) Classification and subsequent measurement
Investments such as shares in publicly listed and unlisted companies, exchange traded call and put options and investments in fixed interest securities are subsequently measured at fair value through profit or loss. The Company may short sell securities. Short sales or borrowed stock are classified as a financial liability and are measured at fair value through profit or loss.

(iii) Financial assets at fair value through profit or loss
Financial assets are classified "at fair value through the profit or loss" when they are held for trading for the purpose of short-term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the profit or loss in the period in which they arise.

(iv) Derivative Instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the profit or loss.

(v) Fair value
Fair value is determined based on current market prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

(vi) Derecognition
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. If the Company neither retains nor transfers substantially all the risks and rewards, but has not retained control of the financial assets, it also derecognises the financial assets.

### (c) Financial instruments

***Revenue***
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Net gains/ (losses) on financial instruments held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the period end and the fair value at the previous valuation point. Net gains/ (losses) also include realised gains/losses, and do not include interest or dividend income.

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**2 Significant accounting policies (continued)**

**(c) Revenue recognition (continued)**

***Dividend income***
Dividend income is recognised on the ex-dividend date and is presented net of any unrecoverable withholding taxes.

***Interest income***
Income Interest income is recognised on a time proportionate basis taking into account the effective yield on the financial assets and net of any withholding taxes.

**(d) Foreign currency**

The financial statements of the Company are presented in Australian Dollars (A$), which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated into Australian Dollars at the exchange rate at the transaction date. At each reporting date, monetary assets and liabilities denominated in foreign currency are retranslated at the rates prevailing at the reporting date. Foreign exchange gains or losses resulting from the settlement of foreign denominated assets and liabilities will be recognised in profit and loss. Net exchange gains and losses arising on the revaluation of investments will be included in net gains or losses on investments.

**(e) Income tax**

The income tax expense/(benefit) for the period comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(f) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST'), unless GST incurred is not recoverable from the Australian Taxation Office ('ATO'). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are reported in liabilities on the Statement of Financial Position.

**(h) Trade and other receivables**

Trade and other receivables relate to outstanding settlement as well as accrued income in relation to interest and dividends receivable. Trade receivables are generally due for settlement within 30 days.

**(i) Trade and other payables**

These amounts represent liabilities for outstanding settlements as well as services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised costs and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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**2 Significant accounting policies (continued)**

**(j) Impairment of assets**

The Company recognises a loss allowance for expected credit losses ('ECL') on financial assets excluding investments that are measured at fair value through profit and loss. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions at the reporting date, including time value of money where appropriate.

The Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The amount of the impairment loss will be recognised in the Statement of Profit or Loss and Other Comprehensive Income.

***Allowance for expected credit losses***
Based on the analysis at the end of the reporting period, the impairment under the expected loss (ECL) method is considered to be immaterial and no amount is recognised in the financial statements (30 June 2020: nil).

**(k) Issued capital**

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.

**(l) Profits reserve**

A profits reserve has been created representing amounts transferred monthly from current period earnings that are preserved for future dividend payments.

**(m) Dividends**

Dividends are recognised when declared during the financial year.

**(n) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(o) Operating segments**

The Company has only one reportable segment. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments.

The Company continues to have foreign exposure as it invests in companies which operate internationally.

**(p) Critical accounting estimates and judgements**

The Directors evaluate the estimates and judgements incorporated into the financial statements based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

Apart from the items mentioned below, there are no other key assumptions or sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**2 Significant accounting policies (continued)**

**(p) Critical accounting estimates and judgements (continued)**

(i) Financial instruments

The Company's financial instruments are valued primarily based on the prices provided by independent pricing services.

When the fair values of the reported financial instruments cannot be derived from active markets, they are determined using prices obtained from inactive or unquoted markets and/or other valuation techniques. The inputs to these valuation techniques (if applicable) are taken from observable markets to the extent practicable. Where observable inputs are not available, the inputs may be estimated based on a degree of judgements and assumptions in establishing fair values.

Please refer to Note 4 (i)(b) on details around description of valuation techniques and inputs used by the Company.

(ii) Deferred tax asset

The Company has recognised deferred tax assets relating to unrealised losses on investments, other accruals and capitalised costs of $369,348 as at 30 June 2021 (2020: $384,397). The utilisation of tax losses depends on the ability of the Company to generate future taxable profits. The Company considers that it is probable that future taxable profits will be available to utilise those deferred tax assets. This assessment is supported by the Investment Manager's long-term performance and profitability. New information may become available that may cause the Company to change its judgement regarding calculation of tax balances, and such changes will impact the profit or loss in the period that such determination is made.

**(q) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(r) New and amended accounting standards adopted**

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company are:

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*

**(s) New and amended accounting standards not adopted**

No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 30 June 2021, will result in any material change in relation to the financial statements of the Company.

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## 3 Financial risk management

The Company's financial instruments consist mainly of deposits with banks, bank overdrafts, trading portfolios, trade and other receivables and trade and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Board of the Company, with the Portfolio Manager, has implemented a risk management framework to mitigate these risks.

### (a) Market risk

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

*(i) Foreign exchange risk*

The Company invests in global listed securities and enters into transactions that are denominated in currencies other than its functional currency. Consequently, the Company is exposed to the movements in exchange rates that may have an adverse effect on the fair value of future cash flows of the Company's financial assets denominated in currencies other than Australian dollars.

The Portfolio Manager identifies measures and manages exchange rate risk by examining each component in the investment portfolio in a way that looks beyond the currency of denomination to the underlying exposures presented by each investment. These exposures are then aggregated across the investment portfolio so that overall currency risk can be assessed and managed as appropriate in accordance with the investment mandate.

The Company's main exposure to foreign currency risk at the reporting date was as follows:

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| **Financial assets** | | |
| **Cash and cash equivalents** * | | |
| United States Dollar | 23,072,271 | 35,418,051 |
| Euro | 3,611,002 | 9,105,132 |
| Pound Sterling | 1,213 | - |
| Other Currencies | 2,135,041 | - |
| | **28,819,527** | 44,523,183 |
| **Financial assets at fair value through profit or loss** | | |
| United States Dollar | 24,594,799 | 31,162,209 |
| Euro | 22,647,940 | - |
| Pound Sterling | 99,654,375 | 69,777,479 |
| Other Currencies | 10,432,328 | 14,766,808 |
| | **157,329,442** | 115,706,496 |
| **Total financial assets exposure to foreign exchange** | **186,148,969** | 160,229,679 |
| **Financial liabilities** | | |
| **Bank overdraft** * | | |
| United States Dollar | (900,381) | - |
| Euro | (3) | - |
| Pound Sterling | (59,430,256) | (48,909,043) |
| Other Currencies | - | (136,491) |
| | **(60,330,640)** | (49,045,534) |
| **Financial liabilities at fair value through profit or loss** | | |
| United States Dollar | - | (6,788,003) |
| Pound Sterling | (6,745,673) | (3,668,472) |
| | **(6,745,673)** | (10,456,475) |
| **Total financial liabilities exposure to foreign exchange** | **(67,076,313)** | (59,502,009) |

* The Company operates a multi-currency bank account and thus enters in transactions that are denominated in currencies other than its functional currency (AUD). As disclosed in the table above, the Company has an exposure to USD, EUR, GBP and other currencies, through this multi-currency bank account. On the Statement of Financial Position, total cash and cash equivalents/ bank overdraft includes the net AUD equivalent of the underlying currencies as at 30 June 2021.

