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# Agenda:



1. **Key issues driving global financial markets**
2. **The Global Value Fund**
3. **Managing risk at the Global Value Fund**
4. **Investment portfolio update**
5. **Performance year-to-date**



# **1. Key issues driving global financial markets**



## The headline issues in global financial markets today

**QE 2 is coming  
in Europe**

**Fed set to lift  
interest rates**

**The US\$ bull  
market has  
further to run**

**Risk of a hard  
landing in China**

**The US is  
approaching full  
employment**

**RBA to cut  
further**

**We believe financial markets are pricing in these headlines today**

**Important to remember what is already in the price**



## The second page stories that we are following

**The forgotten  
risk of inflation**

**Emerging  
markets  
reverting to old  
stereotypes**

**Coming impact  
of Central Bank  
policy  
divergence**

**Quantitative  
Easing has  
worked in US**

**Prolonged A\$  
weakness may  
be necessary**

**China as a  
competitive  
threat - exporting  
its investment  
excesses**

Less clear how markets have priced in these issues



## **2. The Global Value Fund**



## 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\$500Bn

**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**





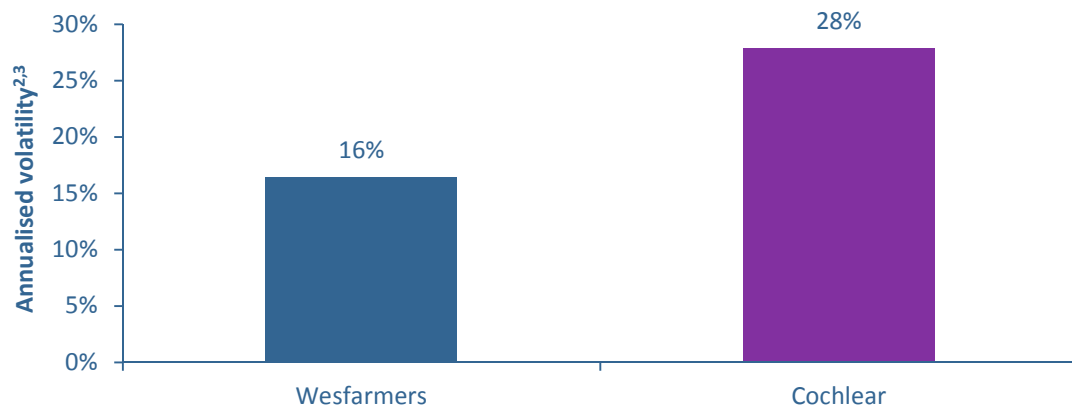
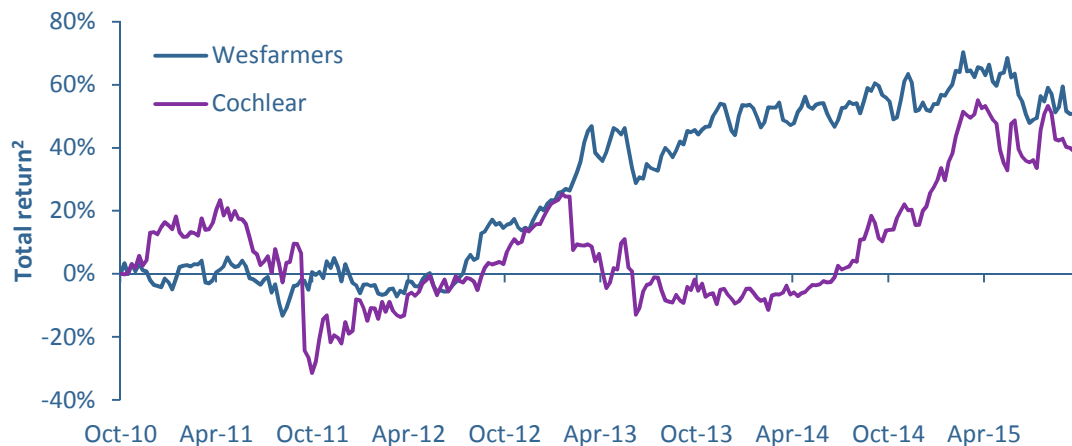


