

## Investment Update and Net Tangible Assets

### Net Tangible Assets (NTA) per share

NTA before tax*	\$1.1505
NTA after tax	\$1.1080

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

### June review

June was not a great month to be an investor. Having already fallen 12.8% this calendar year in US\$ terms, global share markets<sup>4</sup> fell another 8.5% during June, pushing the global share index officially into 'bear market' territory. Compared to the steep losses seen in share markets, bond investors<sup>5</sup> fared better during the month, though the 3.5% fall in US\$ terms still stands out as an extreme move, for what is supposed to be a lower-risk asset class.

The headlines driving major asset classes lower have not changed. Inflation remains far too high, with central banks scrambling to get ahead of the now very steep curve to bring it back under control. Illustrating this, inflation figures released during June for the US, UK, Eurozone, and Australia were 8.6%, 9.1%, 8.6%, and 5.1% respectively - eye-watering numbers compared to the inflation targets that each central bank has set itself. In response, each of these central banks either raised interest rates, or promised to do so, during June, with the most significant of these being a 0.75% interest rate hike by the US Fed, its largest single move since 1994. Tom Barkin, president of the US Federal Reserve Board of Richmond, pithily summed up the US Fed's current approach by saying the Fed should be raising rates as fast as it can "without breaking anything".

The 'breaking' part of his observation is what has investors so concerned today. At this point it is a given that interest rates will continue rising from here. What is unknown, is whether such a steep hiking cycle will tip rich-world economies, like the US, into recession. Whilst impossible to determine with any precision, our view is that share markets are currently putting at least a 50% probability on such an outcome occurring later this year or early next.

While GVF is not immune to falling markets, our differentiated source of returns and lower-risk portfolio have shielded us from the worst of the sell-off this year. Over the past six months, GVF's adjusted NTA returns have been -7.1%. In comparison, global share markets have fallen by 16%, while global bond markets have fallen by 11.2%, both in Australian dollar terms.

The end of June also represents the end of the Australian financial year. As such, the investment team will soon be penning our usual annual letter to shareholders. To steal one of its better punchlines now, however, it is pleasing to report that in a particularly volatile year, GVF generated positive adjusted NTA returns of 2.8% for the period. In comparison, global share and bond markets fell by 8.5% and 9.5% respectively in Australian dollar terms.

Probably the most notable portfolio development during June was our involvement in calling an EGM at Triam Investors 1 (TI1), a London-based investment vehicle run by Nelson Peltz, a well-known Wall Street activist. It never ceases to amaze us at the poor corporate governance practices that emanate out of US, the spiritual home of capital markets, as compared to the market practices seen in other jurisdictions around the world. Sadly, it is our view that these practices have made their way to

#### Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	174M
Share price	\$1.095
Market cap	\$191M
Total dividends declared <sup>1</sup>	57.2 cents
Profits Reserve <sup>2</sup>	22 cents
Grossed-up yield <sup>3</sup>	8.6%

#### 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



T11. We have therefore joined with several large British institutions in seeking to remove three of the four company directors and replacing them with two new candidates, one of whom is GVF portfolio manager Miles Staude. The AFR ably covered the story, which can be seen [here](#) for those with an AFR subscription. A copy of our open letter can also be found [here](#).

Finally, as with last month, the rapid fall in markets has pushed the discounts out on a number of our key investment holdings. Whilst moves like this provide a near-term headwind for GVF, we believe they ultimately provide far more benefit to our strategy than harm. The embedded value we expect to unlock from our portfolio has risen considerably over the past few months, whilst the new opportunities we are investing into have higher than normal return targets. We believe those two dynamics position GVF very well when looking out over the next 12-months.

The GVF investment portfolio fell by 2.2% during May. The fund's discount capture strategy detracted 2.3% from performance during the month, due to discounts widening as discussed above. The depreciation in the Australian dollar during June added 2.2% to performance, with the remaining attribution of returns explained by the Company's market exposures and operating costs.