**3 Financial risk management (continued)**

**(a) Market risk (continued)**

*(ii) Price risk*

The Company is exposed to price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and financial liabilities at fair value through profit or loss.

The Company's financial assets give rise to price risk as follows:

| | 2021 $ | 2020 $ |
|---|---|---|
| Australian and overseas equities | 231,253,559 | 148,434,605 |
| Convertible and corporate bonds | 6,877,322 | 11,990,444 |
| Derivative financial instruments [1] | 2,929,857 | 1,171 |
| | **241,060,738** | 160,426,220 |

The Company's financial liabilities give rise to price risk as follows:

| | 2021 $ | 2020 $ |
|---|---|---|
| Australian and overseas equities | 6,745,493 | 10,456,475 |
| Derivative financial instruments [1] | 1,032 | - |
| | **6,746,525** | 10,456,475 |

[1] This represents the aggregate notional value of all derivatives.

A detailed analysis of the Company's investment portfolio is presented on page 8. The sensitivity of derivative instruments to changes in price depends upon the notional value of the underlying instrument as this will determine the value of the contractual commitments as at the reporting date. The fair value of derivative instruments is derived from the movements in the underlying market factor of the derivatives.

*(iii) Interest rate risk*

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities as defined by their future cash flows. The Company does not invest directly into fixed income securities, however, have exposure to interest rates through cash and cash equivalents/borrowings. The Portfolio Manager and the Board of Directors have estimated that the aggregate impact of these exposures on the Company as a whole is minimal.

The table below summarises the Company's exposure to interest rate risks.

| | Floating interest rate $ | Non-interest bearing $ | Total $ |
|---|---|---|---|
| **At 30 June 2021** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | - | - | - |
| Trade and other receivables | - | 727,025 | 727,025 |
| | **-** | **727,025** | **727,025** |
| **Financial liabilities** | | | |
| Bank overdraft | (15,145,470) | - | (15,145,470) |
| Trade and other payables | - | (8,722,526) | (8,722,526) |
| | **(15,145,470)** | **(8,722,526)** | **(23,867,996)** |
| **Net exposure to interest rate risk** | **(15,145,470)** | **(7,995,501)** | **(23,140,971)** |

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**3 Financial risk management (continued)**

*(iii) Interest rate risk (continued)*

| | Floating interest rate $ | Non-interest bearing $ | Total $ |
|---|---|---|---|
| **At 30 June 2020** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | - | - | - |
| Trade and other receivables | - | 446,533 | 446,533 |
| | - | 446,533 | 446,533 |
| **Financial liabilities** | | | |
| Bank overdraft | (2,040,146) | - | (2,040,146) |
| Trade and other payables | - | (200,505) | (200,505) |
| | (2,040,146) | (200,505) | (2,240,651) |
| **Net exposure to interest rate risk** | (2,040,146) | 246,028 | (1,794,118) |

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2021 is 0.37% (2020: 0.38%).

**Sensitivity analysis**

The Company has performed a sensitivity analysis relating to its exposure to price risk, interest rate and foreign exchange risks at the end of each reporting period. This sensitivity analysis demonstrates the effect on the current period results and equity which could result from a change in the relevant risk variables.

These sensitivities assume that the movement in a particular variable is independent of other variables.

| | 2021 $ | 2020 $ |
|---|---|---|
| **Price risk** | | |
| The following summarises the financial impacts of a hypothetical 5% increase and decrease in the market value of the net financial assets and financial liabilities that are carried at fair value as at reporting date. | | |
| **Financial assets and liabilities at fair value through profit or loss** | | |
| Change in Profit before tax | | |
| • Increase in fair value by 5% | 11,571,462 | 7,498,428 |
| • Decrease in fair value by 5% | (11,571,462) | (7,498,428) |
| **Interest rate risk** | | |
| The following only comprises the Company's direct exposure to changes in interest rate risk. | | |
| **Cash and cash equivalents** | | |
| Change in Profit/ Equity before tax | | |
| • Increase in cash interest rate by 0.5% | 82,587 | (10,201) |
| • Decrease in cash interest rate by 0.5% | (82,587) | 10,201 |
| **Foreign currency risk** | | |
| The following summaries the financial impacts of a hypothetical 2% increase and decrease in the respective foreign currencies of United States Dollar ('USD'), Pound Sterling ('GBP'), Euro ('Euro') and Hong Kong Dollar ('HKD'). | | |
| **Financial assets** | | |
| Change in Profit/ Equity before tax | | |
| • Depreciation of USD by 2% | 491,896 | 623,244 |
| • Appreciation of USD by 2% | (491,896) | (623,244) |
| **Financial assets** | | |
| Change in Profit/ Equity before tax | | |
| • Depreciation of GBP by 2% | 1,993,088 | 1,395,550 |
| • Appreciation of GBP by 2% | (1,993,088) | (1,395,550) |
| **Financial assets** | | |
| Change in Profit/ Equity before tax | | |
| • Depreciation of EURO by 2% | 452,959 | 292,601 |
| • Appreciation of EURO by 2% | (452,959) | (292,601) |
| **Financial assets** | | |
| Change in Profit/ Equity before tax | | |
| • Depreciation of HKD by 2% | 208,647 | 2,735 |
| • Appreciation of HKD by 2% | (208,647) | (2,735) |



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**3 Financial risk management (continued)**

**Sensitivity analysis (continued)**

| | 2021 $ | 2020 $ |
|---|---|---|
| **Foreign currency risk (continued)** | | |
| **Financial liabilities** | | |
| Change in Profit/ Equity before tax | | |
| • Depreciation of USD by 2% | - | 135,760 |
| • Appreciation of USD by 2% | - | (135,760) |
| **Financial liabilities** | | |
| Change in Profit/ Equity before tax | | |
| • Depreciation of GBP by 2% | 134,913 | 73,369 |
| • Appreciation of GBP by 2% | (134,913) | (73,369) |

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

The Company has entered into agreements that facilitate stock borrowing from its investment portfolio for covered short selling. These agreements are subject to a number of restrictions which limit the value of such borrowing.

The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The Company held no collateral as security or any other credit enhancements.

***Management of the risk***

The risk was managed as follows:

- Receivable balances are monitored on an ongoing basis and the Company has no debts past due or impaired; and
- Non-derivative investment transactions are settled on a “Delivery versus payment” basis through international clearing systems. Derivative investment transactions are only contracted with Credit Suisse, an investment grade counter-party.

**(c) Liquidity risk**

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company uses a combination of an overdraft facility and unencumbered cash balances to ensure the Company can meet its liabilities as and when they fall due.

