

29th August, 2019

GVF protects capital and increases grossed-up dividend

Highlights

- Operating profit before tax of \$5.0M
- Grossed-up dividend payments increased by 1.2%
- Successfully protected shareholder capital during severe December quarter correction
- Investment strategy delivers 2.1% market outperformance

Global Value Fund Limited (ASX: GVF) (“GVF” or the “Company”) announces an operating profit before tax of \$5.0 million and an operating profit after tax of \$3.8 million for the full year ended 30 June 2019. The Company has declared a final dividend for FY2019 of 2.9 cents per share, which will be 100% franked.

For the full year ended 30 June 2019, the Company’s adjusted pre-tax NTA increased by 3.2%¹ with the successful application of GVF’s discount capture strategy adding 2.1%² (gross) to performance. Positive returns from this strategy represent outperformance (or alpha) over the fund’s underlying market and currency exposures.

Company Chairman Jonathan Trollip said: “One of the more notable features of financial markets recently has been a significant increase in the levels of market volatility, a trend that FY2019 demonstrated amply. In US dollar terms, global share markets³ recorded a monthly gain or loss of more than 5%⁴ in five of the twelve months of the year. To put these sorts of market swings into context, between FY2012 and FY2018, share markets rose or fell by more than 5%⁵ in a month only seven times in total.

Despite this volatile backdrop, the Company’s investment portfolio delivered positive returns over the year, with adjusted pre-tax NTA increasing by 3.2%¹. FY2019’s investment returns, while lower than what shareholders have been accustomed to in recent years, were largely driven by the Portfolio Manager running a lower-risk investment portfolio throughout this period of greatly heightened volatility. The benefits of this lower risk profile were evident during the significant market correction in the December quarter of 2018, when the Company’s investment portfolio was relatively unscathed, despite large falls across global share markets.

One of the tasks the Board faces, in maintaining a relatively high level of grossed up dividend payments for shareholders, is managing the alignment of the Company’s profit reserves with its franking account. GVF predominantly invests internationally, where dividend payments are unfranked and where absolute dividend payout rates are considerably lower than they are in Australia. Given this, GVF maintains its high grossed-up dividend payments through a commitment to pay out all of its investment gains over time, and through the maintenance of a profit reserve and franking credit account. While it has no bearing on the overall investment returns that the Company generates, over time the balances in these two separate accounts can diverge. When setting dividend policy, the Board focuses on the grossed up (inclusive of franking) total dividend that GVF shareholders receive, and whether this total dividend payment is sustainable over time.

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 Source: StauDe Capital Limited.

³ Global share market returns refer to the MSCI All Country World Index.

⁴ All market returns quoted are total returns, including net dividends. Source: Bloomberg LLP.

⁵ In US dollar terms.

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.



Given GVF's predominantly offshore investment portfolio, from time to time amendments to the composition of the total dividend payment are necessary to maintain a broad alignment between the profit reserve and the franking account. Combined, these two accounts represent the total investment return that GVF has generated over time, and together they form the pool from which the Company pays its dividends. In FY2017, to maintain an appropriate alignment between the profit reserve and franking credit account, the Board decreased the level of franking attached to the Company's dividends, while lifting the absolute size of dividend payments to offset the impact of this on a grossed-up basis. At the current time, the Board believes it is prudent to increase the level of franking attached to the Company's dividends, whilst reducing the absolute dividend payment amount commensurately.

The Board has thus resolved to pay a final dividend of 2.9 cents per share for FY2019, which will be 100% franked. On a grossed-up basis, the net effect of the change in the composition of the Company's dividends equates to a 1.2% increase on prior dividend guidance of a 3.15 cents per share dividend, 70% franked.

As at 30 June 2019, the Company's profit reserve was 6.1 cents per share, while the Company's franking account was sufficient to pay fully franked dividends on this entire profit reserve."

FY2019 review and Company outlook

Portfolio Manager Miles Staude said: "GVF has two equally important aims for its investors. To generate healthy investment returns over the long-term, and to preserve shareholder capital come what may in financial markets. This approach was put to the test during the dramatic market sell-off in the December quarter of 2018. From the end of September, through to the market low on the 24 December 2018, global share markets fell by 14%⁶ in Australian dollar terms. Over this same period, the Company's adjusted NTA fell by 4.0%¹.

While we were pleased with our success in protecting shareholder capital during one of the largest market sell-offs in recent years, our absolute investment returns did not participate in the dramatic rebound in higher-risk asset classes that followed. Somewhat perversely, financial markets this calendar year have been propelled higher by a marked *deterioration* in the global growth outlook. To combat the pending slowdown, major central banks around the world have guided that substantial amounts of stimulus are once again in the works, driving risk assets higher.

We remain skeptical that this 'bad news is good news' narrative can last for an extended period. Either the economic outlook will continue to deteriorate, at which point markets will begin to price in the rising risks of a rich-world recession. Or, alternatively, an improving economic outlook must turn the 'bad is good' logic back on its head, with central banks needing to move once again towards a tightening bias. After being carried higher for a decade on the back of extraordinary levels of central bank monetary support, the December quarter of 2018 illustrates well how sensitive higher-risk assets are today to even modest levels of future tightening.

Regardless of how the current 'bad news is good news' narrative unfolds, GVF will continue to keep its head below the parapet and focus on unlocking value across a range of different asset classes. One of the consequences of releasing less value than we hoped for from our portfolio in FY2019, is that the Company begins FY2020 with higher than usual targets across many of the positions in the fund. Importantly, our ability to unlock this value is independent of what broader markets might do, while the lower risk nature of our portfolio should offer an important level of protection against any significant market corrections ahead."

⁶ Source: Staude Capital and Bloomberg LLP

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FY2019 key dates*

Ex-dividend date	30 September 2019
Dividend record date	1 October 2019
Last election date for DRP	2 October 2019
Dividend payment date	11 November 2019

*These dates may be subject to change

FY2019 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 FY2019. On a grossed-up basis, the net effect of the change in the composition of the Company's dividends equates to a 1.2% year-on-year increase in dividend payments to shareholders. The record date for the FY2019 final dividend is 1 October 2019 and the final dividend will be paid on 11 November 2019. GVF shares will trade ex-dividend on 30 September 2019.

Dividend reinvestment plan

The Company's dividend reinvestment plan (DRP) will be in effect for the FY2019 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, 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 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 value of the Company on this day. If the share price for GVF is less than its NTA 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 FY2019 Final dividend is 5.00 pm (AEDT) Wednesday 2 October 2019. Details of the DRP are available on the Company's website, click [here](#).

FY2020 full year dividend guidance

The Board currently anticipates that both the interim and final dividend for FY2020 will be 2.9 cents per share, 100% franked. Whether an increase in dividend payments is possible will depend on the Company's investment performance during FY2020.

The above dividend guidance is not a formal declaration of dividends for FY2020. The size and payment of any interim or final dividend for FY2020 will be subject to the Company having sufficient profit reserves and the dividend payment being within prudent business practices. If a FY2020 interim dividend is declared, the Board expects that it would be payable during May 2020.

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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

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