

STAUDE CAPITAL   

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GLOBAL VALUE FUND

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**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

# Agenda

1. Introduction – The Global Value Fund
2. What are markets pricing in? What are the second page stories?
3. Protecting shareholder capital
4. Case studies
5. Appendices



# **1. Introduction - The Global Value Fund (ASX: GVF)**

# The Global Value Fund

**Our core discount capture strategy targets returns comparable with global equity markets while aiming for a significantly lower risk profile**

A focus on listed securities which are undervalued relative to a defined and observable asset value

- A discount to “break-up” value

Closed-end funds (CEFs) will form the core of our investment universe

- Internationally, CEFs are a mainstream asset class, with an investable universe of >US\$400Bn

A variety of passive and active techniques are used to unlock value for our investors

**We operate on a global stage; investing around the world and across asset classes**

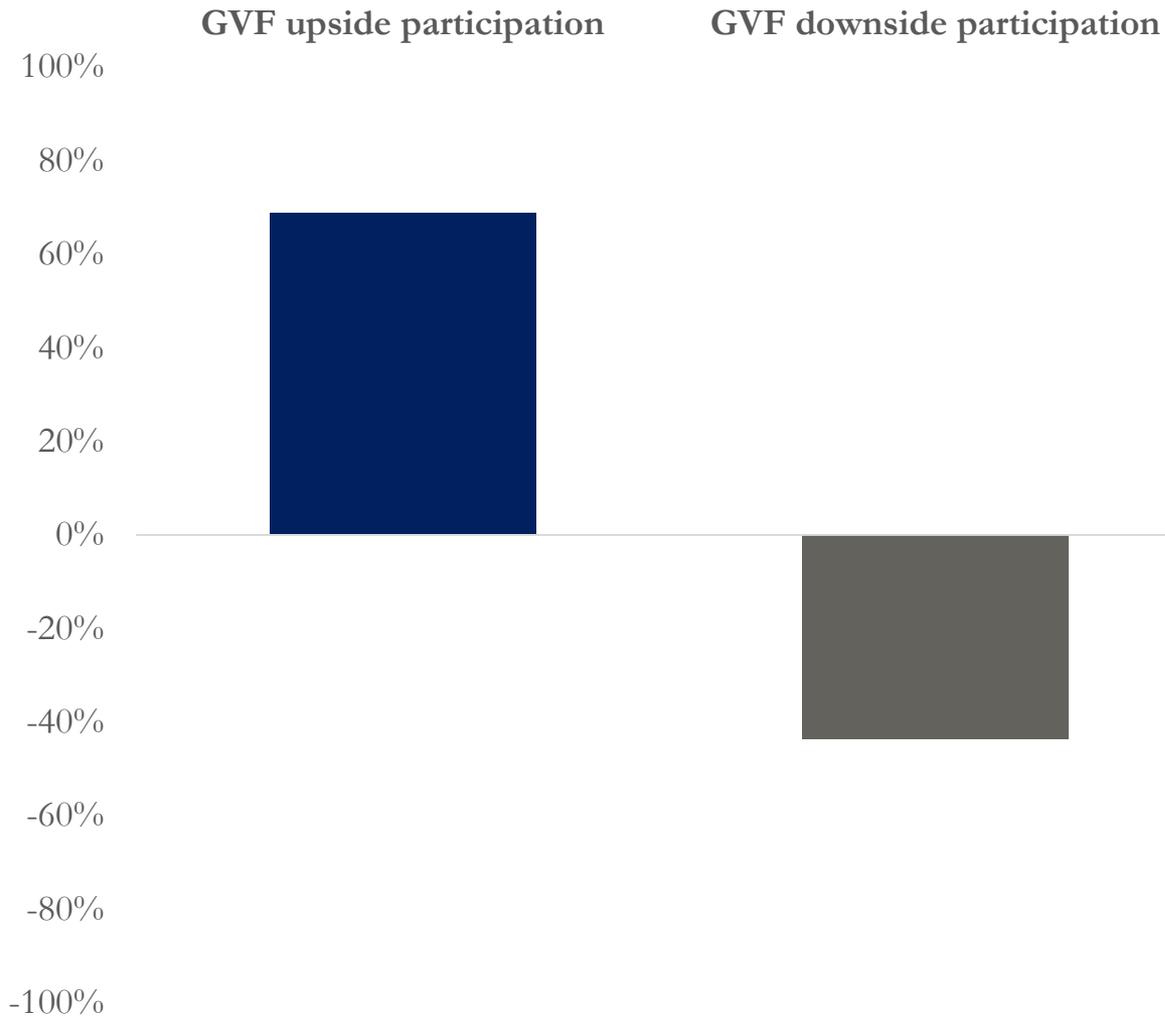
**STAUDE CAPITAL**  

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**GLOBAL VALUE FUND**

# A focus on capital preservation

Global share markets upside vs. downside participation<sup>1</sup>



Since IPO we have participated in 69%<sup>1</sup> of the upside in global share markets, but only 44%<sup>1</sup> of market declines.

<sup>1</sup> Global share markets refers to the MSCI All Country World Index in A\$ terms. Data source: Bloomberg LP and Staude Capital as of 30<sup>th</sup> September 2018.

Please note that past performance is not indicative of future returns



# The Global Value Fund at a glance

**ASX code:** GVF  
**IPO Price:** \$1.00  
**Share Price:** \$1.085<sup>1</sup>  
**No. Shares:** 147M  
**Mkt Cap:** \$160M  
**Listed:** July 2014

# 11.8%

Annualised adjusted NTA  
return since IPO<sup>2</sup>

## Objective

To generate equity market like returns when measured over time, but to do so with significantly less risk than a typical global share market portfolio.

# 27.0

Total cents per share of  
grossed up dividends  
declared since IPO

## Directors

Jonathan Trollip (Chair)  
Chris Cuffe  
Geoff Wilson  
Miles Staude

# 7.5%

Indicated FY2019 grossed  
up yield<sup>3</sup>

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

**Please note that past performance is not indicative of future returns**

Unless otherwise stated, data sourced from Bloomberg LP and Company reports.