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

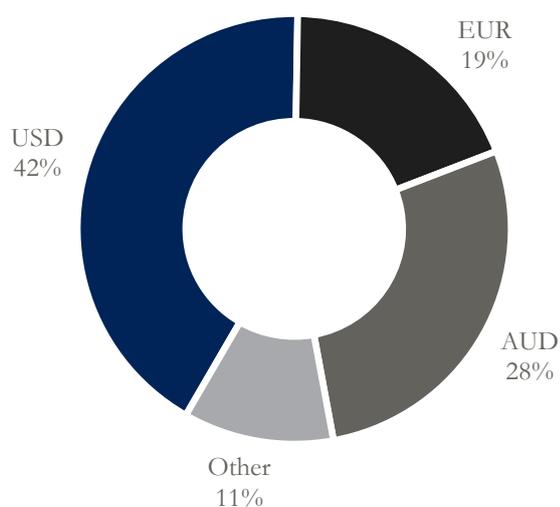
Over the life of the Company, GVF's annualised adjusted NTA returns have been 10.0%.

## Adjusted NTA Returns<sup>6</sup>

Financial Year	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD <sup>7</sup>
FY2022	2.8%	2.4%	0.5%	0.0%	2.7%	1.9%	-0.6%	-2.3%	-1.7%	1.3%	-1.7%	-2.2%	<b>2.8%</b>
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%	<b>29.3%</b>
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%	<b>0.2%</b>
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%	<b>3.2%</b>
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%	<b>9.1%</b>
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%	<b>14.5%</b>
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%	<b>2.4%</b>
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%	<b>21.6%</b>



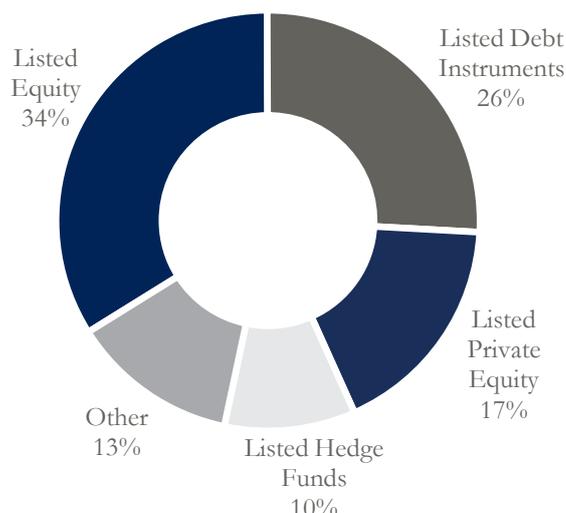
## Underlying Currency Exposures



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

Including emerging market currencies that are chiefly pegged to the US\$, the fund's US\$ exposure is approximately 46%.

## 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 30<sup>th</sup> June.

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<sup>8</sup>

Holding	% NTA	Summary
Crown Resorts subordinated notes II	7.1%	Australia-listed hybrid bond, issued by Crown Resorts Ltd (CWN). The vast majority of the position has been acquired this year on an annualised yield-to-maturity of 23.4%. Following the completion of the takeover of CWN by Blackstone, it has been announced that we will be redeemed out of our holding during July 2022.
VPC Specialty Lending Investments	5.7%	London-listed closed-end fund (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.9.6% pa based on the current share price, and trades on a discount of 23.2% 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	5.5%	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.
Magellan Global Fund	4.9%	Australian-listed CEF which invests into large-cap, blue-chip stocks globally. Currently at a discount to asset backing of 19.3% while the fund has a very active on-market buy-back program in place.
Amedeo Air Four Plus	4.8%	London-listed investment company that owns twelve widebody aircraft on long term leases. A special situation that GVF first invested into in 2020, Amedeo continues to offer an attractive long-term risk reward proposition. The company currently pays a dividend yield of c.16% pa that is more than covered by contractual lease payments from Emirates.

<sup>1</sup> Grossed up dividends of 57.24c declared from IPO at \$1 through to 13th May 2022, the HY2022 interim dividend payment date.

<sup>2</sup> The profits reserve sits at 22.08c as of 30<sup>th</sup> June 2022.

<sup>3</sup> Based on the end of month share price of \$1.095 and the FY2022 dividend guidance of 6.6 cents per share, fully franked.



## Investment Update and Net Tangible Assets. As at 30th June 2022

<sup>4</sup> All references to global share markets refer to the total return (price and dividends) of the MSCI All Country World Equity Index.

<sup>5</sup> All references to global credit markets refer to the Bloomberg Barclays Global Credit Total Return Index.

<sup>6</sup> 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.

<sup>7</sup> Refers to the full year returns for a given Financial Year, or the year-to-date returns in the current Financial Year.

<sup>8</sup> 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 30<sup>th</sup> June 2022.

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