### **3. Managing risk at the Global Value Fund**



## Understanding risk in financial markets

### Returns and realised volatility<sup>1</sup> - not all returns are equal



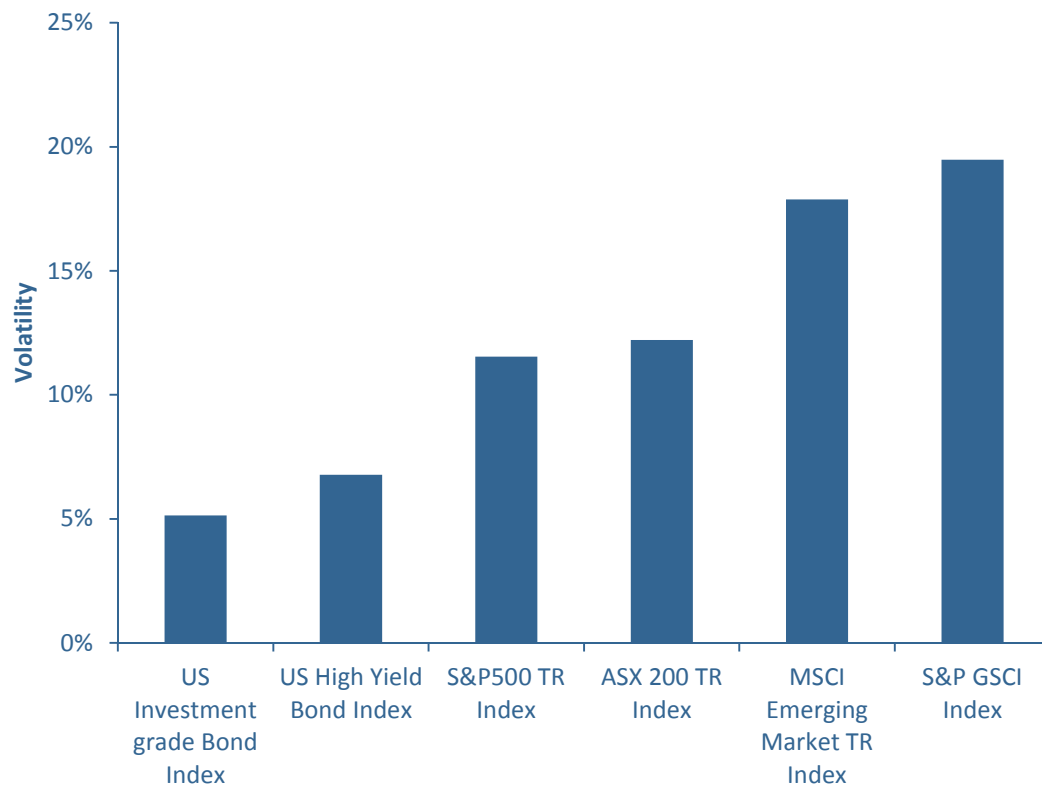
**Assessing risk is as important as assessing returns**

- 1 Data source Bloomberg LP and Metage Capital.
- 2 From Oct 10 to Sept 15
- 3 Annualised weekly volatility