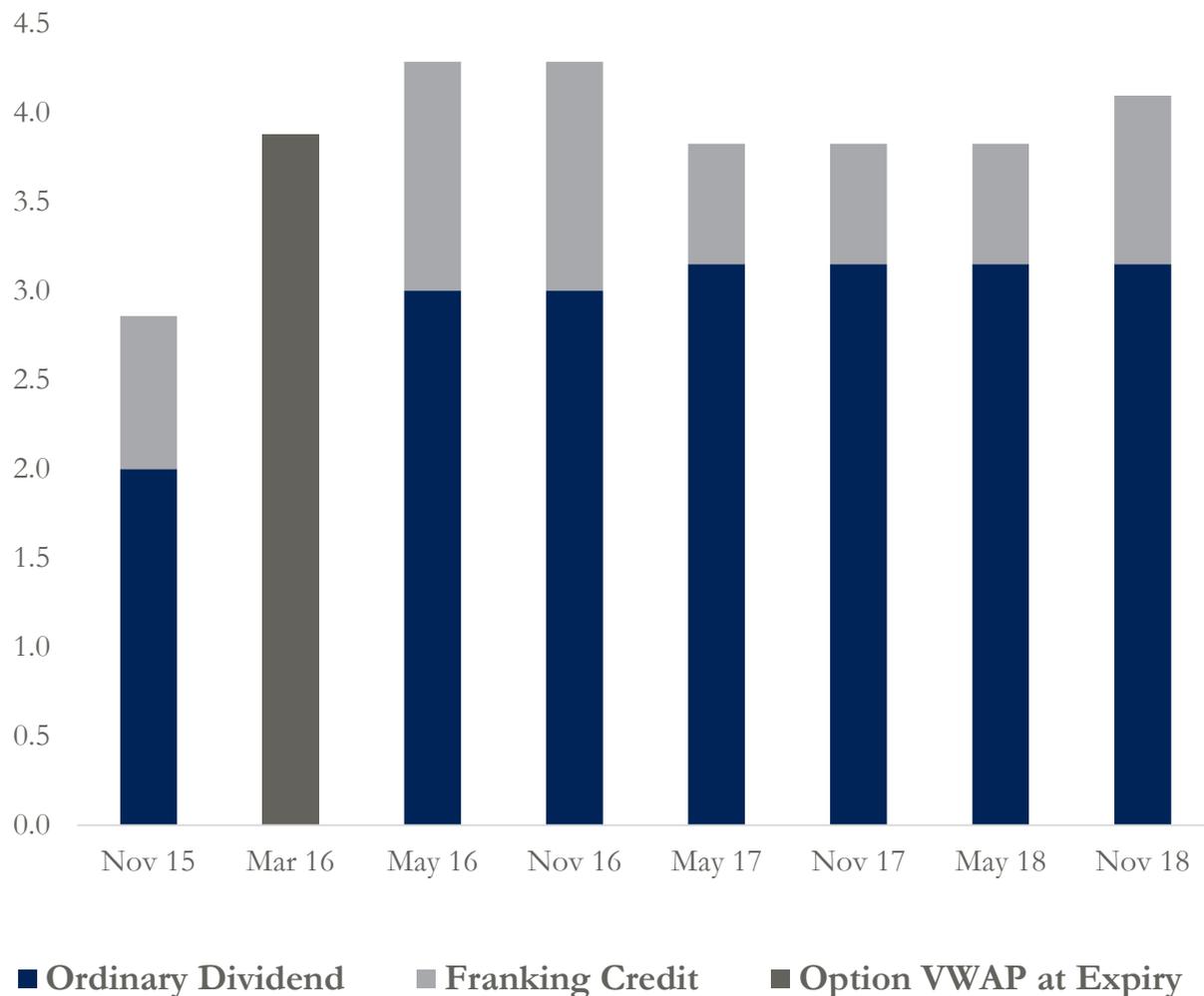
<sup>1</sup> Share price of GVF shares as at 30<sup>th</sup> September 2018.

<sup>2</sup> From IPO to 30<sup>th</sup> September 2018. NTA adjusted for tax paid, dividends, dilution from options exercised and other minor balance sheet items. Data source: Staude Capital. 7

<sup>3</sup> Based on September 2018 month end price of \$1.085/share and Company guidance for FY2019 dividends of 6.3 cents per share, 70% franked.

# GVF dividend & option price history

Declared dividends, franking credits and option VWAP<sup>1</sup> since IPO<sup>2</sup>



**Current Board guidance<sup>3</sup> is for FY2019 dividends of 6.3 cents per share, 70% franked**

- 1 Data source: The ASX. The Volume Weighted Average Price (VWAP) of the GVF Options (GVFO) traded from IPO to Expiry on the 10 March 2016.
- 2 Data source: Company reports.
- 3 Comprising a declared 1H 2019 dividend of 3.15 cents per share, 70% franked, and Board guidance of a 2H 2019 dividend of 3.15 cents per share, 70% franked. The 2H 2019 dividend guidance is not a formal declaration of dividends. The size and payment of any final dividend for FY2019 will be subject to the Company having sufficient profit reserves and the dividend payment being within prudent business practices.

Please note that past performance is not indicative of future returns



**2. What are markets pricing in?  
What are the second page stories?**

# The key debates in the market today

The front page stories

**Rising US interest rates**

**Controlled slow down in  
China**

**Trump's trade wars**

**A red hot US economy**

**Growth vs. Value debate**

**Europe approaching  
end of QE**

# Second page stories we are following

Where the market could be wrong

Are we late cycle in the bull market?

A dangerous 'new normal' in Western politics

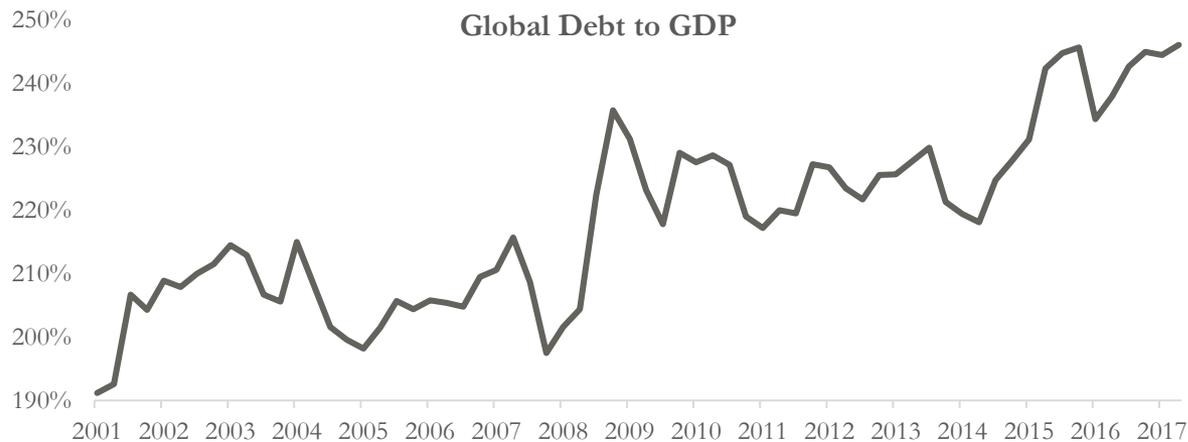
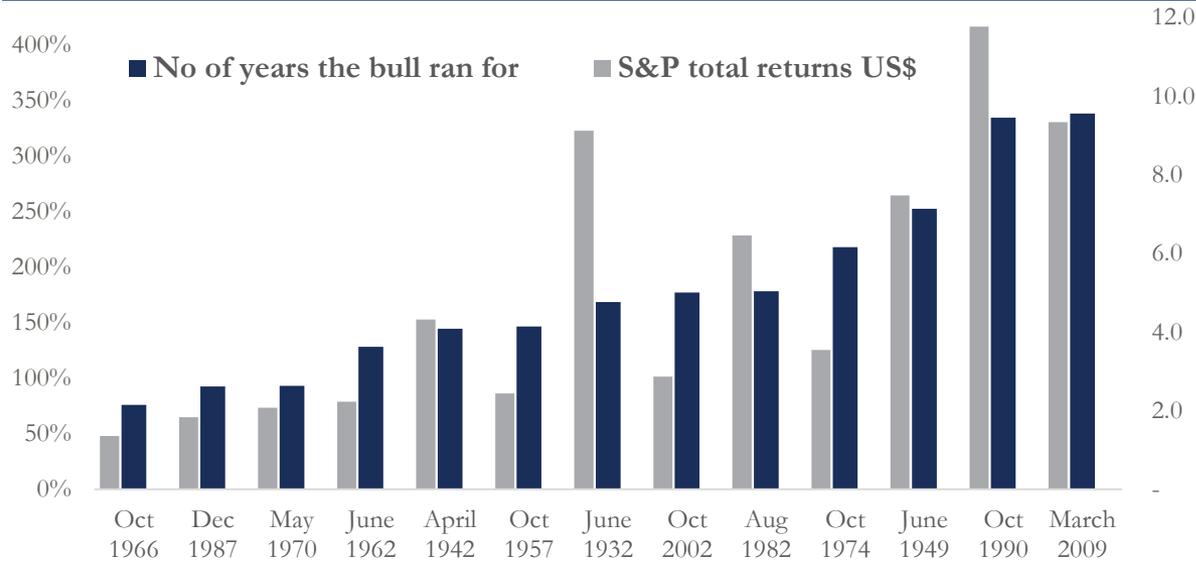
Market risks are rising, expected returns are not



Prospect of a hard landing in China

# Market risks are rising

## Historic S&P bull markets<sup>1</sup>. Global Debt to GDP<sup>2</sup>



**The longest US bull market in history, the second most profitable US bull market in history**

<sup>1</sup> Data source: Bloomberg LP and Staude Capital as of 30th September 2018.