The Company's inward cash flows depend upon the level of dividend, distribution revenue received and sale of liquid assets. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Portfolio Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

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**3 Financial risk management (continued)**

**(c) Liquidity risk (continued)**

*Maturities of financial liabilities*

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

*Contractual maturities of financial liabilities*

| | Less than 12 months $ | More than 12 months $ | Total contractual undiscounted cash flows $ |
|---|---|---|---|
| **At 30 June 2021** | | | |
| **Financial liabilities** | | | |
| Bank overdraft | 15,145,470 | - | 15,145,470 |
| Trade and other payables | 8,722,526 | - | 8,722,526 |
| Financial liabilities at fair value through profit or loss | - | 6,745,673 | 6,745,673 |
| **Total financial liabilities** | **23,867,996** | **6,745,673** | **30,613,669** |

| | Less than 12 months $ | More than 12 months $ | Total contractual undiscounted cash flows $ |
|---|---|---|---|
| **At 30 June 2020** | | | |
| **Financial liabilities** | | | |
| Bank overdraft | 2,040,146 | - | 2,040,146 |
| Trade and other payables | 200,505 | - | 200,505 |
| Financial liabilities at fair value through profit or loss | - | 10,456,486 | 10,456,486 |
| **Total financial liabilities** | 2,240,651 | 10,456,486 | 12,697,137 |

**4 Fair value measurements**

The Company measures and recognises its financial assets and financial liabilities at fair value through profit or loss ('FVTPL') on a recurring basis.

**(a) Fair value hierarchy**

*AASB 13: Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

*(i) Recognised fair value measurements*

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 June 2020.

| At 30 June 2021 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Australian and overseas listed equity securities | 220,558,320 | - | 10,695,239 | 231,253,559 |
| Derivative financial instruments [1] | - | 44,037 | - | 44,037 |
| Convertible and corporate bonds | 2,924,129 | - | 3,953,193 | 6,877,322 |
| **Total financial assets** | **223,482,449** | **44,037** | **14,648,432** | **238,174,918** |
| **Financial liabilities at FVTPL** | | | | |
| Australian and overseas listed equity securities sold short * | (6,745,493) | - | - | (6,745,493) |
| Derivative financial instruments [1] | - | (180) | - | (180) |
| **Total financial liabilities** | **(6,745,493)** | **(180)** | **-** | **(6,745,673)** |

[1] The fair value of derivatives included in Level 2 of the fair value hierarchy are $44,037 and ($180) respectively. The notional values of these derivatives is $(2,929,857) and $1,032 respectively as disclosed on page 9 and in Note 3(a)(ii).

**4 Fair value measurements (continued)**

*(i) Recognised fair value measurements (continued)*

| At 30 June 2020 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Australian and overseas listed equity securities | 137,810,587 | - | 10,624,018 | 148,434,605 |
| Convertible and corporate bonds | 11,990,444 | - | - | 11,990,444 |
| **Total financial assets** | 149,801,031 | - | 10,624,018 | 160,425,049 |
| **Financial liabilities at FVTPL** | | | | |
| Australian and overseas listed equity securities sold short * | (10,456,475) | - | - | (10,456,475) |
| Derivative financial instruments [1] | - | (11) | - | (11) |
| **Total financial liabilities** | (10,456,475) | (11) | - | (10,456,486) |

[1] The fair value of derivatives included in Level 2 of the fair value hierarchy is ($11). The notional value of these derivatives is $1,171 as disclosed on page 9 and in Note 3(a)(ii).

[*] *Any securities sold short by the Company are for hedging purposes only.*

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted last prices at the end of the reporting year, excluding transaction costs.

The majority of investments included in Level 3 of the hierarchy include amounts due to be received upon the liquidation of closed end funds. As these funds ceased trading prior to the end of the year the valuation technique used to determine value attributed to these investments is, the fair value of all consideration due and payable to the Company by the liquidators of the investee fund less an estimated discount.

***(a) Movements in asset classes categorised as Level 3:***

| | 30 June 2021 $ | 30 June 2020 $ |
|---|---|---|
| Opening balance | 10,624,018 | 9,372,114 |
| Transfers during the year | 3,033,352 | - |
| Disposals and movement in market value during the year | (2,868,504) | (5,537,169) |
| Acquisitions during the year | 3,859,566 | 6,789,073 |
| Closing balance | **14,648,432** | 10,624,018 |

***(b) Valuation techniques and inputs for Level 3 Fair Values***

| Name of Investments | Fair value at 30 June 2021 $ | Fair value at 30 June 2020 $ | Valuation Technique | Description of valuation technique and inputs used in respect of underlying asset |
|---|---|---|---|---|
| Boussard & Gavaudan Eire Fund Class A EUR | 6,439,303 | 5,531,762 | Discount to Net asset value ("NAV") | In October 2019, GVF elected to convert its holding in a listed closed end fund into an unlisted fund called Boussard & Gavaudan Eire Fund Class A EUR. Redemptions of this fund are limited to 4% per month from 2022. To value the security, the Portfolio Manager uses a straight-line tightening of the discount to NAV, starting with the last trade price before delisting and ending at parity in 2024, when GVF expects to have redeemed its entire position. The discount used in June 2021 is 15.44% (2020: 19.84%). |
| Ceiba Investment 10% CB Mar 2026 | 3,953,193 | - | Par Value | This is a debt instrument issued on 31st March 2021 at an issue price of EUR 1. It pays quarterly coupons at 10% p.a. The debt will be held to maturity and only impaired if there are reasonable grounds to do so. |
| Henderson Alternative Strategies Trust | 1,375,833 | - | Discount to Net asset value ("NAV") | To value the security, the Portfolio Manager estimates a net asset value for the fund based on the last published information and market valuation of its underlying holdings and then applies a 20% discount to reflect the expected realisable value of those holdings. |

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**4 Fair value measurements (continued)**

