30th September 2021

STAUDE CAPITAL
GLOBAL VALUE FUND

Investment Update and Net Tangible Assets

Net Tangible Assets (NTA) per share

NTA before tax*	$1.2293
NTA after tax	$1.1571

* GVF went ex-entitlement to a 3.3 cents per share dividend on 30 September. The deduction of this is reflected in the NTA. There were no substantive tax payments made during September.
$ denotes Australian dollar.

September review

September was a painful reminder of a topic we have been discussing with investors for some time – the hyper-sensitivity financial markets have to interest rates today. This exaggerated sensitivity has come about because interest rates are now so low that small absolute changes have become very large in relative terms. This matters a great deal. Asset class valuations currently sit near their all-time highs. They enjoy these lofty ratings because nominal interest rates sit near their all-time lows - and it is those barely perceptible discount rates that are being used to value assets. Thus, the edifice of the market today is predicated on our current all-time low interest rates persisting out for an uncomfortably long time into the future. In this process, higher-risk, and longer duration (or length) assets classes, like the share market, have become very sensitive to small changes to the discount rates being used to value them.

It is in this context that the sharp sell-off seen during September is best viewed. In US$ terms, global share markets[4] fell 4.1%, their largest monthly fall since March of last year and the depths of the Covid-19 crash. In contrast, global bond markets[5], an asset class much less sensitive to interest rate movements, fell by a more modest 1.6%. In Australian dollar terms, global share markets fell by 3.0%, while global credit markets fell by 0.4% and the local Australian share market fell by 1.9%.

The drivers for these losses were a spike in interest rates around the world - a move that reflects growing market angst about rising inflationary pressures. During September, the yield on the benchmark 10-year US government bond increased from 1.31% to 1.49%. In absolute terms this represents a relatively small move, however, in percentage terms, it equated to a 14% increase in the world's most closely followed interest rate.

The fallout from this move higher in interest rates can be seen clearly when looking at the magnitude of the movements across different asset classes during the month. Interest rate sensitive parts of the market, like FANG[7] stocks, fell by 4.6%. In contrast, floating rate loans[8], an asset class with a very limited sensitivity to interest rate movements (and a large holding for GVF) actually rose by 0.4%.

There are no easy escapes from the exaggerated interest rate sensitivity investors face today when trying to navigate markets. While it is *probably* the case that the uptick in inflation we are seeing today is transitory, and thus that interest rates will likely stay low enough, and for long enough, to avoid a severe market rout, this is by no means a certain outcome. Months like September highlight to us the risks that even small deviations to this set of assumptions create.

Moreover, in our view, it highlights that the risks of investing into traditional asset classes today is much higher than has normally been the case. Investing into vanilla asset classes at a time when valuations are at or near their all-time highs, *and* when markets are hyper-sensitive to the smallest of changes in what may, or may not, lie

Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	173M
Share price	$1.185
Market cap	$205M
Total dividends declared[1]	53 cents
Profits Reserve[2]	22 cents
Fully franked yield[3]	8%

Company overview

The Global Value Fund (ASX: GVF) is a listed investment Company that provides shareholders with the opportunity to invest globally through a portfolio of securities purchased at a discount to their underlying asset value. By capturing this discount for its investors, the manager aims to provide an alternative source of market outperformance compared to more common stock selection strategies.

It is the Board's intention to pay regular dividends so long as the Company is in a position to do so.

Investment Manager

The portfolio management team is based in London and has considerable experience in finding international assets trading at a discount to their intrinsic value and in identifying, or creating, catalysts to unlock this value.

Investment Management

Miles Staude, CFA
Fund Manager, Global Value Fund

Board of Directors

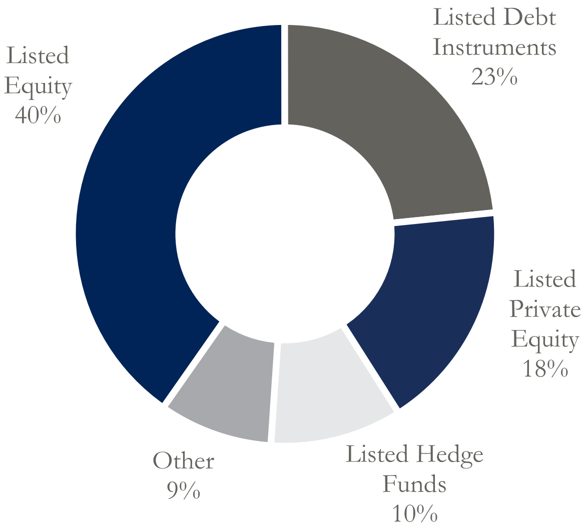
Jonathan Trollip
Chairman
Chris Cuffe
Non-executive Director
Geoff Wilson
Non-executive Director
Miles Staude, CFA
Non-executive Director

ahead of us, is not a particularly appealing proposition. As ever, we hope that GVF offers investors an alternative to an investment universe that, in our view, is offering up a set of increasingly bleak choices.