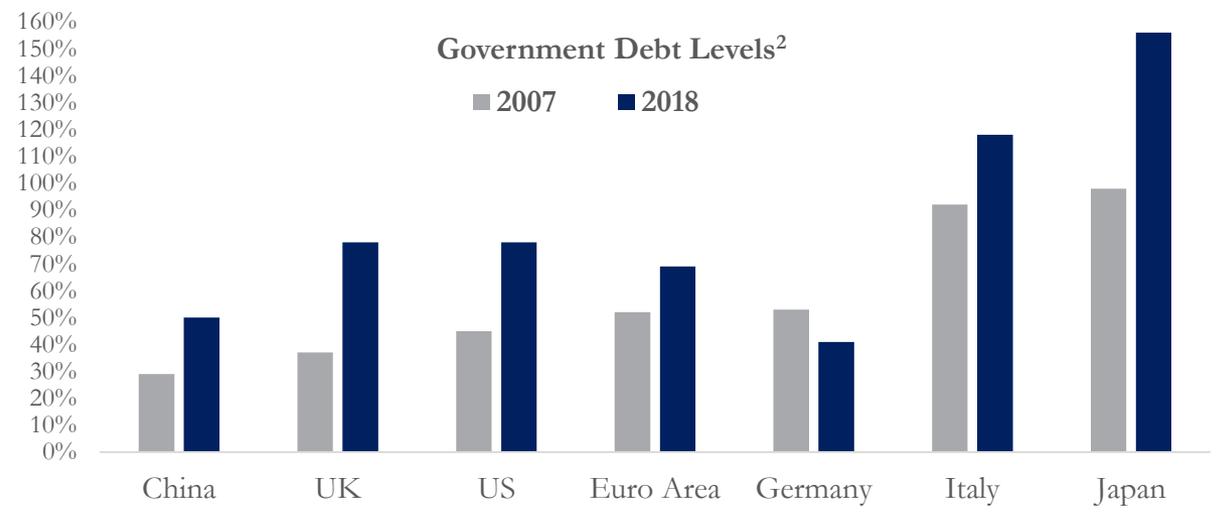
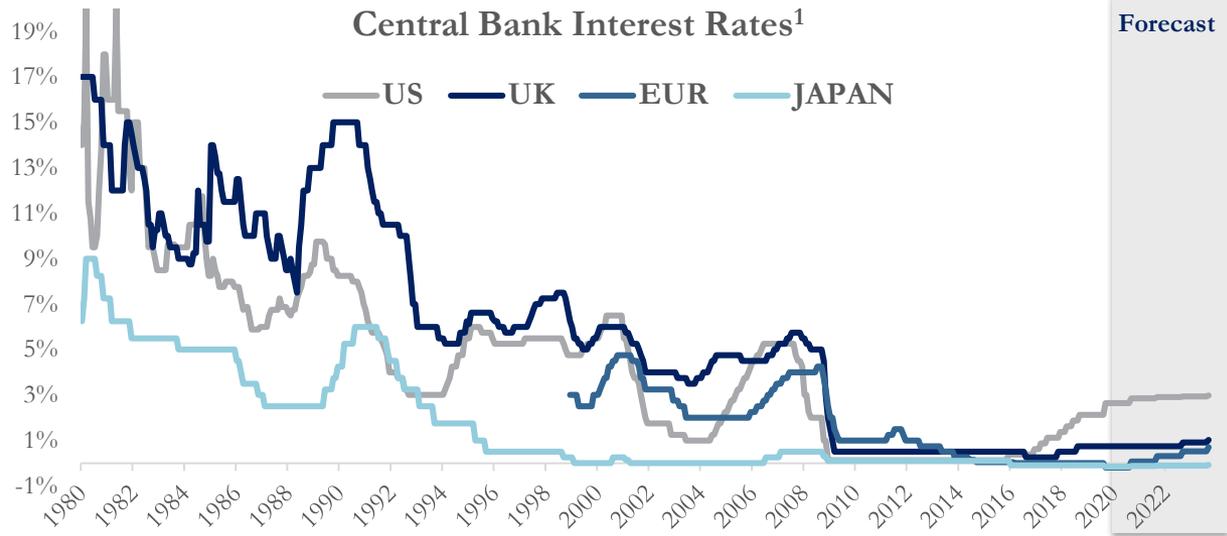
**Global Debt to GDP has increased by 39% since 2007**

<sup>2</sup> Data source: © Bank for International Settlements Sept 2018.

Please note that past performance is not indicative of future returns

# Policy makers hands are tied

Few conventional tools available to fight the next recession



**Central Banks have little scope to cut rates in the face of a downturn**

<sup>1</sup> Data source: Bloomberg LP and Staude Capital as of 30th September 2018.

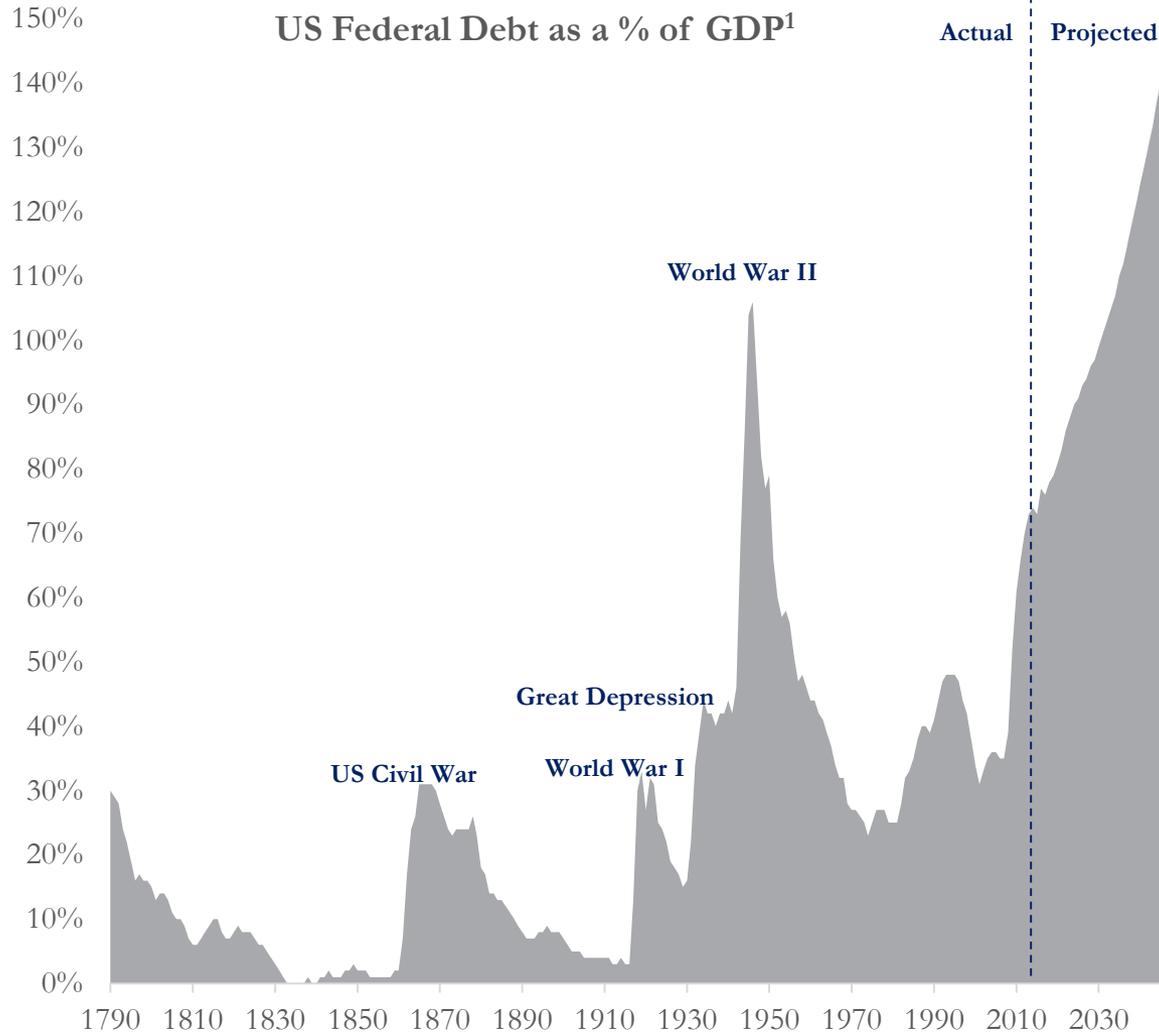
**Governments have limited capacity for further fiscal expansion**

