31st March 2022

STAUDE CAPITAL
GLOBAL VALUE FUND

Investment Update and Net Tangible Assets

Net Tangible Assets (NTA) per share

NTA before tax*	$1.1838
NTA after tax	$1.1310

* There were no substantive tax payments made during March.
$ denotes Australian dollar.

March review

It is probably fair to cut market forecasters a little slack in today's investing environment. With so many daunting events currently at play, trying to predict the future has arguably rarely been harder. For professional forecasters and retail investors alike, one of the more puzzling points to make sense of at present is the relative resilience of global share markets. With the war in Ukraine barely a month old, and inflation levels globally hitting generational highs, March saw global share markets[4] end the month sitting just 5.8% below their all-time highs. This is despite two unnerving new concerns that have now found their way onto the laundry list of worries investors are trying to swallow. First is the growing risk of recession. In the US, the economy is clearly overheating. Inflation is running near 8%, wage growth is over 5%, and there are currently almost twice as many job openings as there are unemployed people – a 70 year high. To combat this, US interest rates need to rise quickly, and by a considerable margin. Markets currently expect them to lift from their current 0.3% to almost 3% in a little over a year, which if it transpired, would be the fastest tightening cycle markets have had to swallow in three decades. Worryingly, there are few examples in history where the Fed has managed to orchestrate such a significant tightening cycle, without ultimately seeing the economy move into recession.

Secondly, having forestalled the inevitable fall longer than many expected, China's 'zero-Covid' policy seems to have finally met with the reality of trying to keep a highly contagious epidemic out of a country of 1.4 billion people. In the face of several outbreaks of the Omicron variant, Chinese authorities have begun enacting the harshest restrictions seen in China since the pandemic was first discovered there two years ago, with the severity of these shutdowns expected to weigh heavily on Chinese economic growth.

Yet, for now at least, share markets continue to see the glass half-full. The reasons for this include the heartening – growth in the US remains very strong, and inflation should fall quickly. To the cheerless – share markets remain the 'least dirty shirt' investors can wear. Or said another way, in a world of negative real (after inflation) interest rates, where else would you put your money?

This erratic backdrop perhaps explains the erratic performance financial markets saw during March. Global share markets rose by 2.2% over the month in US$ terms, though during the month they first fell by 6.1%, before rallying by 8.8%. There was also considerable dispersion between markets around the world. Share markets in the US and Japan rose by 3.7% and 5.8% respectively, while in Europe they fell by 0.2% and in China they fell by 8.0%.

Global debt markets[5] also had quite an eventful month, though on paper one that makes more sense to investors. With inflation data continuing to beat expectations, and central banks setting out a clear path of interest rate hikes ahead, bond yields spiked during March, with the yield on US 10-year government bonds rising by 0.5% over the month and those in Australia rising 0.7% – moves that are relatively extreme

Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	174M
Share price	$1.21
Market cap	$210M
Total dividends declared[1]	57.2 cents
Profits Reserve[2]	22 cents
Fully franked yield[3]	7.8%

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

for these sorts of markets. As the price of bonds move inversely to their yields, global bond markets fell by 2.7% over March – a reaction that perhaps seems more in keeping with the challenges financial markets appear to face.

Finally, it is worth highlighting that commodities, and commodity currencies, have continued to move higher in the wake of the war in Ukraine. For Australian denominated investors like GVF, this is important because of the significant impact it has on the Australian dollar. During March the A$ appreciated by 3.0% against the US$ and 4.2% against the Euro. Moves of this magnitude are rare to see in an individual month.

In Australian dollar terms, global share markets fell by 0.8% over March, while global debt markets fell 5.5%. The local Australian share market rose by 6.9%, with the local equity market continuing to benefit from the large increases in commodity prices the war in Ukraine has provoked.

It is disappointing that the most noteworthy development in the portfolio this month was a significant setback at US Masters Residential Property Fund (URF). Over the past few years, GVF has invested in multiple securities issued by this fund. This includes successful investments in the fund's ASX-listed debt instruments, which we acquired at large discounts to par value, despite them being well covered by the fund's New York and New Jersey residential property portfolio. These discounts, combined with a high rate of interest, provided GVF with a compelling return relative to the risk.