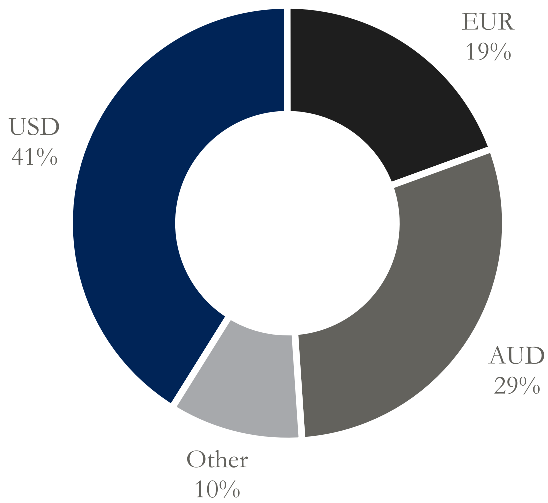
The GVF investment portfolio increased in value by 0.5% during September. The fund's discount capture strategy contributed 0.6% to returns during the month, while the fund's underlying market exposures detracted 0.5% from performance. The remaining attribution of returns during September are explained by gains from underling currency movements and the company's operating costs.

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

Underlying Asset Classes



Underlying Currency Exposures



The above chart reflects the manager's estimate of the currency exposures arising from the portfolio's underlying investments and cash balances as at 30th September.

Including emerging market currencies that are chiefly pegged to the US$, the fund's US$ exposure is approximately 44%.

The above chart reflects the manager's estimate of the underlying asset classes held through the fund's portfolio of investments as at 30th September.

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

Significant Holdings[6]

Holding	% NTA	Summary
Harbourvest Global Private Equity	8.0%	London-listed closed-end fund (CEF), with a diversified portfolio of private equity funds investments. The fund trades on a wide discount to its reported asset backing but owing to the lag with which private equity funds report their performance, we believe the embedded value is even greater than this.
Third Point Investors	7.2%	London-listed CEF, that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 13.7% discount to its NAV. Under pressure from shareholders, the Board recently completed a strategic review into the fund's discount problem, putting in place several initiatives to try and improve the situation. Notwithstanding this, we believe there is shareholder support for additional measures to be taken.
VPC Specialty Lending Investments	6.2%	London-listed CEF, managed by a US investment manager, that predominantly lends to middle market financial companies mainly in the US. The company currently pays a yield of c.9.1% pa based on the current share price, and trades on a discount of 19.8% to NAV. In conjunction with continuation vote in 2020, and following pressure from shareholders (including GVF), the company put in place an opportunity for shareholders to realise some, or all, of their investment at NAV in 2023, if discount or performance targets are not achieved.

Pantheon International Participations	4.3%	London-listed CEF with a diversified portfolio of private equity funds investments. Pantheon trades on a large discount to its reported asset backing, but due to the lag with which private equity funds report their performance, we believe the embedded value is even greater than this.
Empiric Student Property	4.2%	London-listed REIT, invested in a portfolio of UK student accommodation. The business model of student accommodation is such that it was particularly disrupted by the pandemic in the short-term, and as a result ESP currently trades at a large discount to asset backing. However, the asset class enjoys a number of long-term structural tailwinds – as evidenced by M&A in the sector – and ESP is well-placed to ride out short-term disruption.

[1] Grossed up dividends of 52.52c declared from IPO at $1 through to 8 November 2021, the FY2021 final dividend payment date.

[2] The profits reserve sits at 21.6c as of 30th September (this reserve amount excludes the FY2021 final dividend).

[3] Based on the end of month share price of $1.185 and the FY2022 dividend guidance of 6.6 cents per share, fully franked.

[4] All references to global shares markets refer to the total return (price and dividends) of the MSCI All Country World Equity Index.

[5] All references to global credit markets refer to the Bloomberg Barclays Global Credit Total Return Index.

[6] In order to protect the interests of GVF shareholders, certain large holdings may not always be publicly disclosed.

[7] A well followed share market index of high-growth technology companies.

[8] As represented by the S&P European Leveraged Loan Index.

Unless otherwise stated, source for all data is Bloomberg LP and data as of 30th September 2021.

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