<sup>2</sup> Data source: The International Monetary Fund World Economic Outlook Database.

Please note that past performance is not indicative of future returns

# A new normal in Politics

The greatest threats to the global economy today are political



**When the next downturn comes, politics could prevent the necessary response**

<sup>1</sup> Data source: Congressional Budget Office of the US, June 2018. The federal debt held by the public as a percentage of Gross Domestic Product.

Please note that past performance is not indicative of future returns

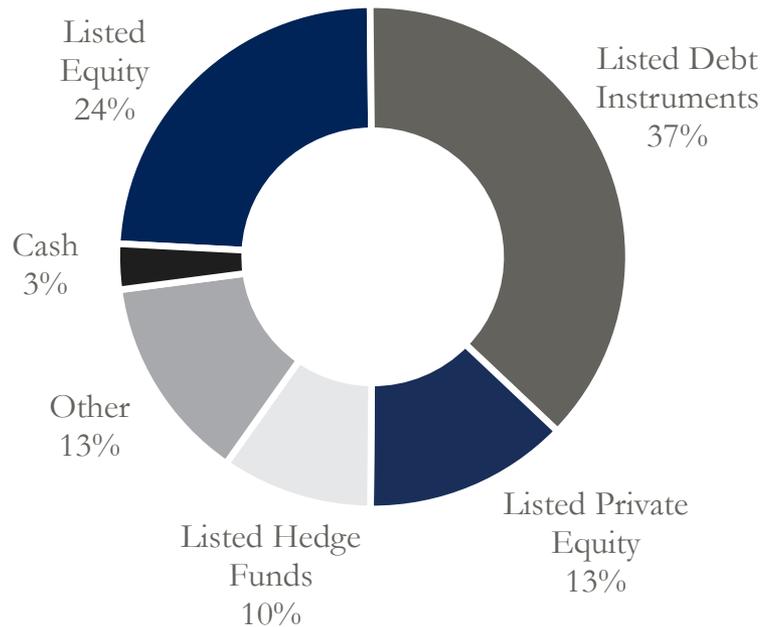


### **3. Protecting shareholder capital at The Global Value Fund**

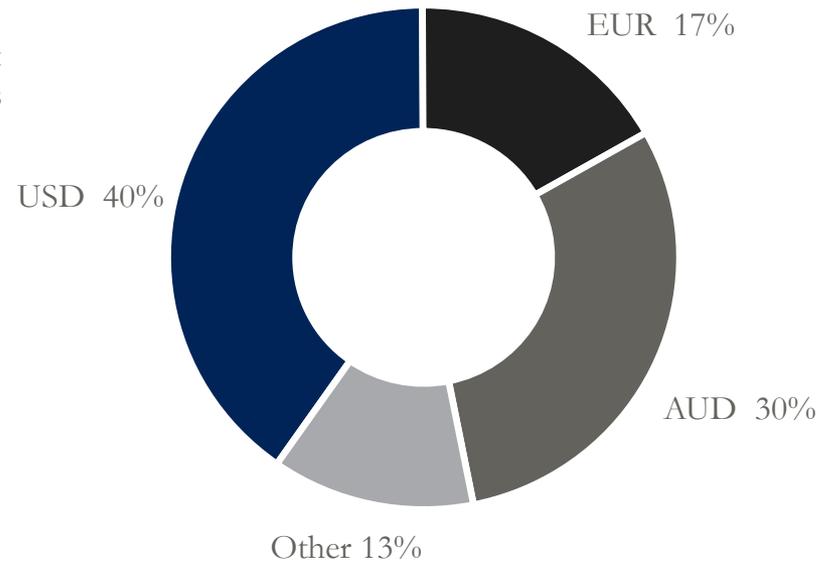


# Investment Portfolio<sup>1,2</sup>

## Underlying Asset Classes



## Underlying Currency Exposures



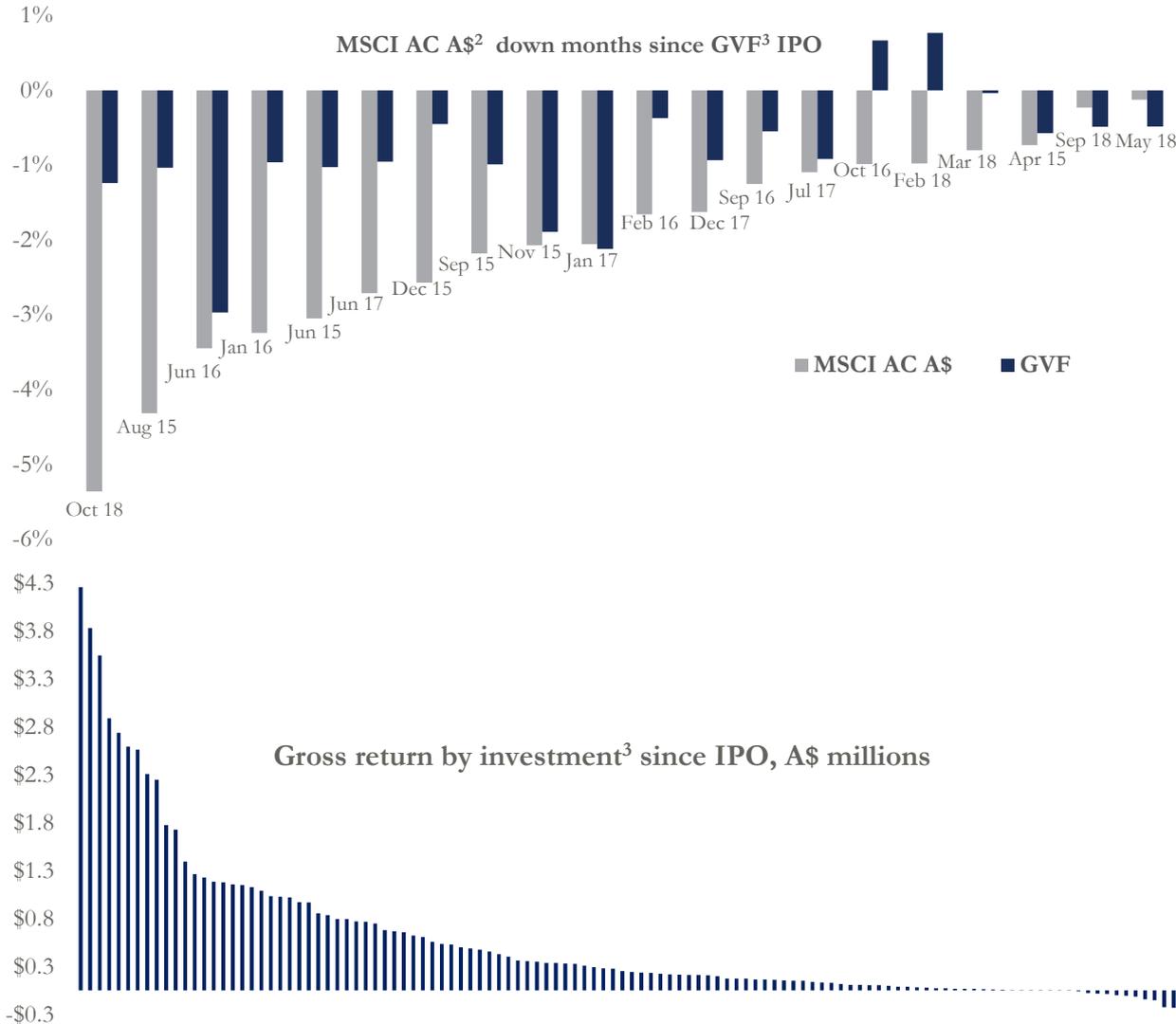
**Diversification across asset classes lowers portfolio level risk**