***(b) Valuation techniques and inputs for Level 3 Fair Values (continued)***

| Name of Investments | Fair value at 30 June 2021 $ | Fair value at 30 June 2020 $ | Valuation Technique | Description of valuation technique and inputs used in respect of underlying asset |
|---|---|---|---|---|
| Monash Absolute Investment Company | 1,320,847 | - | Discount to Net asset value ("NAV") | To value the security, the Portfolio Manager estimates a net asset value for the fund based on the last published information and market valuation of its underlying holdings and then applies a 16% discount to reflect the expected realisable value of those holdings. |
| Highbridge Multi Strategy Fund | 590,648 | 1,257,312 | Discount to Net asset value ("NAV") | An investment trust in liquidation that delisted in September 2019 and returned 75% of capital in October 2019. The balance of capital is expected shortly. To value the security, the Portfolio Manager applies a 10% (2020: 10%) discount to NAV for the remaining assets. |
| East Capital Eastern Europe Small Cap Fund | 366,985 | 1,362,084 | Discount to Net asset value ("NAV") | Eastern Europe Small Cap Fund, previously named East Capital Deep Value Fund, invests in small and medium sized companies with lower liquidity and performance potential.<br><br>Eastern Europe Small Cap Fund began liquidating its positions from late in 2019 and returning capital to investors. A monthly NAV continues to be published monthly where the Portfolio Manager models the change in price and currency, since the last published NAV, on the underlying holdings, to obtain a NAV estimate.<br><br>Given the lack of liquidity in the investment (and the underlying holdings of Eastern Europe Small Cap Fund), the Company has applied an estimated liquidity discount of 23% (2020: 23%) which is based on discount applied to the last traded parcel and reflects the low liquidity of the underlying holdings. |
| Blue Capital Alternative Income Fund | 195,593 | 1,005,593 | Discount to Net asset value ("NAV") | An investment trust in liquidation that owns a portfolio of global catastrophe reinsurance contracts. The Portfolio Manager values the investment at the last traded discount prior to delisting relative to an estimate of NAV. The last traded discount to NAV was 10.2%. Since delisting in July 2018, the trust announces a new quarterly NAV mid-way through the first month of the following quarter. The Portfolio Manager estimates the NAV by considering industry loss estimates, portfolio exposures and comparable vehicle performance. |
| Chenavari Capital Solutions | 113,439 | - | Discount to Net asset value ("NAV") | To value the security, the Portfolio Manager takes the available published net asset value and applies a 44.6% discount. The discount equates to the average discount on which it traded prior to delisting. |
| Life Settlement Assets | - | 698,233 | Discount to Net asset value ("NAV") | Liquidity of the shares in Life Settlement Assets is low. As a result, the last trade can be out of date and not reflective of more recent information released by the company. To value the security, the Portfolio Manager uses the discount to NAV of the last traded price and applies this discount to any new information released prior to the valuation date. The last traded discount to NAV was 10.85%. This discount is applied to the latest NAV that is released on a monthly basis by the company. |
| Others | 292,591 | 769,034 | Discount to Net asset value ("NAV") | These are funds in late stages of liquidation with few reaming assets. They are marked at discounts to the available asset values to reflect the uncertainty around realisation. |
| TOTAL | **14,648,432** | 10,624,018 | | |

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**4 Fair value measurements (continued)**

***(c) Valuation sensitivity***

The following summarises the financial impacts of a hypothetical 5% increase and decrease in the estimated par value or discount to NAV of the Level 3 investments:

A 5% increase/ decrease in the estimated discount to NAV of Boussard & Gavaudan Eire Fund Class A EUR would increase/ decrease the estimated fair value by $321,965.

A 5% increase/ decrease in the par value of Ceiba Investment would increase/ decrease the estimated fair value by $197,660.

A 5% increase/ decrease in the estimated discount to NAV of Henderson Alternative Strategies Trust would increase/ decrease the estimated fair value by $68,792.

A 5% increase/ decrease in the estimated discount to NAV of Monash Absolute Investment Company would increase/ decrease the estimated fair value by $66,042.

A 5% increase/ decrease in the estimated discount to NAV of Highbridge Multi Strategy Fund would increase/ decrease the estimated fair value by $811.

A 5% increase/ decrease in the estimated discount to NAV of East Capital Eastern Europe Small Cap Fund would increase/ decrease the estimated fair value by $18,349.

A 5% increase/ (decrease) in the estimated discount to NAV of Blue Capital Alternative Income Fund would increase/ (decrease) the estimated fair value by $9,780.

There were transfers of financial assets with a total valuation of $3,033,352 from Level 1 to Level 3 (30 June 2020: $nil) and no transfers of financial assets from Level 2 to Level 3 of the fair value hierarchy during the period (30 June 2020: $nil). Total realised gain on sale of Level 3 investments included in “net realised gains on disposal of investments” in the Statement of Profit or Loss and Other Comprehensive Income is as follows:

| | **$** |
|---|---|
| Chenavari Capital Solutions | 687,010 |
| Carador Income Fund Repurchase Pool | (214,961) |
| Latin American Discovery Escrow Fund | 20,812 |
| Henderson Alternative Strategies Trust | 45,067 |
| Alcentra European Floating Rate Income Fund | 13,929 |
| Pacific Alliance China Land | (156,483) |
| Vietnam Phoenix | (77,462) |
| Monash Absolute Investment Company | 7,292,382 |
| Contrarian Value Fund | 465,150 |
| Life Settlement Assets | 316,581 |
| | **8,392,025** |

The Company’s policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Cash and cash equivalents and trade and other receivables are short-term assets whose carrying amounts are equivalent to their fair values.

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| | 2021 $ | 2020 $ |
|---|---|---|
| **5 Income tax expense** | | |
| **(a) Numerical reconciliation of income tax expense to prima facie tax payable** | | |
| Prima facie tax on profit before income tax at 30% (2020: 30%) | 13,457,753 | 9,579 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Foreign income tax offset and franking credits gross up | 461,807 | 100,310 |
| Foreign income tax offset and franking credits | (1,539,360) | (287,709) |
| Other non-assessable items | - | 70,932 |
| **Income tax expense/ (benefit)** | **12,380,200** | (106,888) |
| The applicable weighted average effective tax rates are as follows: | **27.60** | (334.77%) |
| **Total income tax expense/ (benefit) results from:** | | |
| Current tax liability | 4,824,592 | 1,039,932 |
| Deferred tax liability | 7,454,760 | (900,386) |
| Deferred tax asset | 100,848 | (246,434) |
| **Income tax expense/ (benefit)** | **12,380,200** | (106,888) |
| **(b) Current tax liability** | | |
| Opening balance | 505,730 | - |
| Prior year income tax refund/ (paid) | (502,779) | (41,564) |
| Current year income tax paid | (1,279,612) | (492,638) |
| Credited to statement of profit or loss and other comprehensive income | 4,824,592 | 1,039,932 |
| **Closing balance** | **3,547,931** | 505,730 |
| **(c) Net deferred tax liability/ (asset)** | | |
| Deferred tax asset | (369,348) | (384,397) |
| Deferred tax liability | 7,561,528 | 106,768 |
| **Closing balance** | **7,192,180** | (277,629) |
| The composition of the Company's deferred tax asset and liability is as follows: | | |
| **(i) Deferred tax assets** | | |
| **The balance comprises temporary differences attributable to:** | | |
| Accruals | 19,716 | 32,817 |
| Fair value adjustments | 252,257 | 281,653 |
| Capitalised costs | 97,375 | 69,927 |
| | **369,348** | 384,397 |
| **Movements:** | | |
| Opening balance | 384,397 | 137,963 |
| (Charged) /credited: | | |
| - to statement of profit or loss and other comprehensive income | (100,848) | 246,434 |
| - to equity | 85,799 | - |
| **Closing balance** | **369,348** | 384,397 |
| **(ii) Deferred tax liabilities** | | |
| **The balance comprises temporary differences attributable to:** | | |
| Fair value adjustments | 7,546,570 | 61,907 |
| Accruals | 14,958 | 44,861 |
| | **7,561,528** | 106,768 |
| **Movements:** | | |
| Opening balance | 106,768 | 1,007,154 |
| Charged/credited: | | |
| - to statement of profit or loss and other comprehensive income | 7,454,760 | (900,386) |
| **Closing balance** | **7,561,528** | 106,768 |

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| | | 2021 $ | 2020 $ |
|---|---|---|---|
| **6** | **Cash and cash equivalents** | | |
| (Bank overdraft)/ Cash at bank | | **(15,145,470)** | (2,040,146) |
| **7** | **Trade and other receivables** | | |
| Unsettled trades | | 388,452 | - |
| Dividends receivable | | 49,865 | 102,723 |
| Interest receivable | | - | 229,943 |
| GST receivable | | 47,861 | 3,803 |
| Withholding tax recoverable | | 119,660 | 110,106 |
| Other receivable | | 121,187 | 113,867 |
| | | **727,025** | 560,442 |

Receivables are non-interest bearing, unsecured and expected to be recovered within 12 months.