## Comparing risk across asset classes and investments

### Asset class volatility<sup>1,2,3,4</sup>



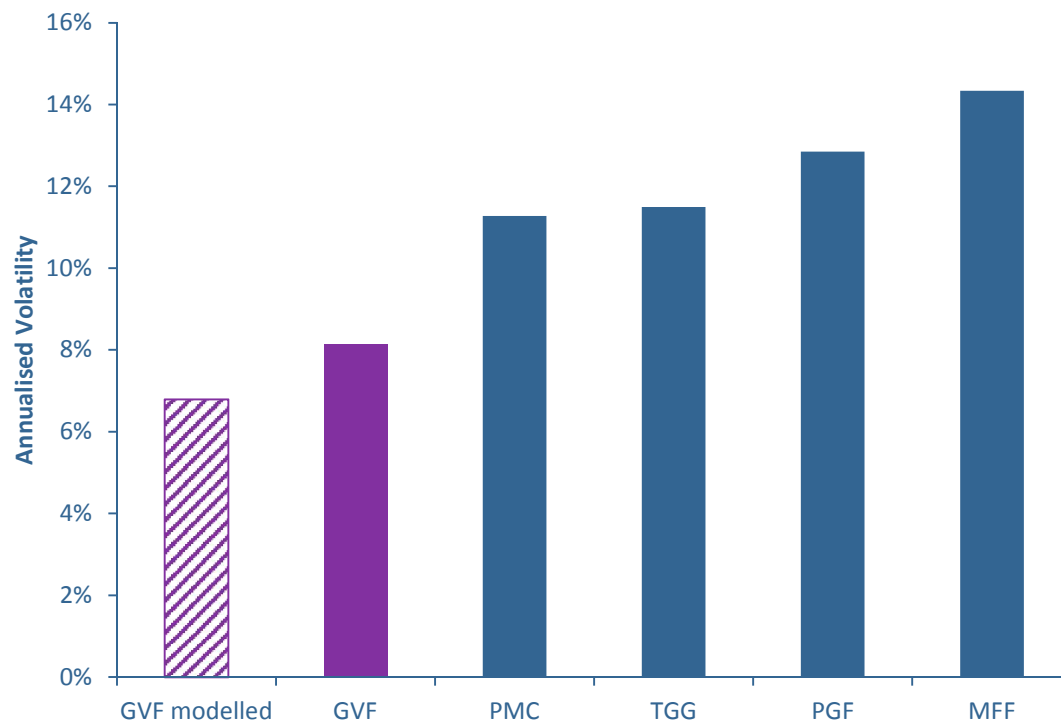
**Higher risks  
demand higher  
return  
expectations**

- 1 Data source Bloomberg LP and Metage Capital.
- 2 From Sept 12 to Sept 15, monthly data, annualised
- 3 All US\$ denominated apart from ASX denominated in A\$
- 4 TR stands for total return



## The Global Value Fund proposition

### Volatility of selected ASX Global LICs<sup>1,2,3,4</sup>



**We seek to  
generate equity  
market like returns**

**but with a  
significantly lower  
risk profile**

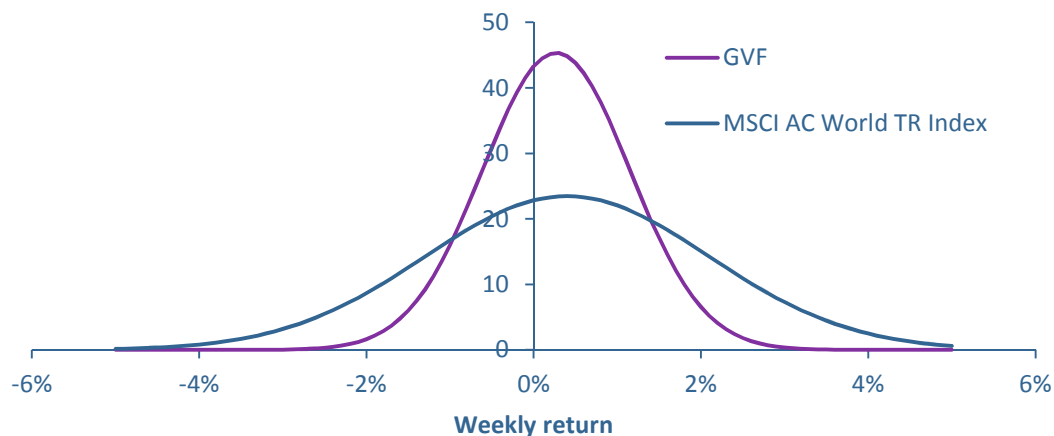
- 1 Where available, monthly volatility over 3 years, annualised
- 2 PMC, TGG, PGF & MFF returns derived from changes in pre-tax undiluted NTA's
- 3 GVF data over 15 months, PGF data over 21 months, both since IPO
- 4 GVF modelled is the September month end portfolio back tested over the last 3 years using monthly returns