1 As at the 30<sup>th</sup> September, 2018  
2 Data source: Staude Capital



# Focus on Risk Management

## Monthly drawdowns. Gross return by investment



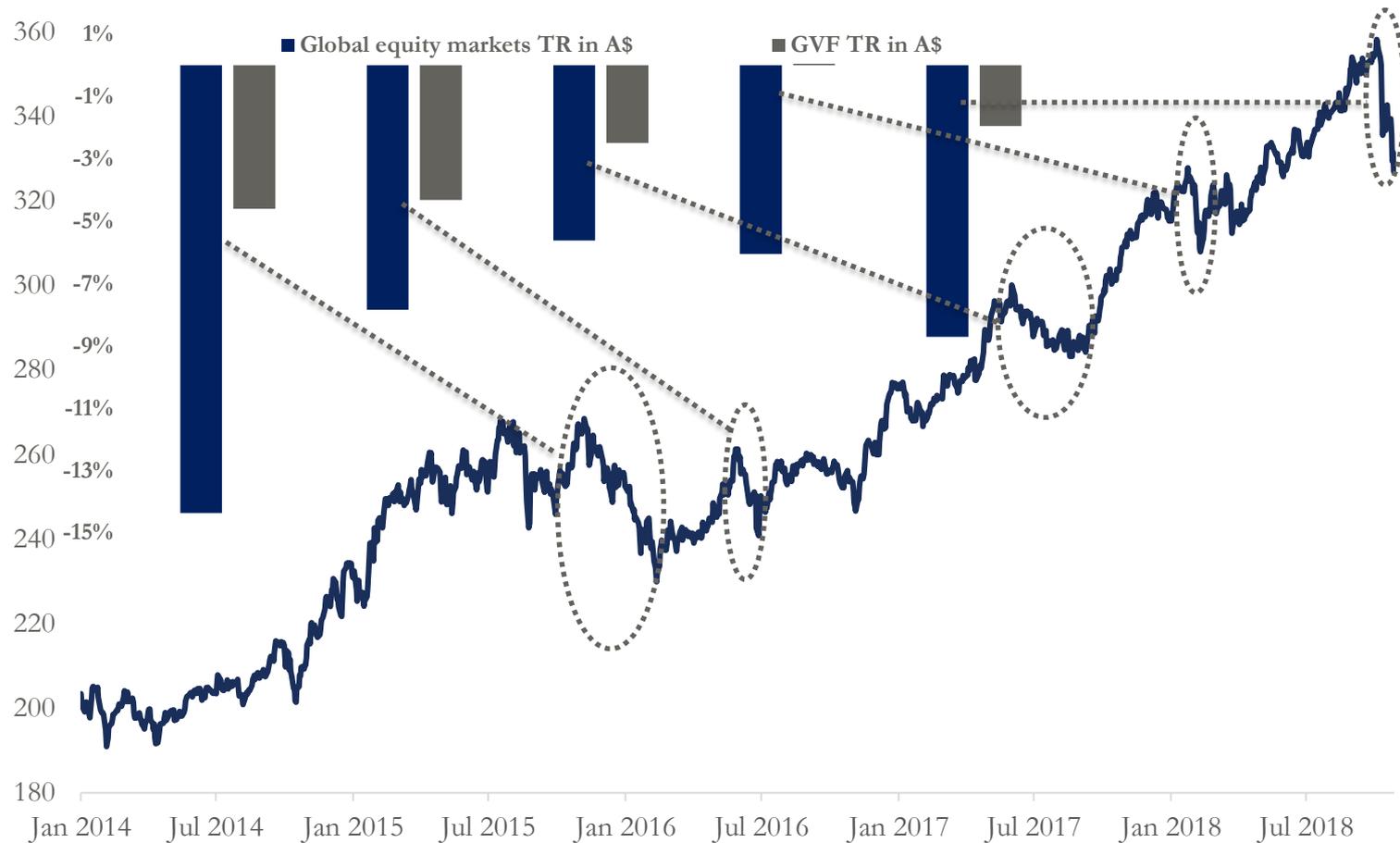
**Our investment philosophy places a high importance on controlling for risk, whilst seeking to generate excess market returns**

- 1 Data source: Bloomberg LP. MSCI AC A\$ is the MSCI All Country Index in Australian dollar terms.
- 2 Data source: Bloomberg LP and Staude Capital as of 30<sup>th</sup> September 2018. GVF's October 2018 return is a manager estimate, the administrator produced final NTA will be released by the 14<sup>th</sup> of November 2018.
- 3 Gross return by investment shows the gross A\$ PnL of every investment the fund has made since IPO. This excludes the PnL effect from hedging and 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 30<sup>th</sup> September 2018.

**Please note that past performance is not indicative of future returns**

# Protection when it counts

Global equity markets total return in A\$<sup>1,2</sup>



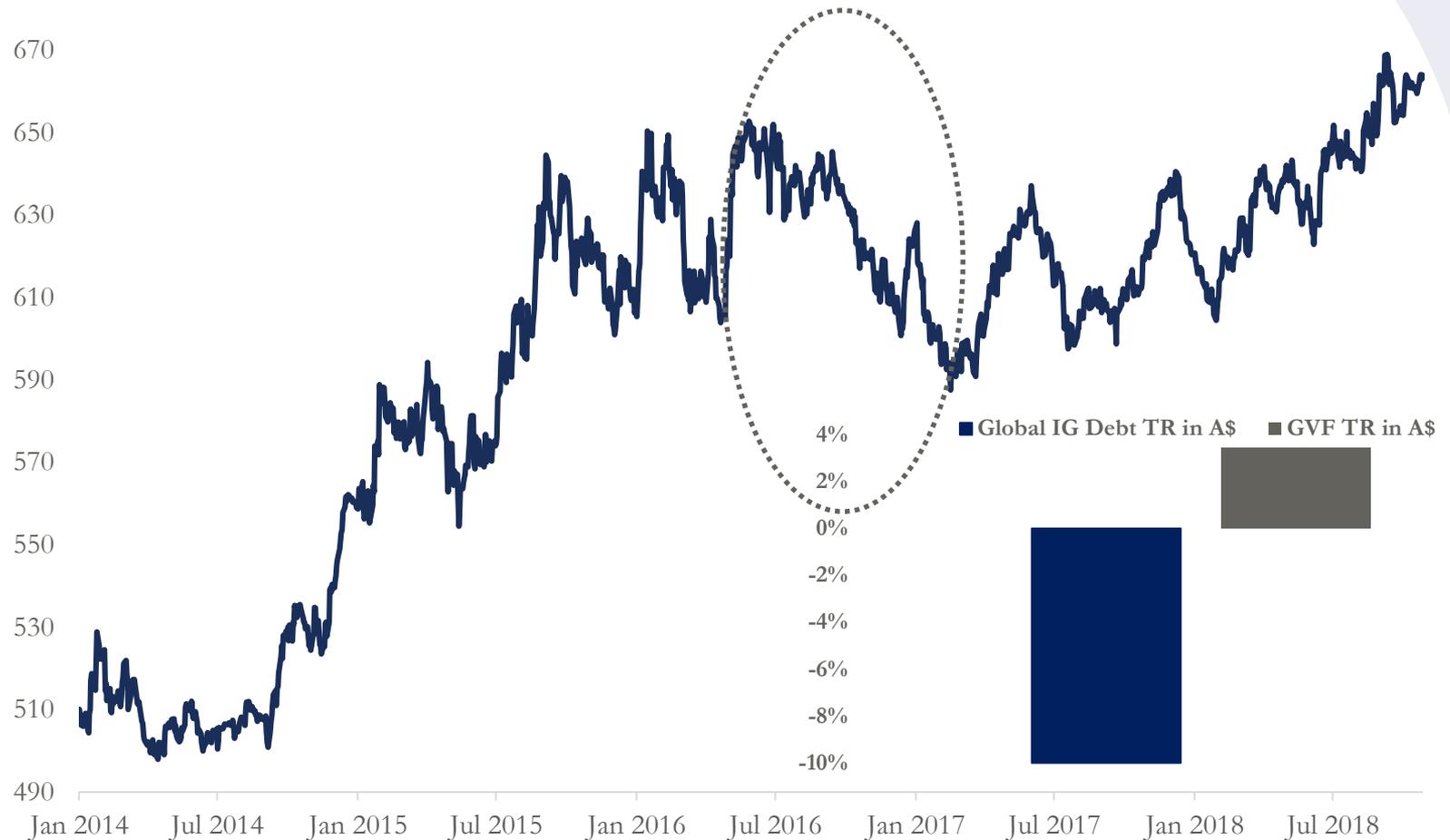
<sup>1</sup>Data source: Bloomberg LP and Staude Capital as of 26<sup>th</sup> October 2018.

