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Global Value Fund

International Discount Asset Play

GVF specialises in capturing value from discounted assets globally. The fund predominantly invests in an international portfolio of closed end funds taking advantage of substantial discounts to observable underlying value and seeking to unlock this value by employing its proprietary strategies. The manager aims to provide shareholders with substantial returns over the medium to long term, but with a risk profile materially lower than that of investing in a comparable portfolio of global equities. The managers intention is to pay a regular fully-franked dividend.

Investment Strategy

GVF will deploy a discount capture strategy. The investment thesis is that the investments trade at a price that is below the value for which these assets could be sold individually. This strategy allows the manager to participate in the return of the underlying investment, as well as any contraction in the discount. The manager seeks to unlock this value through a passive or active investment strategy.

- Passive: Utilising corporate actions such as tender offers, buybacks or liquidation events, as well as trading opportunities that arise in different markets. This strategy is backed by an extensive data base combined with a qualitative overlay that includes access to stock and information flows as a result of its relationships with intermediaries.
- Active: Engaging with other investors to build consensus to exert pressure for change. This may include driving capital management initiatives, alterations to balance sheet structure, return of capital to shareholders, changes to corporate strategy, board and management personnel, or corporate actions such as takeovers or divestures.

Key features

- Investing in a portfolio of international listed assets. The portfolio will invest predominantly in closed end funds but may also include convertible bonds, preference shares, hybrid securities and derivative contracts which the manager considers as being mispriced.
- The portfolio will comprise at least 40 securities spread across geographies, currencies and asset classes to ensure that there is a wide diversification across different global markets and currencies.
- No one single investment will account for more than 10.0% of Net Asset Value (NAV) at point of acquisition. The company may borrow funds for investment up to a maximum of 15% of its NAV, and may only use short selling and hedging to manage foreign exchange risk and market risk up to 30% of the NAV.
- The manager, Metage Capital, is a UK based investment manager with assets under management of $230m in multi asset vehicles. It has significant experience investing around the world and across different asset classes with a specific focus on discount capture strategies for closed end funds.
- GVF will incur a management fee of 1.5% per annum calculated monthly plus a performance fee. The performance fee will be 15% of outperformance over the 1 year BBSW + 4.0% during the financial year inclusive of a high watermark.

International Exposure

Offer Details

ASX Code Share/Option	GVF/GVFO
Application Price	$1.00
Proforma NTA (min sub)	$0.979
Proforma NTA (max sub)	$0.979
Option Ratio	1-for-1
Exercise Price	$1.00
Expiry Date	17 Mar 2016
Issue Size	$16-$100m

Timetable

Prospectus Lodgement	16 May 2014
Broker Firm Opens	2 Jun 2014
Broker Firm Closes	2 Jul 2014
Settlement Date	10 Jul 2014
Allotment Date	11 Jul 2014
Dispatch Statements	14 Jul 2014
Listing Date (est.)	22 Jul 2014

This report is to be read in conjunction with the GVF prospectus

Investment Objective

GVF seeks to generate equity style returns across an investment cycle with lower realised volatility than a comparable international equity portfolio. This lower volatility profile is a function of the underlying asset exposures which will be a wider range of financial assets than just listed equities. The risk profile of the portfolio will benefit from this diversification across asset classes, as well as from the lower volatility exhibited by some of the non-equity assets, such as government and corporate bonds.

In the short term, shareholder funds will be exposed to general movements in global financial markets. However GVF expects that the application of the manager's investment techniques will lead to superior risk-adjusted returns for Shareholders over the medium-to -long term. The company will seek to maximise the total return to Shareholders, incorporating capital gains and dividend income franked to the maximum extent possible.

Investment Thesis

The investment strategy is to purchase closed-end funds (CEFs) and other securities which are trading at attractive discounts to their underlying value and then use the managers experience in extracting value through trading and corporate activism. This is called a discount capture strategy. The ability to capture some or all of this value differential provides an alternative source of market outperformance compared to common stock selection strategies.

The value presented by discounted securities can be unlocked through a variety of techniques which include trading, the use of existing catalysts and through corporate activism. The manager views a willingness to engage proactively with boards, management teams and other shareholders as an essential element of discount capture.

Activism is not always a prerequisite for capturing the underlying value presented by a discount. These can include taking advantage of corporate actions such as tender offers, buybacks or liquidation events, as well as trading opportunities that arise in different markets from time to time. The manager utilises a variety of proprietary systems to engage in this form of passive discount capture and enjoys strong access to stock and information flows as a result of its close relationships with intermediaries.

While the manager is skilled in capturing value through passive techniques, activism remains a central tenet of the discount capture strategy. When required, it involves engaging with other investors to build consensus around proposals to exert pressure for change. Such activities can sometimes lead to conflict with other stakeholders. A reputationally-risk-averse manager will avoid such conflict; however it is often the key to driving an increase in shareholder value.

Closed End Funds

CEFs are collective investment vehicles that have a fixed number of securities that are traded between investors, often on a stock exchange. This feature means that it is common for CEFs to trade above or below the realisable value of their portfolio, based on investor demand for their shares. CEFs publish a net asset value (NAV) which identifies the value of their underlying portfolio, and normally produce a transparent list of their portfolio holdings. This enables the Manager to independently assess whether the published net asset value is realisable and realistic.