**8 Financial assets and liabilities at fair value through profit or loss**

Financial assets at fair value through profit or loss are all held for trading and include the following:

| | | |
|---|---|---|
| Australian and overseas listed equity securities | 231,253,559 | 148,434,605 |
| Derivative financial instruments | 44,037 | - |
| Convertible and corporate bonds | 6,877,322 | 11,990,444 |
| | **238,174,918** | 160,425,049 |

Financial liabilities at fair value through profit or loss are all held for trading and include the following:

| | | |
|---|---|---|
| Australian and overseas listed equity securities sold short | 6,745,493 | 10,456,475 |
| Derivative financial instruments | 180 | 11 |
| | **6,745,673** | 10,456,486 |

Changes in fair values of financial assets at fair value through profit or loss are recorded as income in the Statement of Profit or Loss and Other Comprehensive Income.

The Company may short sell securities. Short sales or borrowed stock are classified as a financial liability and are measured at fair value through profit or loss.

When the Company sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to the price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities.

**9 Trade and other payables**

| | | |
|---|---|---|
| Management fees payable | 60,772 | - |
| Performance fees payable | 6,712,790 | - |
| Unsettled trades | 1,760,290 | - |
| Dividends payable | 2,779 | 15,626 |
| Interest payable | 55,395 | 50,309 |
| Administration services payable | 33,814 | 21,030 |
| Audit fees payable | 33,990 | 31,957 |
| Other accruals and payables | 62,696 | 81,583 |
| | **8,722,526** | 200,505 |

Trade and other payables are non-derivative financial liabilities. Management and performance fees payable to the Portfolio Manager are usually paid within 30 days of recognition. All other trade and payables are due within 12 months of the reporting date.

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## 10 Issued capital

| | 30 June 2021 | | 30 June 2020 | |
|---|---|---|---|---|
| | No of shares | $ | No of shares | $ |
| **(a) Share capital** | | | | |
| Ordinary shares | **172,997,441** | **177,820,166** | 147,828,607 | 151,350,505 |

**(b) Movements in ordinary share capital**

| | Number of Shares | Issue price | $ |
|---|---|---|---|
| **30 June 2021** | | | |
| Opening balance at 1 July 2020 | 147,828,607 | | 151,350,505 |
| Shares issued to participants in the dividend reinvestment plan [1] | 440,887 | $1.02 | 448,192 |
| Shares issued under the SPP And Placement [2] | 24,187,165 | $1.06 | 25,638,395 |
| SPP costs | | | (199,417) |
| Shares issued to participants in the dividend reinvestment plan [1] | 540,782 | $1.08 | 582,491 |
| **Closing balance** | **172,997,441** | | **177,820,166** |
| **2020** | | | |
| Opening balance at 1 July 2019 | 147,695,772 | | 151,227,208 |
| Shares issued to participants in the dividend reinvestment plan | 132,835 | $0.93 | 123,297 |
| **Closing balance** | 147,828,607 | | 151,350,505 |

[1] Under the terms of the Dividend Reinvestment Plan ('DRP'), 440,887 and 540,782 shares were acquired on-market for DRP participants at $1.016570 and $1.077128 per share respectively. These shares were applied to the holdings of the DRP participants as at the dividend payment dates of 9 November 2020 and 13 May 2021 respectively.

The DRP allows shareholders to acquire additional shares in the Company. Shareholders have the option of either enrolling all their shares in the plan or nominating a specific number of shares that will be subject to reinvestment.

The DRP has been designed so that DRP participants will always receive the lowest reinvestment price possible, without their reinvestment diluting the net tangible asset value per share of those shareholders who choose not to participate in the plan.

There are no costs to participate in the DRP and shareholders can discontinue their participation in it at any time.

[2] On 17 November 2020 the Company announced a Share Purchase Plan (**SPP**), and a placement in respect of the SPP shortfall (**Placement**). The SPP was offered to existing shareholders at a price of $1.06 per share, which was in line with the Company's NTA per share as at 31 October 2020.

**(c) Capital risk management**

The Company's policy is to maintain a strong capital base so as to maintain investor and market confidence. The overall strategy remains unchanged.

To achieve this, the Directors monitor the monthly net tangible assets results, investment performance, the Company's indirect costs and share price movements.

The Board is focused on maximising returns to shareholders with active capital management a key objective of the Company.

The Company is not subject to any externally imposed capital requirements.

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| | 2021 $ | 2020 $ |
|---|---|---|
| **11 Profits reserve and accumulated losses** | | |
| **(a) Profits reserve** | | |
| Profits reserve | **34,705,755** | 11,687,506 |
| **Movements:** | | |
| Opening balance | 11,687,506 | 8,974,562 |
| Transfer of profits during the year | 32,478,975 | 11,279,298 |
| Dividends paid | (9,460,726) | (8,566,354) |
| Balance as at the end of the year | **34,705,755** | 11,687,506 |
| **(b) Accumulated losses** | | |
| Accumulated losses | **(14,977,758)** | (14,977,758) |
| **Movements:** | | |
| Opening balance | (14,977,758) | (3,837,277) |
| Net profit for the period | 32,478,975 | 138,817 |
| Transfer of profits during the year | (32,478,975) | (11,279,298) |
| Balance as at the end of the year | **(14,977,758)** | (14,977,758) |
| **12 Dividends** | | |
| **(a) Fully franked dividends declared during the period** | | |
| 3 cents per share declared on 26 February 2021 and paid on 13 May 2021 | 5,173,696 | - |
| 2.9 cents per share declared on 21 August 2020 and paid on 9 November 2020 | 4,287,030 | - |
| 2.9 cents per share declared on 20 February 2020 and paid on 13 May 2020 | - | 4,283,177 |
| 2.9 cents per share declared on 29 August 2019 and paid on 11 November 2019 | - | 4,283,177 |
| | **9,460,726** | 8,566,354 |
| **(b) Dividends not recognised at the end of the financial year** | | |
| Since year end, the Directors have declared a fully-franked final dividend of 3.30 cents per fully paid ordinary share, based on tax paid at 30%.The aggregate amount of the dividend with an ex-date of 30 September 2021 and a record date of 1 October 2021, expected to be paid on 8 November 2021 out of the profits reserve at 30 June 2021, but not recognised as a liability at year end, is: | **5,708,916** | 4,287,030 |

**(c) Dividend reinvestment plan**

The Company's dividend reinvestment plan ('DRP') will be in effect for the fully-franked FY2021 final dividend of 3.30 cents per share.