<sup>2</sup>Global equity markets total return is the total return of the MSCI All Country World Index in Australian dollar terms.

**Please note that past performance is not indicative of future returns**

# Protection when it counts

Global investment grade debt total return in A\$<sup>1,2</sup>



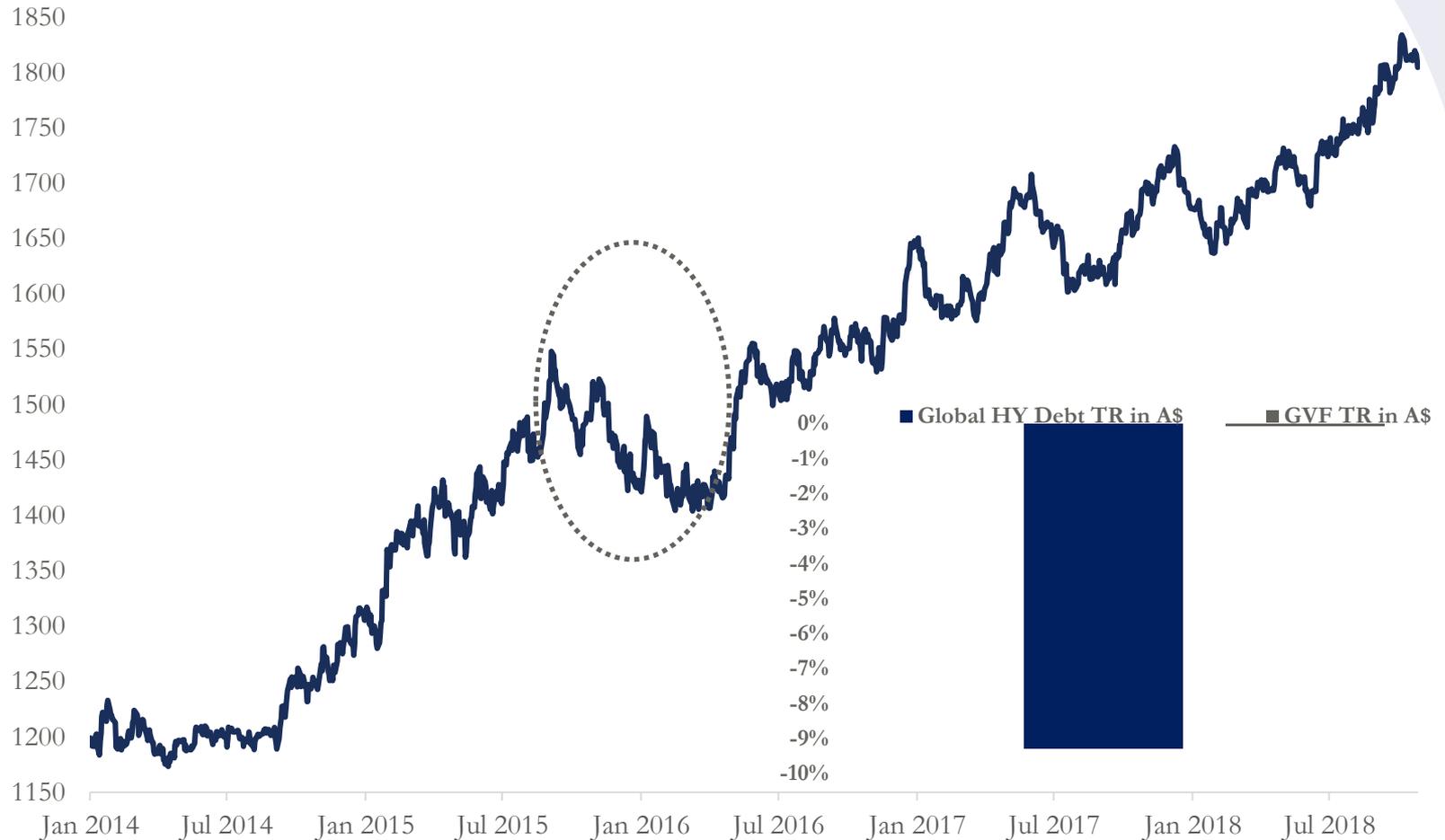
<sup>1</sup>Data source: Bloomberg LP and Staude Capital as of 26<sup>th</sup> October 2018.

<sup>2</sup>Global investment grade debt is the Bloomberg Barclays Global Aggregate Total Return Index in Australian dollar terms.