CEFs are a major international asset class, and trade as Listed Investment Companies (LICs) on the ASX. The market capitalisation of the investable universe of these securities is in excess of US$500 billion. This presents a wide universe to invest into given many CEFs trade at attractive discounts relative to their underlying value. These discounts can be volatile over time and this volatility can provide investment opportunities.

Investment Manager

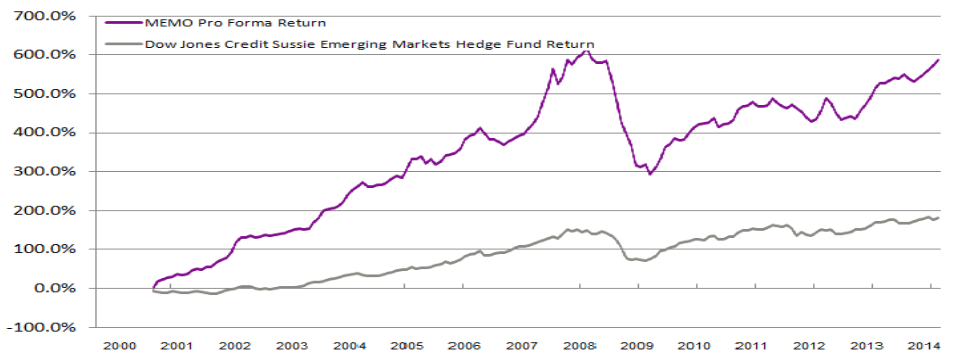
Metage Capital Limited has been appointed to implement the investment strategy of GVF. The manager was established in 1998 as a private entity incorporated in the UK and is authorised and regulated under the UK Financial Conduct Authority. Metage currently manages $230m in multi-investor vehicles, all of which feature closed ends funds as a large part of their portfolios. The company has significant investing experience globally across different asset classes.

The manager has had considerable success with the Metage Emerging Markets Opportunities Fund (MEMO) which has the longest track record of the Metage vehicles. It has delivered 15.4% per annum since inception in September 2000 adjusted to incorporate costs and fees of the proposed issue. Delivering equity style returns, the risk adjusted nature of this return is its most relevant characteristic. MEMO's standard deviation/volatility of its return is almost half that of its proxy the iShares MSCI Emerging Market ETF, which is a function of its non-equity exposure.

The return profile is facilitated by its layered investment return. Firstly, the manager seeks to benefit from the return of its investments. Secondly, the manager aims to profit from the contraction of the discount of its investments to the underlying value. These underlying holdings are generally disclosed monthly and valued intraday on the exchange on which it trades. This gives the manager extraordinary clarity on the underlying value of the position to assess whether an opportunity exists to extract this value.

Hence, while the fund offers exposure to non-equity assets that may have a lower risk profile and low correlation to equities, it is still able to deliver equity style returns by effectively participating in an additional layer of return. However, investors need to be aware that MEMO is an emerging markets fund that has always used discount capture as its main strategy, whereas the GVF mandate is a global fund solely focussed on discount capture.

Figure 1: MEMO Proforma Returns



SOURCE: COMPANY DATA

Investment Team

The investment team will be lead by Miles Staude who is responsible for closed end fund and equity trading for the group. He is primarily involved in event-driven and activist investment strategies which he has implemented over the past 7 years. He is supported by Jeremy Hurt and Tom Sharp, both investment managers, who have extensive experience in closed end fund strategies spanning 18 years and 12 years respectively.

Metage is lead by Richard Webb, CEO and Sadeq Sayeed, Chairman, who are experienced financial services executives. Richard Webb has the overall responsibility for the managers trading and investment management activities, and founded Metage Capital in 1998.

Board of Directors

GVF has a strong board with Jonathan Trollip as Chairman, alongside Chris Cuffe, Geoff Wilson and Miles Staude as non executive directors. All have deep financial services experience with Geoff Wilson and Chris Cuffe having in-depth experience as current and former LIC directors.

Key Risks

The key risks of an investment in GVF are highlighted below. Investors should bear these in mind when considering whether to participate in the Offer:

- Reliance on the manager: The success and profitability of GVF depends primarily upon the ability of the manager to invest in undervalued assets and to exit these investments at a higher value. This strategy relies on the manager's ability to realise the value from mispriced securities through its discount capture strategy. There is no guarantee that this can be achieved.
- Economic risk: The future earnings of the GVF and the value of its investments may be affected by the general global economic climate, equity market prices, currency movements, changes to government policy and other factors beyond the control of the company. As a result, no guarantee can be given in respect of the financial performance of the Company's investments.
- Leverage risk: GVF may use leverage to increase the size of its investment portfolio by up to 15% of the net asset value. Borrowing has the ability to increase returns, but it can also magnify losses for the portfolio.
- Hedging risk: GVF may also hedge market and foreign exchange exposures up to an aggregate notional value of 30% of the company's net asset value. GVF will seek to use hedging to reduce risks in the portfolio rather than magnify investment returns. However this may result in the company not benefiting from any strong positive movements in equity markets or currencies to the same extent that an unhedged portfolio would benefit.
- Short selling risk: GVF may short sell securities as part of its risk management techniques. While short selling can introduce a hedge to the performance of other assets in the portfolio, there are inherent risks associated with short selling. Short selling involves leverage of the company's assets and can result in an obligation to repurchase stock at an inopportune time and/or at an undesirable price.

Listed Investment Company

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