

21st August 2020

GVF protects capital and maintains dividend

Highlights

- Despite significant market correction, GVF avoids investment loss
- Fully franked dividend of 2.9 cents per share declared
- Investment strategy delivers 3.1% market outperformance

Global Value Fund Limited (ASX: GVF) (“GVF” or the “Company”) announces an operating profit before tax of \$31,929 for the full year ended 30 June 2020. The Company has declared a final dividend for FY2020 of 2.9 cents per share, which will be 100% franked.

The Company’s adjusted pre-tax NTA increased by 0.2%¹ during FY2020. Shareholder total returns for the period were +3.4%² with the Company’s high level of dividends driving the positive overall performance.

Company Chairman Jonathan Trollip said: “FY2020 will clearly be remembered for the outbreak of the Covid-19 global pandemic. The arrival of this deadly new virus has been a tragic phenomenon, one that has caused terrible suffering and for which we sadly still have no answer. The onset of the pandemic presented our Portfolio Manager with two very different challenges to navigate over a short period of time. The first was the need to shepherd the investment portfolio through February and March, one of the worst financial market corrections in history. The second was a need to focus quickly on re-positioning the portfolio to take advantage of a new and greatly changed investment landscape. The Portfolio Manager handled both challenges admirably. While total investment returns for the year were only marginally positive, given the wider investment backdrop delivering a positive investment return for the year was a worthy result. More importantly, the Portfolio Manager believes that the Company is now well positioned for the year ahead, given the much cheaper than usual opportunities underlying the current investment portfolio.

Shareholders may recall that FY2019 saw a widespread de-rating of listed-investment companies, a function of the uncertainty over the franking credits regime in the run up to the 2019 Australian Federal election. While GVF was not immune to this, it had managed to maintain a better rating than many of its peers throughout this period. Coming into FY2020, it was thus pleasing to see the share price re-rate back to a premium to NTA during the first half of the year. The extreme market events seen during the second half of FY2020, however, conspired to move the share price back to a modest discount to NTA. Over the year as a whole, the Company’s share price discount to its pre-tax NTA averaged 3.9%, while at the time of writing it sits at 1%³.

Finally, in an environment where many companies have been forced to cut their dividend payments, I am pleased to report that GVF will maintain its existing dividend payment rate to shareholders. The Board has resolved to pay a final dividend of 2.9 cents per share for FY2020, with this dividend being 100% franked. Notably, as at the end of July 2020, the Company’s profit reserve was 9.0 cents per share. This is sufficient for GVF to cover its next three dividend payments without any further additions to the profit reserve.”

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.

³ Based on GVF’s last reported pre-tax NTA per share of \$1.0191 and the volume weighted average price for GVF shares on 20 August 2020. Over the six years since its IPO, GVF’s shares have traded between a 6% premium and a 10% discount to the Company’s pre-tax asset backing. The average monthly discount over this time has been 2%.



FY2020 review and Company outlook

Portfolio Manager Miles Staude said: “The arrival of Covid-19 presented a real-world test of the sort of event that we spend much of our investment life planning for but hope to rarely see. Pleasingly, through this period the GVF investment portfolio behaved as we would expect it to. While discounts widened across our universe throughout the sell-off, we were able to rely on the catalysts we had previously established within our portfolio to continue releasing value. As investment proceeds came back to us, we were able to quickly recycle this capital back into a new and much more exciting investment universe. The result of this was that, despite falling markets, we still generated positive overall returns from our discount capture strategy. Meanwhile, our capital recycling efforts have ensured that the see-through value within the portfolio today is considerably greater than it was before the crash, a development that bodes well for the year ahead.

Over FY2020, the Company's adjusted pre-tax NTA increased by 0.2%, with the successful application of our discount capture strategy adding 3.1%⁴ (gross) to performance. Thus, despite an incredibly turbulent year where almost all asset classes excluding 'FANG'⁵ produced negative returns, the GVF investment portfolio managed to avoid a loss, primarily due to the value we unlocked through our discount capture strategy.

Looking ahead, the big debate in finance today is whether investment markets have detached themselves from economic reality, or whether, in fact, they correctly reflect a new reality – one of unprecedented levels of government support, and a near-zero interest rate world with no end in sight.