**Please note that past performance is not indicative of future returns**

# Protection when it counts

Global high yield debt total return in A\$<sup>1,2</sup>



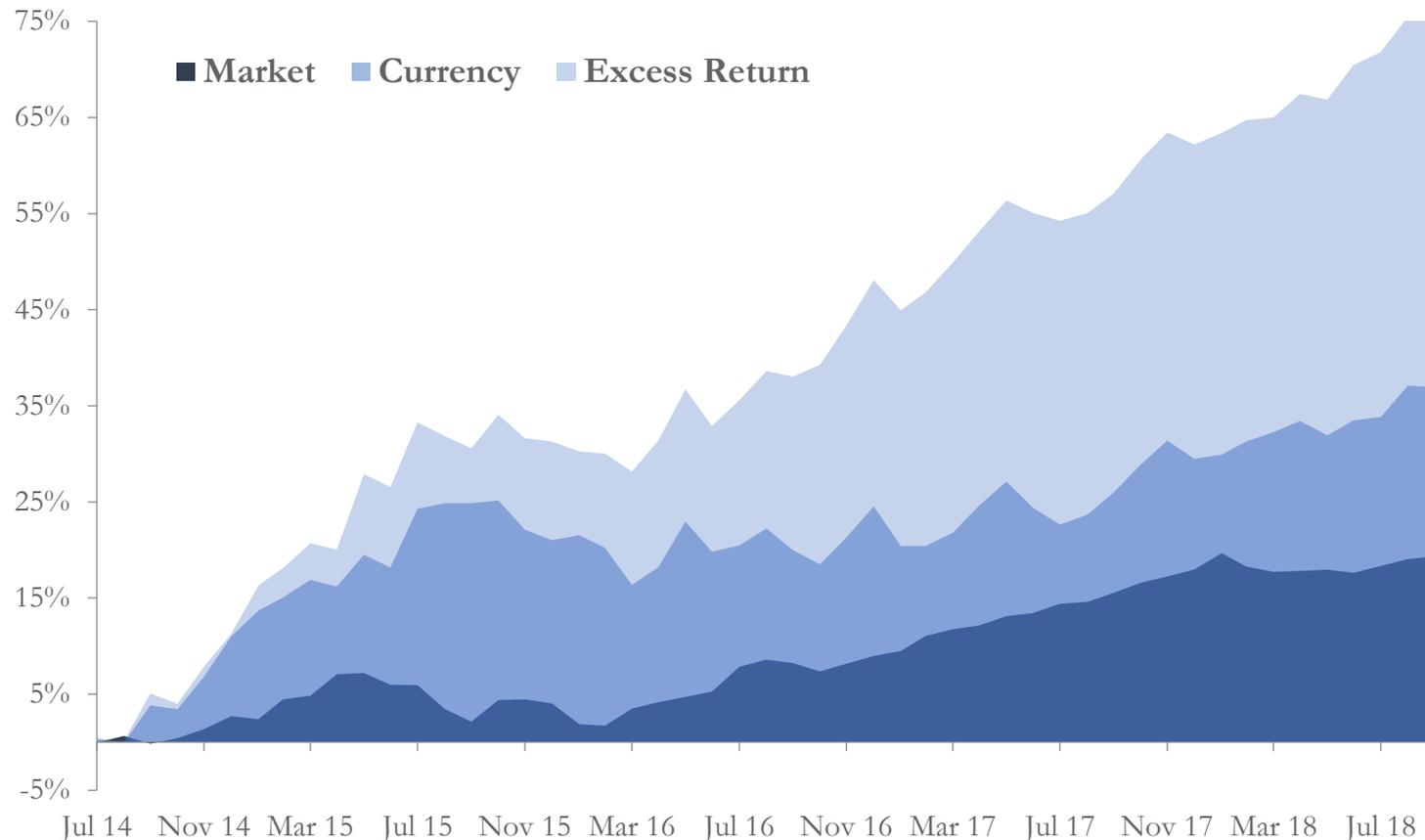
<sup>1</sup> Data source: Bloomberg LP and Staude Capital as of 26<sup>th</sup> October 2018.

<sup>2</sup> Global high yield debt is the Bloomberg Barclays Global High Yield Total Return Index in Australian dollar terms.

**Please note that past performance is not indicative of future returns**

# Gross investment returns<sup>1</sup> since IPO

Attributed by market<sup>2</sup>, currency<sup>3</sup> and excess returns<sup>4</sup>



- 1 Gross investment returns refers to the total GVF investment return before taxes paid, expenses, management fees, dividends paid and the impact of dilution from exercised company options. Data sourced from Staude Capital.
  - 2 Gross returns attributable to the market exposures of the underlying assets held by the fund.
  - 3 Gross returns attributable to the currency exposures of the underlying assets held by the fund.
  - 4 Excess return represents the returns in excess of currency and market returns, attributable to the manager's investment strategy.
- As at 30<sup>th</sup> September 2018.

**Please note that past performance is not indicative of future returns**



## 4. Case studies



# Case Study: London Listed Fund “A”

Trading opportunity: liquidity provision

## Description

A closed-end fund listed on the London stock exchange that invests into UK listed companies.

It has >100 underlying holdings and is well diversified across a range of sectors, with the largest holding accounting for <5% of NAV.

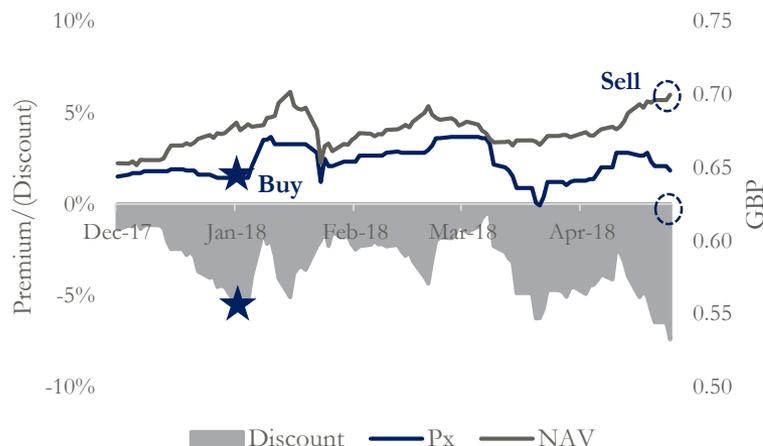
## Investment Rationale

GVF secured a large block of stock at a c.5% discount to NAV in January 2018.

In order to keep the share price trading close to the NAV, the Fund offers an annual redemption facility.

Given the healthy diversification, reasonable fees and good performance of the underlying portfolio, GVF was happy holding this position until the discount contracted naturally or until the redemption facility was triggered.

## London Listed Fund “A”: Discount History



## Result

GVF redeemed its entire holding at NAV within a few months.

Over a very short holding period, GVF generated a 6.5% total return, capturing both the full 5% of discount as well as benefiting from the returns of the underlying portfolio, which outperformed the market over our holding period.

<sup>1</sup> Data source: Bloomberg LP and Staude Capital. Please note that past performance is not indicative of future returns.



# Case Study: DW Catalyst Fund

Corporate action: unlocking low risk value

## Description

**DW Catalyst Fund (DWCG)** was a closed-end fund listed on the London stock exchange.

It was a feeder fund which invested all of its assets into a master credit hedge fund run by DW Partners.

DWCG was one of a shrinking universe of London listed hedge funds unable to control the share price discount to NAV.

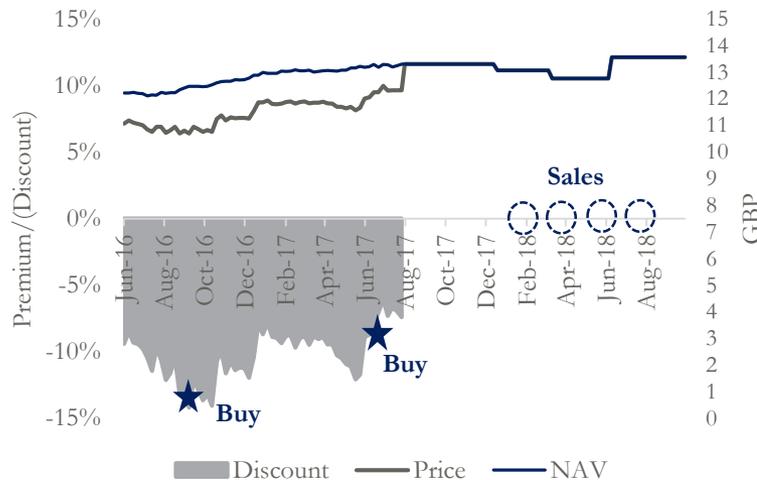
## Investment Rationale

GVF first invested at the end of 2016 at 13.7% discount to NAV.

We invested with confidence that the NAV had a low risk profile and that a pending discount trigger mechanism could not be avoided.

This mechanism would be triggered if the share price discount to NAV was wider than 5%. This trigger would result in an optional 100% redemption at NAV less costs.

## DWCG: Discount History



## Result

Following the trigger, 58% of shareholders voted for redemption and after consultation with the Board, the Fund was put into voluntary wind down.