## Global Value Fund risk models

### Value at Risk (VaR)<sup>1,3</sup>

VaR		Weekly loss %	
Confidence level	GVF A\$ <sup>2</sup>	MSCI AC World Index A\$	
99%	-1.3%	-3.2%	
95%	-1.1%	-2.0%	



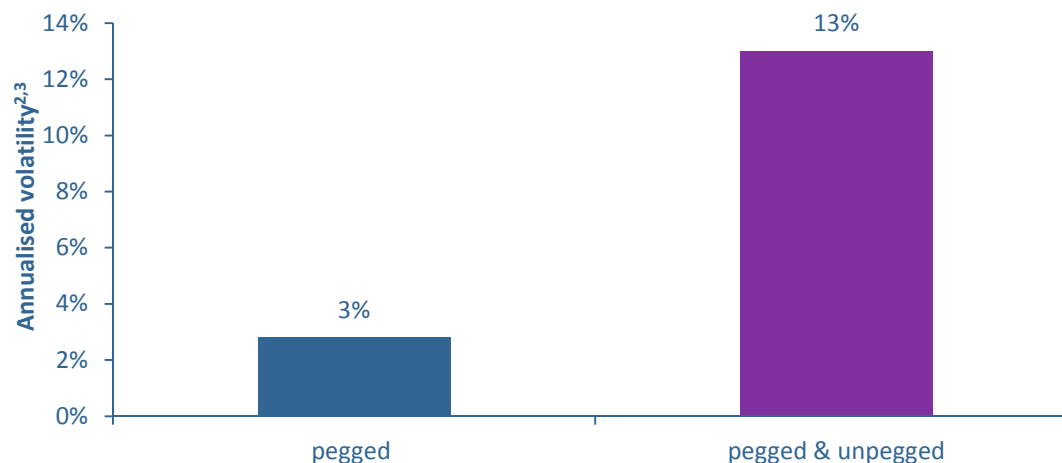
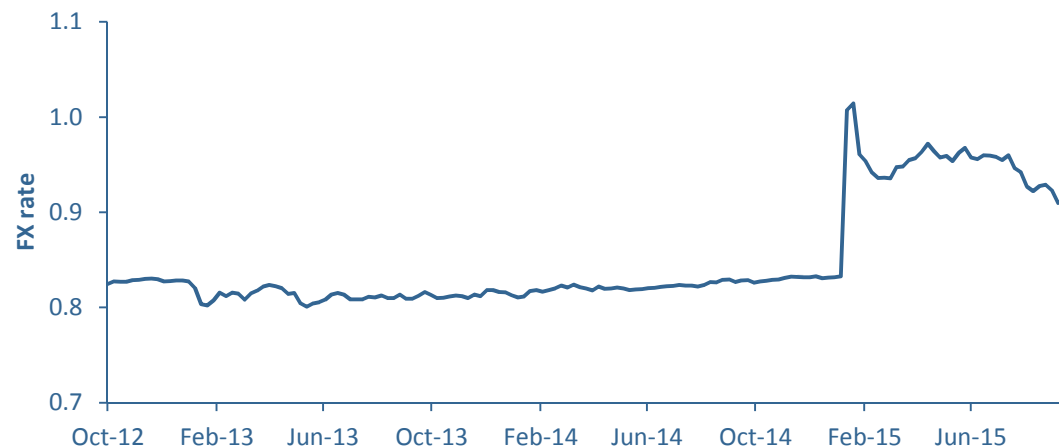
**Managing risk is a key part of our investment process**

- 1 Assumes normal distributions
- 2 End of September portfolio
- 3 A\$ based weekly returns and volatility over 3 year period



## Why risk measurement is not risk management

### Euro versus Swiss Franc exchange rate<sup>1</sup>



**Risk management is both a quantitative and a qualitative process**

- 1 Data source Bloomberg LP and Metage Capital.
- 2 From Oct 12 to Sept 15
- 3 Annualised weekly volatility