The DRP has been designed so that participants will always receive the lowest reinvestment price possible, without their reinvestment diluting the post-tax Net Tangible Asset ("NTA") of those shareholders who choose not to participate in the plan. When the Company's share price is greater than or equal to its NTA per share, dividends are paid as newly issued shares in the Company. If the share price for GVF is above the Company's NTA per share on the dividend ex-date, participating shareholders will be issued new shares at the greater of a 2.5% discount to the volume weighted average share price over the three trading days from the ex-date, or the NTA value per share of the Company on this day. If the share price for GVF is less than its NTA per share on the ex-date, cash available for distribution as dividends on shares subject to the DRP will be used to acquire the Company's shares on market in accordance with the terms set out in the plan.

There are no costs to participate in the plan and shareholders can discontinue their participation in the plan at any time.

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| | 2021 $ | 2020 $ |
|---|---|---|

**12 Dividends (continued)**

**(d) Dividend franking account**

The franked portions of the final dividends recommended after 30 June 2021 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2021.

| | | |
|---|---|---|
| Opening balance of franking account | 1,574,764 | 4,435,940 |
| Franking credits on dividends received | 1,508,669 | 275,916 |
| Franking credits on dividends paid | (4,054,598) | (3,671,295) |
| Prior year adjustment | (34,713) | - |
| Tax paid during the year | 1,782,391 | 534,203 |
| Closing balance of franking account | **776,513** | 1,574,764 |
| Adjustments for tax payable in respect of the current year's profits and the receipt of dividends | 3,547,931 | 505,730 |
| Adjusted franking account balance | **4,324,444** | 2,080,494 |
| Impact on the franking account of dividends proposed or declared but not recognised as at 30 June 2021 | (2,446,678) | (1,837,298) |
| Franking credits available for subsequent reporting periods based on a tax rate of 30.0% | **1,877,766** | 243,196 |

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

**13 Key management personnel disclosures**

**(a) Key management personnel compensation**

| | | |
|---|---|---|
| Short-term employee benefits | 77,625 | 77,625 |
| Post-employment benefits | 7,375 | 7,375 |
| | **85,000** | 85,000 |

Detailed remuneration disclosures are provided in the remuneration report on pages 15 to 17.

**(b) Equity instrument disclosures relating to key management personnel**

*(i) Shareholdings*

The numbers of shares in the Company held during the financial year by each Director, including their personally related parties, are set out below. There were no shares granted during the financial year as compensation.

| 2021<br>Director | Balance as at 1 July 2020 | Acquisitions | Disposals | Balance as at 30 June 2021 |
|---|---|---|---|---|
| Jonathan Trollip [1] | 425,000 | - | - | 425,000 |
| Chris Cuffe [2] | 1,490,000 | 290,000 | - | 1,780,000 |
| Geoff Wilson [3] | 1,380,581 | 28,301 | - | 1,408,882 |
| Miles Staude [4] | 155,000 | 26,600 | - | 181,600 |
| | **3,450,581** | **344,901** | **-** | **3,795,482** |

[1] 425,000 shares beneficially held by Piaster Pty Limited ATF Trollip Family Superfund A/C

[2] 500,000 shares beneficially held by Cherryoak Investments Pty Limited ATF C & N Family Trust, 1,100,000 shares beneficially held by Australian Philanthropic Services Pty Limited ATF Australian Philanthropic Services Foundation, 140,000 shares beneficially held by Australian Philanthropic Services Limited and 40,000 shares beneficially held by Mr Christopher Cuffe ATF Matthew Patrick Cuffe

[3] 1,408,882 shares beneficially held by GW Holdings Pty Limited <Edwina A/C>

[4] 181,600 shares beneficially held by Staude Capital Pty Limited

**(b) Equity instrument disclosures relating to key management personnel**

*(i) Shareholdings (continued)*

**2020**

| Director | Balance at 1 July 2019 | Acquisitions | Disposals | Balance 30 June 2020 |
|---|---|---|---|---|
| Jonathan Trollip [1] | 425,000 | - | - | 425,000 |
| Chris Cuffe [2] | 1,374,969 | 115,031 | - | 1,490,000 |
| Geoff Wilson [3] | 1,380,581 | - | - | 1,380,581 |
| Miles Staude [4] | 135,000 | 20,000 | - | 155,000 |
| | 3,315,550 | 135,031 | - | 3,450,581 |

[1] 425,000 shares beneficially held by Piaster Pty Limited ATF Trollip Family Superfund A/C

[2] 350,000 shares beneficially held by Cherryoak Investments Pty Limited ATF C & N Family Trust, 1,100,000 shares beneficially held by Australian Philanthropic Services Pty Limited ATF Australian Philanthropic Services Foundation and 40,000 shares beneficially held by Mr Christopher Cuffe ATF Matthew Patrick Cuffe

[3] 1,380,581 shares beneficially held by GW Holdings Pty Limited <Edwina A/C>

[4] 155,000 shares beneficially held by Staude Capital Pty Limited

**14 Remuneration of auditors**

During the year the following fees were paid for services provided by the auditor of the Company and its related practices:

| | 2021 $ | 2020 $ |
|---|---|---|
| Auditing and reviewing the financial report | 47,000 | 42,000 |
| Other services provided by a related practice of the auditor: | | |
| Taxation services | 41,400 | 23,500 |
| Other non-assurance services | - | - |
| **Total remuneration to Deloitte Touche Tohmatsu** | **88,400** | 65,500 |

The Board of Directors oversees the relationship with the Company's external auditors. The Board reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other non-audit related services provided by the audit firm, to ensure that they do not compromise independence.

**15 Contingencies and commitments**

The Company had no material contingent liabilities or commitments as at 30 June 2021 (2020: $nil).

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## 16 Related party transactions

All transactions with related parties were made on normal commercial terms and conditions and at market rates.

Mirabella Financial Services LLP ('Mirabella') is the Investment Manager of the Company. Mirabella has a legal agreement with Staude Capital Limited, an entity associated with Miles Staude who is a Director of the Company, whereby certain individuals from Staude Capital Limited are seconded into Mirabella to perform portfolio management services for the Company. Miles Staude benefits from the manager fees payable to Mirabella, as listed below:

*Assignment fee*

Mirabella has assigned all rights, title and interest to receive 25% of all management and performance fees payable under its management agreement to Boutique Investment Management Pty Limited ('BIM'), an entity associated with Geoff Wilson.

Mirabella has undertaken to BIM not to terminate or amend the terms of the Management Agreement or waive any of its rights under the Management Agreement without the prior written consent of BIM.