Prior to the Fund delisting in August 2017, GVF added to the position at a 7% discount to NAV. The position became 9.5% of the GVF NAV in November 2017, representing a high conviction holding.

Over our holding period the Fund has generated a 3.3% NAV return. GVF has however realised a 13.9% total return, unlocking considerable value on top of the underlying Fund's performance.

c.95% of the original NAV has been returned at NAV with the balance being held back until March 2019 for audit purposes.

<sup>1</sup> Data source: Bloomberg LP and Staude Capital. Please note that past performance is not indicative of future returns.



# Case Study: Blue Capital Alternative Income

Corporate Activism: last line of defence

## Description

**Blue Capital Alternative Income Fund (BCAI):** Invests into a master fund that owns a diversified portfolio of fully collateralised reinsurance-linked contracts, whose value is based on insured catastrophe event risks.

The risk/return profile of catastrophe risk is largely uncorrelated with traditional asset classes.

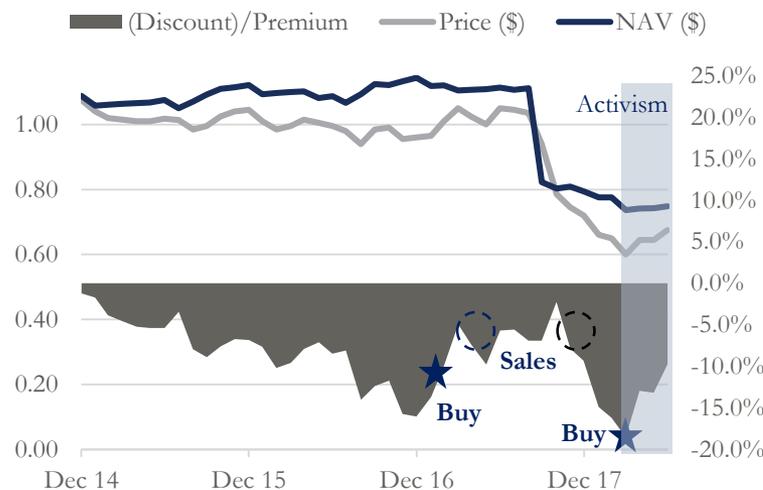
## Investment Rationale

GVF invested into the fund in March 2017 at an 11% discount to NAV.

Discount control mechanism was triggered in August 2017 as the average discount was wider than 5%. Sales were made into the news of this announcement.

In September 2017, the US was hit by a series of unusually destructive hurricanes impacting the NAV. The Board backtracked on previous discount control commitments citing market conditions.

## BCAI: Discount history



## Engagement

GVF began buying again at a 22% discount in March 2018.

In April 2018, Staude Capital engaged with other shareholders and in May 2018 [wrote an open letter to the BCAI Board](#) ahead of a continuation vote of the Fund.

Despite the fact that the continuation vote failed to get shareholder support, the fund delisted and was put into liquidation in July 2018. GVF expects to receive NAV less the costs of liquidation over the next 12 months.

Following a >30% decline in the NAV over the holding period, GVF expects to make a return of +3.9%, an implied IRR +3.5%.

As at 31<sup>st</sup> July 2018

<sup>1</sup> Data source: Bloomberg LP and Staude Capital. Please note that past performance is not indicative of future returns.

# Global Value Fund Limited

## Company Details

Structure Listed Investment Company

Incorporated Australia

## Service Providers

Investment Manager Mirabella Financial Services

Portfolio Manager Miles Staude  
Staude Capital Limited<sup>1</sup>

Head of Corporate Affairs Emma Davidson

Registrar Boardroom Pty Limited  
enquires@boardroomlimited.com.au  
Tel no. 1300 737 760

Prime Broker/Custodian Credit Suisse Group

Auditor Pitcher Partners Sydney

Company Secretary Mertons Corporate Services Pty Ltd  
Tel no. (03) 8689 9997

<sup>1</sup> 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 the Global Value Fund and has seconded the investment team at Staude Capital to manage the Global Value Fund.



## 5. Appendices

# Mirabella Financial Services

Best-in-class compliance and regulatory solution

- One of the largest regulatory hosts in Europe with assets under management of over US\$10Bn.
- Mirabella is wholly independent. There are no commercial links to the performance of its hosted funds and no fee sharing arrangements in place.
- By maintaining its independence in this way, Mirabella aims to provide a market leading regulatory and compliance framework, free from any conflicts of interest.

## **Dedicated regulatory and compliance infrastructure**

Staupe Capital Limited is an appointed representative of Mirabella Advisors LLP, which is authorised and regulated by the Financial Conduct Authority.

## Organisational Chart

**Mirabella Financial Services**  
Regulatory Host

**Miles Staude**  
Portfolio Manager & Director

**Emma Davidson**  
Investor Relations & Director

**Robert Fairbairn**  
**James Dow**  
Investment Managers

**Emma Beall**  
Middle Office & Support

# Biographies

## **Miles Staude – Portfolio Manager & Director**

Miles has over seventeen 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 and serves as a Director on the Global Value Fund Board. Under Mirabella's regulatory license, Miles has overall responsibility for the GVF portfolio management team's trading and investment management activities.

Prior to founding Staude Capital, Miles spent ten years as a Portfolio Manager and Investment Analyst at Metage Capital, a London based investment management firm. Before joining Metage he spent five 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.

## **Emma Davidson – Investor Relations & Director**

Emma is an accomplished global investment advisor with over eighteen years of experience. She spent twelve years working in senior roles at a number of London investment banks, most recently as the UK head of cross asset sales at Citigroup. In 2011, she founded her own investment advisory boutique, Affinity Capital, which serves a range of global clients, and where she continues to serve as Chairman. Emma is responsible for the management and investor relations of Staude Capital and serves on the Staude Capital Board.

Emma was awarded the 2016 Enterprising Women of the Year Award, an annual tribute to the world's top female entrepreneurs. She has also been recognized as one of the Inspirational Women 2016: City innovators, awarded by Brummell magazine.

# Biographies

## **Rob Fairbairn – Investment Manager**

Under Mirabella's regulatory license, Robert is a member of the GVF portfolio management team. Prior to joining Staude Capital, he performed a variety of roles over a period of eight years at Metage Capital, including trading, research analysis and portfolio management.

Before Metage, Robert worked at Endeavour Capital Management, a hedge fund originating from the fixed income arbitrage department of Salomon Brothers. Robert holds a Master's degree in Structural Engineering from the University of Birmingham and is a CFA Charterholder.

## **James Dow – Investment Manager**

Under Mirabella's regulatory license, James is a member of the GVF portfolio management team. James has over twenty years of experience in financial markets, having managed a diverse range of financial instruments in his career.

Prior to working at Staude Capital, James spent sixteen years as an Investment Manager at Metage Capital, a London based investment management firm. Before joining Metage he spent two years as an Investment Manager at Credit Suisse and four years working in various investment support roles at Buchanan Partners, a London based hedge fund manager. James is a CFA Charterholder.

## **Emma Beall – Middle Office and support**

Emma has more than fifteen years' experience in office management and administration roles. She has successfully completed both a degree in Mathematics/Sociology from the University of Bristol and a Business and Secretarial Diploma from Lucie Clayton, a renowned finishing school in London. Since starting her career as a PA at Morgan Stanley, Emma has provided essential office management support for businesses across various sectors, including banking, housing and healthcare.

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Landline (UK): +44 20 3874 2243

[miles.staude@globalvaluefund.com.au](mailto:miles.staude@globalvaluefund.com.au)

Mobile (Australia): 0423 428 972

[emma.davidson@globalvaluefund.com.au](mailto:emma.davidson@globalvaluefund.com.au)

Mobile (Australia): 0401 299 885

[ir@globalvaluefund.com.au](mailto:ir@globalvaluefund.com.au)

[www.globalvaluefund.com.au](http://www.globalvaluefund.com.au)