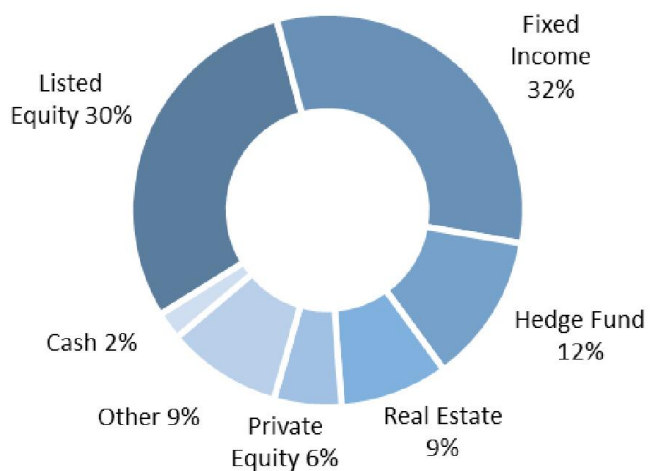


## 4. Investment portfolio update

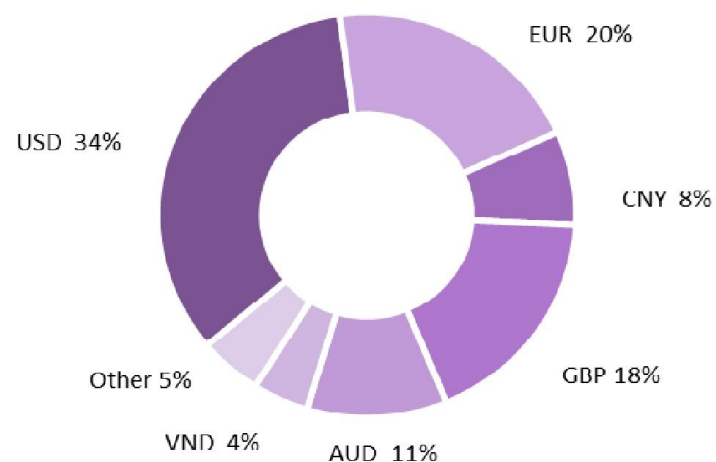


## Investment Portfolio<sup>1</sup>

### Underlying asset classes



### Underlying currency exposures



**There are inherent benefits in running a diversified portfolio over time**

<sup>1</sup> As at the 30<sup>th</sup> September 2015





## Top Five Holdings

Name	Summary	Story
HSBC China Dragon Fund	Hong Kong listed closed-end fund investing in a diversified portfolio of Chinese equities.	The position has been accumulated at an average discount to net asset value of wider than 25%. Following shareholder pressure, the fund has recently announced that it will conduct a 20% one-off redemption offer at a 2% discount to NAV, with subsequent further redemptions likely if the discount fails to contract.
Boussard & Gavaudan Holdings	A feeder fund into the BG Master Fund, a Europe-focused multi-strategy hedge fund	The BG Master Fund is the flagship fund for Boussard & Gavaudan, a French fund management firm with c. €1.7 billion of FUM. The position was acquired at a discount in excess of 21%. The manager is committed to an active share buyback program which should serve to reduce the discount.
WA/Claymore Inflation-linked Opp Fund	New York listed CEF	Portfolio of US Treasury inflation protected notes, arguably one of the lowest risk financial assets in the world. The position has been built at close to a 14% discount to the underlying portfolio value.
Pacific Alliance China Land	Chinese property-related assets and loans with a conservatively valued portfolio	Significant structural downside protections built into its investment holdings. Currently in realisation.
Vinaland Limited ZDP	GBP zero-dividend preference share	Attractive fixed return over the period to December 2016, heavily collateralised by the assets of an AIM-listed CEF. Various mechanisms exist to enhance the credit of the ZDP and there is additional upside from the possibility of early repayment at an above market price.