*Management fee*

In its capacity as Investment Manager, Mirabella is entitled to receive a management fee of 0.125% per month (representing an annualised fee of 1.5% per annum) of the net value of the investment portfolio. The management fee is calculated monthly and payable monthly in arrears. For the year ended 30 June 2021 Mirabella was entitled to a management fee of $2,567,437 (2020: $2,319,409), of which $641,859 was paid to BIM. As at 30 June 2021, the balance payable was $60,772 (2020: $ nil).

*Performance fee*

In return for the performance of its duties as manager of the investment portfolio, Mirabella is entitled to be paid a performance fee (**Performance Fee**) of 15% of PO where PO for a Performance Calculation Period is calculated in accordance with the following formula:

PO = (AGAV) – (NAV x (1 + (HR x Day Count))

where:

**PO** is the investment portfolio outperformance to be used in calculating the Performance Fee outlined above;

**AGAV** is the adjusted gross asset value and calculated by adding back to the Gross Asset Value any Australian corporate taxes accrued or paid by the Company in the relevant Performance Calculation Period;

**NAV** is the Net Asset Value calculated on the last Business Day of the preceding Performance Calculation Period or, if there is no preceding Performance Calculation Period, on the commencement date of the Agreement.

**HR** is the hurdle rate which is 4 percentage points above the mid-price vanilla interest rate swap price series produced by Bloomberg, published on the last Business Day prior to the start of the Performance Period, or, if there is no preceding Performance Calculation Period, on the Commencement Date, represented on Bloomberg by the ADSWAP1Q Index series.

**Day count** is the number of days which have elapsed in the current Performance Calculation Period divided by 365.

Once a Performance Fee has been paid, no further Performance Fee may be accrued or paid unless and then only to the extent that the Adjusted Gross Asset Value increases above the level at which a Performance Fee was previously paid, or if no Performance Fee has been paid, above the Net Asset Value on the Commencement Date.

The Company must calculate the Performance Fee monthly and must usually pay the Performance Fee to the manager annually in arrears within 20 business days of the end of the relevant Performance Calculation Period.

For the financial year ended 30 June 2021, the performance fee amount payable to the manager was $6,712,790 (2020: $nil) of which $1,678,198 was payable to BIM. As at 30 June 2021, the balance payable was $6,712,790 (2020: $nil).

The management agreement was for an initial term of five years from 18 May 2014 and was automatically renewed for a further term of five years on 18 July 2019.

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| | 2021 $ | 2020 $ |
|---|---|---|
| **17 Cash flow information** | | |
| **(a) Reconciliation of profit after income tax to net cash inflow from operating activities** | | |
| Profit for the year | 32,478,975 | 138,817 |
| Unrealised foreign exchange losses/ (gains) | 1,094,032 | (46,814) |
| Unrealised (gains)/ losses on market value movement | (26,094,081) | 1,112,166 |
| Change in operating assets and liabilities: | | |
| (Increase) in trade and other receivables | (166,585) | (178,441) |
| (Increase) in investments held for trading | (55,366,601) | (12,232,326) |
| Decrease/ (Increase) in deferred tax assets | 100,850 | (246,435) |
| Increase/ (Decrease) in trade and other payables | 8,522,020 | (35,885) |
| Increase in provision for income taxes payable | 3,042,200 | 505,730 |
| Increase/ (Decrease) in deferred tax liabilities | 7,454,760 | (900,387) |
| Net cash (outflow) from operating activities | **(28,934,430)** | (11,883,575) |
| **(b) Non cash financing activities** | | |
| Dividends reinvested | **1,030,686** | 123,297 |
| **18 Earnings per share** | | |
| Profit after income tax used in the calculation of basic and diluted earnings per share | **32,478,975** | 138,817 |
| | **Cents** | **Cents** |
| **(a) Basic and diluted earnings per share** | | |
| Basic and diluted earnings per share attributable to the ordinary equity holders of the Company | **20.18** | 0.09 |
| **(c) Weighted average number of shares used as denominator** | **No. of shares** | **No. of shares** |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share | **160,920,963** | 147,712,467 |

As at the end of the year, there are no outstanding securities that are potentially dilutive in nature for the Company.

**19 Coronavirus ("Covid-19")**

The Covid-19 pandemic remains a major global issue, and is likely to have an ongoing impact on the market value of equity markets and future earnings from assets. The Directors will continue to review the situation, and the Company's investment portfolio as new information emerges.

**20 Events occurring after the reporting period**

Since year end the Company has declared a fully-franked final dividend for FY2021 of 3.30 cents per share, to be paid on Monday 8 November 2021. The ex-dividend date is Thursday 30 September 2021 and the record date for entitlement to the FY2021 final dividend is Friday 1 October 2021.

The Company's DRP will be in effect for the final FY2021 dividend payment.

The DRP participation enrolment deadline for the final dividend is 5.00 pm AEDT Monday 4 October 2021.

No other matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

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# Global Value Fund Limited
# Directors' Declaration
# For the year ended 30 June 2021

In accordance with a resolution of the Directors of Global Value Fund Limited ('the Company'), the Directors of the Company declare that:

1) The financial report as set out in pages 20 to 43 are in accordance with the *Corporations Act 2001*, including:

   a) complying with Australian Accounting Standards, which, as stated in Note 2(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS), the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   b) giving a true and fair view of the financial position of the Company as at 30 June 2021 and of its performance, as represented by the results of the operations and the cashflows, for the year ended on that date; and

2) The Portfolio Manager has declared that:

   a) the financial records of the Company for the financial year have been properly maintained in accordance with the Section 286 of the *Corporations Act 2001*;

   b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   c) the financial statements and notes for the financial year give a true and fair view.

3) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the *Corporations Act 2001*.



Jonathan Trollip
Chairman

Sydney
27 August 2021

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# Independent Auditor's Report to the Members of Global Value Fund Limited

## Report on the Audit of the Financial Reports

### Opinion

We have audited the financial report of Global Value Fund Limited (the "Company") which comprise the Company's statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

- Giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company (the "directors"), would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the Company for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Key Audit Matter | How the scope of our audit responded to the Key Audit Matter |
|---|---|
| Valuation and existence of financial assets and liabilities held at fair value through profit or loss<br><br>As at 30 June 2021, the Company's financial assets and liabilities held at fair value through profit or loss amounted to $231,429,245 (including both long and short positions).<br><br>The Company's financial assets and liabilities held at fair value represent the most significant driver of the Company's revenue and performance. The fluctuations in financial assets and liabilities held at fair value also impact the realised and unrealised gains/(losses) recognised in the statement of profit or loss and other comprehensive income, which in turn affects the current and deferred tax provisions.<br><br>As disclosed at Notes 4 and 8 to the financial statements, the financial assets and liabilities held at fair value through profit or loss comprised of:<br>• listed equity securities,<br>• listed corporate bonds,<br>• listed convertible notes; and<br>• unlisted equity securities.<br><br>The Company exercises judgement in valuing certain financial assets and liabilities, where there are significant unobservable inputs required for determining their fair value. These assets and liabilities are known as Level 3 financial instruments.<br><br>For the Company, these Level 3 financial instruments predominantly consist of investments in unlisted equity securities. Judgement is required in estimating the fair value of these financial instruments. | In conjunction with our valuation specialists, our procedures included, but were not limited to:<br>• evaluating relevant controls in place at the outsourced service provider (i.e. Administrator being Citco Fund Services) in relation to the valuation and existence of financial assets at fair value through profit or loss, including any exceptions noted;<br>• obtaining an understanding of the design and implementation of relevant controls in relation to the valuation of Company's unlisted equity securities;<br>• agreeing on a sample basis, the valuation of listed equity securities to an independent pricing source;<br>• assessing and challenging the valuation methodology used by the management to estimate the fair value of investments in unlisted equity securities;<br>• obtaining the most recent financial statements and net asset value statements, as available, and assessing the movements in the net asset value of the unlisted equity securities;<br>• performing sensitivity analysis on a sample of unlisted equity securities and evaluating the potential impact of upside or downside changes in the key management's inputs and assumptions;<br>• reviewing publicly published information where available, post 30 June 2021, to corroborate the value of unlisted equity securities;<br>• agreeing on a sample basis, the investment holdings to the external custodian's holdings statement; and<br>• reperforming a reconciliation of the financial assets balance for the year, including the 1 July 2020 investment balance, purchases, sales, other relevant transactions and the 30 June 2021 investment balance.<br><br>We also assessed the appropriateness of the disclosures in Notes 4 and 8 to the financial statements. |
| Accuracy and completeness of Performance fees<br><br>For the year ended 30 June 2021, performance fees expense amounted to $6,712,790 (for the year ended 30 June 2020: $nil). The entire amount was payable as of 30 June 2021 (30 June 2020: $nil).<br><br>The performance fee expense for the Company is a related party transaction as disclosed in Note 16 of the financial statements. Further, calculation of performance fees expense is complex and contains multiple variables that are input into excel calculations.<br><br>Errors in performance fee calculations may result in Net asset value ("NAV") reporting errors, errors in amounts disclosed in the financial statements, and inappropriate fees being charged to the Company and thus resulting in a loss to shareholders. | Our procedures included, but were not limited to:<br>• reviewing the Company's offering documents (Prospectus and Investment Management Agreement) for the underlying calculation methodology;<br>• assessing GVF's performance relative to underlying performance benchmarks and hurdles;<br>• performing a recalculation of the performance fee expense in accordance with the Investment Management Agreement and assessing the reasonableness of key inputs and adjustments used within the calculation; and<br>• obtaining an understanding of key controls in place at the outsourced service provider (i.e. Administrator being Citco Fund Services) in relation to the calculation of performance fee, including any exceptions noted. |

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| | |
|---|---|
| We note that in the calculation of GVF's performance fee expense, certain adjustments were made by the Company's Administrator which included dividends declared during the year, tax payments and capital raisings undertaken. Key inputs used by the Company's Administrator included portfolio movements, index benchmarking and applying set percentage as noted within the Investment Management Agreement (IMA). | We also assessed the appropriateness of the disclosures in Note 16 to the financial statements. |

Other information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors are responsible for the preparation of the financial report that give a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 15 to 17 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of the Company, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 27 August 2021

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# Global Value Fund Limited
# Shareholder information
# 30 June 2021

The Shareholder information set out below was applicable as at 16 August 2021.

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

## A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| | Class of equity security Ordinary shares | | |
|---|---|---|---|
| **Holding** | **No of Shareholders** | **Shares** | **Percentage (%)** |
| 1 – 1000 | 205 | 44,986 | 0.03 |
| 1,001 – 5,000 | 240 | 858,500 | 0.50 |
| 5,001 – 10,000 | 534 | 4,360,002 | 2.52 |
| 10,001 – 100,000 | 2,224 | 77,460,469 | 44.78 |
| 100,001 and over | 297 | 90,273,484 | 52.18 |
| | **3,500** | **172,997,441** | **100.00** |

There were 157 security holders with less than a marketable parcel of ordinary shares.

## B. Equity security holders

Twenty largest quoted equity security holders

| | Ordinary shares | |
|---|---|---|
| **Name** | **Number held** | **Percentage of issued shares (%)** |
| JP Morgan Nominees Australia Pty Limited | 11,142,470 | 6.441 |
| Australian Executor Trustees Limited <No 1 Account> | 6,102,591 | 3.528 |
| BNP Paribas Nominees Pty Limited Hub24 Custodial Services Limited <DRP Account> | 3,435,993 | 1.986 |
| Mr Eric George Baker & Mrs Janine Marie Baker <Emu Bay Super Fund Account> | 3,095,707 | 1.789 |
| HSBC Custody Nominees (Australia) Limited | 2,828,444 | 1.635 |
| Tanz Investments Pty Limited | 2,210,679 | 1.278 |
| Bridgestar Pty Limited | 2,000,000 | 1.156 |
| Dadiaso Holdingsa Pty Limited <David Shein Investment Account> | 1,902,912 | 1.100 |
| Mr Eric George Baker & Mrs Janine Marie Baker | 1,800,000 | 1.040 |
| Netwealth Investments Limited <Wrap Services Account> | 1,623,183 | 0.938 |
| G W Holdings Pty Limited <Edwina Account> | 1,329,337 | 0.768 |
| Netwealth Investments Limited <Super Services Account> | 1,177,429 | 0.681 |
| Charanda Nominee Company Pty Limited <Greycliffe Super Fund Account> | 1,148,000 | 0.664 |
| Australian Philanthropic Services Foundation Pty Limited <APS Foundation Account> | 1,100,000 | 0.636 |
| Mrs Avril Mary Benard | 600,000 | 0.347 |
| English Family Super Fund Pty Limited <N English No.1 Super Ben Account> | 524,541 | 0.303 |
| Cuffe Family Foundation Pty Limited <Cuffe Family Foundation Account> | 500,000 | 0.289 |
| Mr Nicholas Paul Jenkins | 495,699 | 0.287 |
| Australian Executor Trustees Limited <IPS Super Account> | 490,395 | 0.283 |
| Mr Jeremy Peter Shea & Ms Danielle Romani <Super Cat Uncle Super Fund Account> | 458,788 | 0.265 |
| **Total** | **43,966,168** | **25.414** |
| **Total remaining holders balance** | **129,031,273** | **74.586** |

### C. Substantial holders

| Name | Number held | Percentage of issued shares (%) |
|---|---|---|
| Managed Accounts Holdings Limited (managed Accounts) and its wholly owned subsidiary, Investment Administration Services Pty Ltd (IAS) | 9,548,601 | 6.47 |

### D. Voting rights

Each share is entitled to one vote when poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

### E. Stock exchange listing

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

### F. Unquoted securities

There are no unquoted shares.

### G. Securities subject to voluntary escrow

There are no securities subject to voluntary escrow.

### H. Brokerage

During the year ended 30 June 2021, the Company recorded 1,198 transactions (2020: 1,371) in securities. Total brokerage paid and accrued was $823,595 (2020: $773,631) for the year.

### I. On market buy-back

There is currently no on market buy-back.

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