Following the repayment of those debt instruments, which both reduced gearing and simplified the fund's capital structure, GVF made a small investment into the convertible preference units (CPUs) and a small investment into the ordinary units. The basis for these investments was: a deep discount to asset backing; substantial evidence of one-by-one asset sales at or around book values over the past few years; a shareholder base that wanted a permanent solution to the discount; and multiple statements from the Responsible Entity (RE) that it was exploring 'capital market opportunities.'

On 28 March, URF announced it had conditionally entered into an agreement to sell almost the entire portfolio to a joint venture between two US real estate firms. Disappointingly, the sale price reflected a large discount of almost 20% to the gross appraisal values of these properties. This transaction would result in the fund's CPU holders being repaid at par, but its ordinary unitholders receiving just AUD 0.22 per share. Unsurprisingly, URF shares fell 45% on the day of the announcement while CPUs rallied by 9.3%. GVF's unrealised losses on URF ordinary units were therefore partly offset by gains in the CPUs.

The deal remains subject to several conditions, most notably the approval of ordinary unitholders. Based on the feedback we have received so far, and given that it represents such a large discount to an asset-by-asset sale, we struggle to see the transaction being approved. Interestingly, the market is now also pricing the stock as though the transaction will not go ahead. At the time of writing, URF shares are up 21% month-to-date, and trading at an 18% premium to the stated value of the deal for unitholders. We have been actively engaged with other shareholders on the register and will be sure to keep investors updated on our activities when appropriate to do so.

The GVF investment portfolio decreased in value by 1.7% during March. By far the largest driver of returns during the month was the significant appreciation of the Australian dollar against almost all other currencies, which detracted 2.3% from performance. Offsetting this, and despite the adverse developments at URF discussed earlier, at a portfolio level the fund's discount capture strategy positively contributed 0.3% to returns. The remaining attribution of returns over the month are explained by market movements and the company's operating costs.

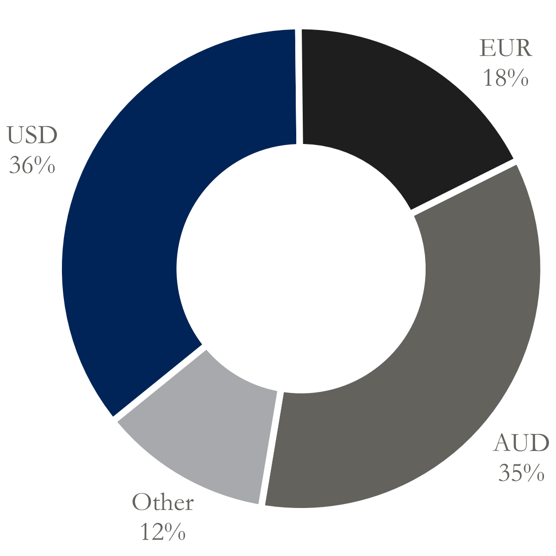
For reference, over the life of the Company, our annualised adjusted NTA returns have been 10.7%.

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

Adjusted NTA Returns[6]

Financial Year	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD[7]
FY2022	2.8%	2.4%	0.5%	0.0%	2.7%	1.9%	-0.6%	-2.3%	-1.7%				**5.7%**
FY2021	1.6%	1.4%	3.2%	2.7%	5.4%	1.4%	2.7%	0.7%	0.4%	2.9%	2.0%	1.8%	**29.3%**
FY2020	2.7%	0.2%	1.4%	-0.3%	2.4%	-0.5%	3.7%	-3.5%	-13.5%	2.4%	6.0%	0.8%	**0.2%**
FY2019	0.8%	2.3%	-0.5%	-1.2%	-2.1%	-1.6%	0.2%	3.2%	-0.4%	1.9%	-0.3%	0.9%	**3.2%**
FY2018	-0.9%	0.4%	1.3%	2.3%	1.7%	-0.9%	0.7%	0.8%	0.0%	1.6%	-0.5%	2.2%	**9.1%**
FY2017	2.0%	1.9%	-0.5%	0.7%	2.7%	3.1%	-2.1%	1.1%	1.8%	2.0%	2.1%	-1.0%	**14.5%**
FY2016	4.6%	-1.0%	-1.0%	2.3%	-1.9%	-0.4%	-1.0%	-0.4%	-1.7%	2.3%	4.0%	-3.0%	**2.4%**
FY2015	0.3%	-0.3%	4.3%	-1.0%	3.1%	2.6%	3.9%	1.3%	1.8%	-0.6%	5.6%	-1.0%	**21.6%**