## Case Study: Capturing value in an out-of-favour sector

### Opportunities in deeply discounted emerging market debt funds

Fixed Income CEFs

#### Global High Income Fund (GHI)

**US-listed** closed-end fund investing in local and US\$ denominated emerging market sovereign and investment grade bonds. Managed by UBS Asset Management. Pays a high running dividend yield.

**Accumulated a position** in the fund at an average discount to NAV of 14% from October 2014 onwards.

**Following significant changes in the share register** over the past year the Board recommended a liquidation of the fund in October 2015.

**We sold** the position at average discount of 4.8% in October, having also received a 9% dividend pay-out over the holding period.

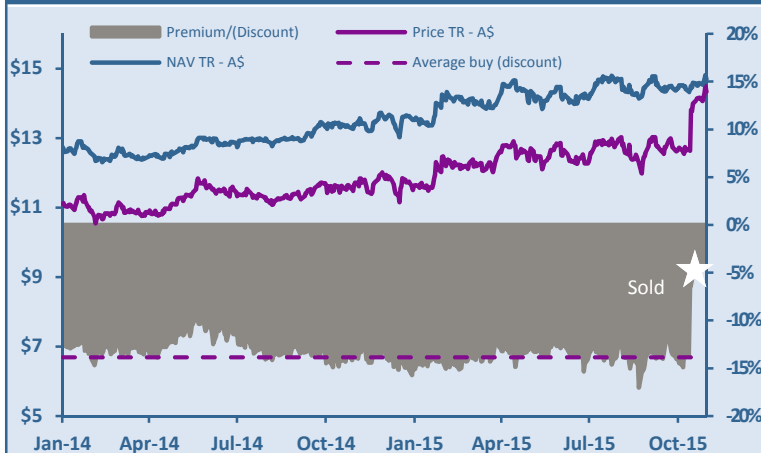
#### MS Emerging Market Debt Fund (MSD)

**US-listed** closed-end fund investing in US\$-denominated emerging market sovereign and investment grade bonds. Managed by another reputable investment bank, Morgan Stanley. Provides a dividend yield of 6-7%.

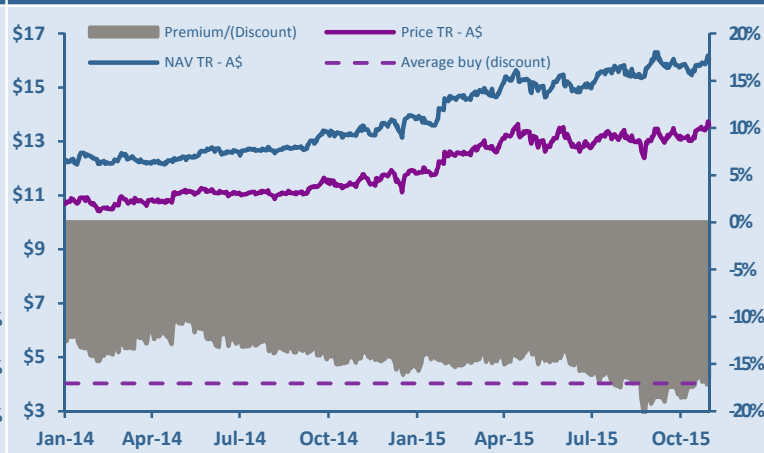
**Still accumulating a position**, so far at an average discount of 17%, having started in July 2015.

**The fund has many similarities** to Global High Income and we believe there is considerable value in this investment that can be unlocked.