The primary driver for increasing asset prices during the final years of the recent bull-market was not stellar economic growth, or companies greatly growing their underlying profitability. Rather, investors became willing to pay substantially higher valuations for the same financial assets. Looking at the dramatic re-bounce in asset prices since the Covid-19 crisis has struck, one thing is clearly apparent again: markets are not rallying because companies are growing earnings, or because the economy has stepped it up a gear. In fact, once again, it is the opposite of this. An incredibly bleak economic outlook has forced interest rates yet lower still.

It is a truism that lower interest rates justify higher financial asset valuations. Taken to its extreme, if you assume that interest rates are zero in any financial model, the calculated valuation you will receive is infinity. For many investors these concepts start to look like financial alchemy, a view that is hard not to have sympathy for. And while we may still be somewhat yet from quoting stock prices in terms of '∞', the challenge investors face today is that broad market returns are poised to be hyper-sensitive to the future direction of interest rates for the foreseeable future.

Against this backdrop we believe the proposition for GVF over the year ahead is both very exciting, and relatively insulated from the debate over whether markets have run too far too fast, or still have further yet to go. As we have discussed in our recent monthly reports, the extreme levels of market volatility seen this year have created large dislocations across our investment universe. For us, this means that the underlying value propositions we hunt out around the world are considerably more attractive now than we typically find. The result of this is that the GVF portfolio today is pregnant with significantly more value than we are accustomed to. Crucially, given time, our ability to unlock this value is independent of what broader markets may, or may not, do next.”

⁴ Source: Staude Capital Ltd.

⁵ 'FANG' refers to a small basket of high-growth, high-multiple, technology companies like Facebook, Amazon and Google. Excluding the thirteen stocks widely regarded as comprising this sector, global share markets fell by 2.3% in A\$ terms over FY2020.



GVF Roadshow and AGM

Given the current uncertain environment that Covid-19 presents and wanting to prioritise the health and wellbeing of our shareholders, the Board has elected to hold the FY2020 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 12 November 2020 at 4pm AEST. 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, the usual investor roadshow that Miles and Emma conduct around the country will not be possible this year. To replace this, we will be making a recording of the AGM investor presentation which will be circulated to all shareholders following the meeting. In addition, there will be a 'virtual roadshow' held over the coming months, whereby the usual in person presentations that are held around the time of the AGM are replaced by a series of video and telephone meetings. If you would like to participate in one of these presentations, please send your name and contact number to emma.davidson@globalvaluefund.com.au.

FY2020 key dates*

Ex-dividend date	30 September 2020
Dividend record date	1 October 2020
Last election date for DRP	2 October 2020
Dividend payment date	9 November 2020

*These dates may be subject to change

FY2020 final dividend of 2.9 cents per share, fully franked

The Board has resolved to pay a final fully franked dividend of 2.9 cents per share for FY2020. The record date for the FY2020 final dividend is 1 October 2020 and the final dividend will be paid on 9 November 2020. GVF shares will trade ex-dividend on 30 September 2020.

Dividend reinvestment plan

The Company's dividend reinvestment plan (DRP) will be in effect for the FY2020 final fully franked dividend of 2.9 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 Global Value Fund Limited ("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 per share value 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 enroll 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 FY2020 Final dividend is 5.00 pm (AEDT) Friday 2 October 2020. Details of the DRP are available on the Company's website, click [here](#).



FY2021 full year dividend guidance

The Board currently anticipates that both the interim and final dividend for FY2021 will be 2.9 cents per share, franked as fully as possible. Whether an increase in dividend payments is possible will depend on the Company's investment performance during FY2021.

The above dividend guidance is not a formal declaration of dividends for FY2021. The size and payment of any interim or final dividend for FY2021 will be subject to the Company having sufficient profit reserves and the dividend payment being within prudent business practices. If a FY2021 interim dividend is declared, the Board expects that it would be payable during May 2021.

Contact

Shareholders or interested parties who would like to discuss the full year results, or who have general enquires about the Company, are welcome to contact Portfolio Manager, Miles Staude, at miles.staude@globalvaluefund.com.au or 0423 428 972, and Head of Corporate Affairs, Emma Davidson, at emma.davidson@globalvaluefund.com.au or 0401 299 885.

About GVF

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 shareholders, the Company aims to provide an alternative source of market outperformance compared to more common stock selection strategies.

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 investment team at Staude Capital has been seconded into Mirabella Financial Services LLP to manage the Global Value Fund portfolio.

For more information, visit www.globalvaluefund.com.au

Authorised for release by the board of GVF.

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