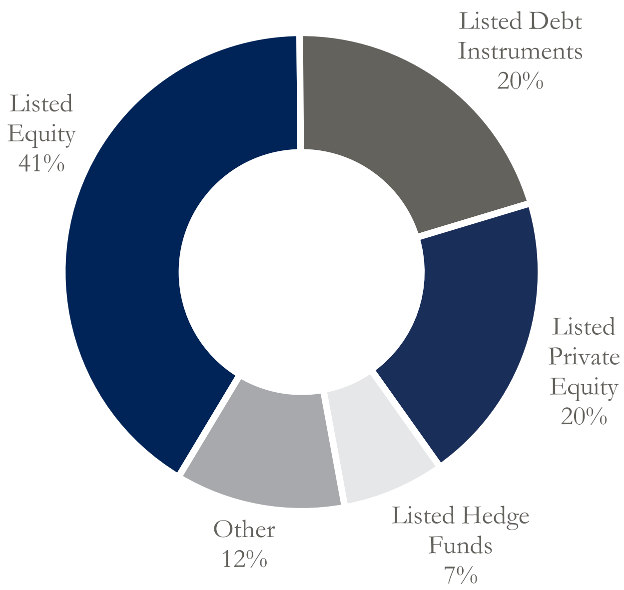
Underlying Currency Exposures



The above chart reflects the manager's estimate of the currency exposures arising from the portfolio's underlying investments and cash balances as at 31st March.

Including emerging market currencies that are chiefly pegged to the US$, the fund's US$ exposure is approximately 43%.

Underlying Asset Classes



The above chart reflects the manager's estimate of the underlying asset classes held through the fund's portfolio of investments as at 31st March.

Exposure to cash represents both cash balances held by the Company and the underlying cash holdings of the fund's portfolio of investments. If not separately disclosed above, 'Cash' is included in 'Other'.

Significant Holdings[8]

Holding	% NTA	Summary
Third Point Investors	6.0%	London-listed closed-end fund (CEF), that acts as a feeder fund into a global event-driven, value-oriented hedge fund. The CEF currently trades on a 12.6% discount to its NAV. Under pressure from shareholders, last year the Board completed a strategic review, putting in place several initiatives to try and address the discount. Most recently, the fund appointed two new directors to the board to increase independence, one of which had been proposed by GVF, alongside other shareholders.
VPC Specialty Lending Investments	6.0%	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.8.9% pa based on the current share price, and trades on a discount of 20.0% 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.
Harbourvest Global Private Equity	5.9%	London-listed 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.
Pantheon International Participations	5.4%	London-listed CEF with a diversified portfolio of private equity fund 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.
TwentyFour Income Fund	5.3%	TwentyFour Income Fund is a London-listed CEF that invests in a diversified portfolio of UK and European asset backed securities. The fund currently trades on a 5.5% yield and has a realisation opportunity in October 2022. GVF's investment in TFIF came as a result of its recent merger with UK Mortgages Ltd.

[1] Grossed up dividends of 57.24c declared from IPO at $1 through to 13th May 2022, the HY2022 interim dividend payment date.

[2] The profits reserve sits at 22.16c as of 31 March 2022.

[3] Based on the end of month share price of $1.21 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] Adjusted NTA returns are after all fees and expenses and are adjusted for the payment of taxes, dividends, and the effects of capital management initiatives. Performance data is estimated and unaudited. Source: Staude Capital Ltd.

[7] Refers to the full-year returns for a given Financial Year, or the year-to-date returns in the current Financial Year.

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

Unless otherwise stated, source for all data is Bloomberg LP and data as of 31st March 2022.

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