#### GHI Discount History



#### MSD Discount History



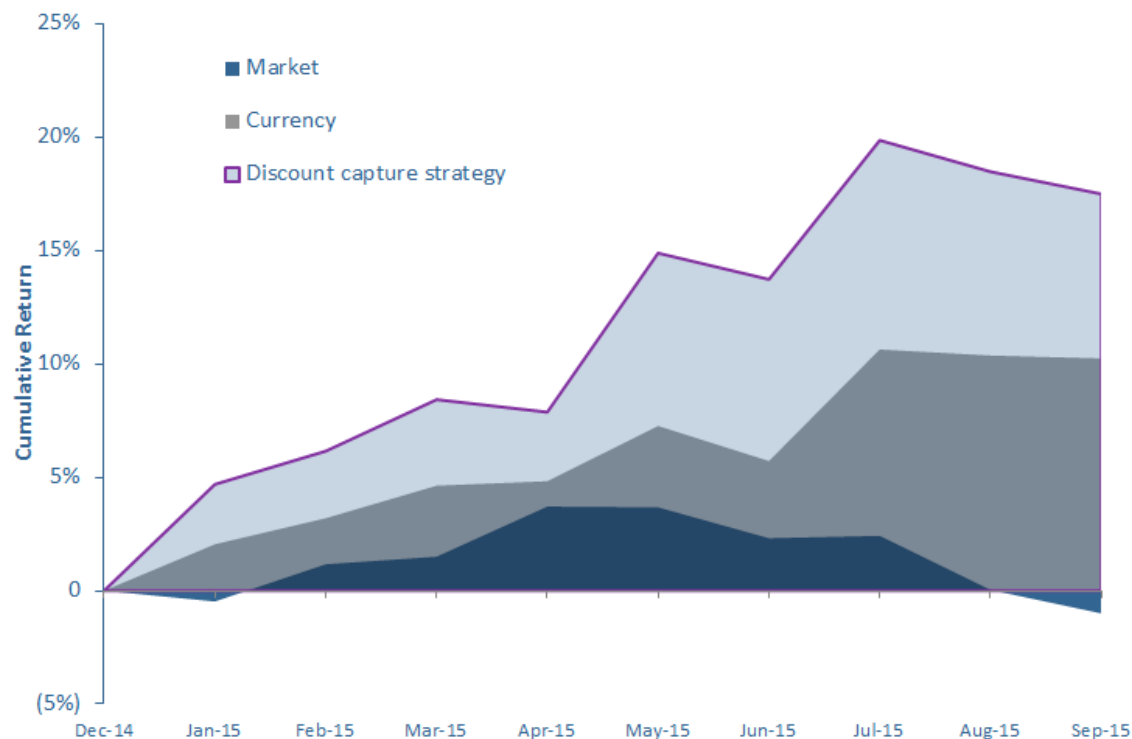


## 5. Performance year-to-date



## Investment portfolio<sup>1</sup> return

### Discount capture strategy year-to-date



<sup>1</sup> Investment portfolio return excludes all fees, expenses, taxes and the impact from option exercises.  
Data source Metage Capital

**The fund holds a diversified portfolio of global assets**

**Discount capture represents manager outperformance**



## Dividend Guidance

### **FY2015 dividend paid**

The Company recently paid its first fully franked dividend of 2.0 cents per share.

### **Interim dividend for FY2016**

The Board currently anticipates being able to announce an interim fully franked dividend with the release of the Company's December half-year results, so long as it remains prudent to do so. If an interim dividend is declared, the Board expects that it would be payable during April 2016.

This guidance is not a formal declaration of the FY2016 interim dividend. Shareholders should rely on the official declaration of dividends for confirmation of the amount, dates and level of franking.

**The Board  
understands the  
importance of  
fully franked  
dividends for  
many of our  
shareholders**



## Capital Structure

### Outstanding shares & options<sup>1</sup>

Shares outstanding (GVF): 72,855,991

Options outstanding (GVFO): 50,830,234

### Option terms

Exercise price: \$1.00

Options are exercisable at any time until the 17<sup>th</sup> March 2016

Option ISIN: AU00000GVFO1

**Options are  
listed on the ASX  
under the code  
GVFO**

<sup>1</sup> As at the 31<sup>st</sup> October 2015



## Global Value Fund Limited

### Company Details

Structure Listed Investment Company

Incorporated Australia

### Service Providers

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Tel no. 1300 737 760

Prime Broker/Custodian Credit Suisse Group

Auditor Moore Stephens Sydney

Company Secretary Mertons Corporate Services Pty Ltd  
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