31st December 2020

STAUDE CAPITAL
GLOBAL VALUE FUND

Investment Update and Net Tangible Assets

Net Tangible Assets (NTA) per share

NTA before tax*	$1.1221
NTA after tax	$1.0831

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

December review

Following the substantial relief rally in November - which saw the price of just about every asset class lift significantly following the news there was a working Covid-19 vaccine – December brought continued strong market gains. These gains, however, were far less broad based than November's rally, being concentrated instead in the technology sector and asset classes tied to China.

In aggregate, global share markets[4] rose 4.6%, taking their move over the past two months to an eye-watering 17.5%. This move was underpinned by a 10.4% increase in the 'FANG' index of high-growth technology companies, and a 6.7% increase in the Chinese stock market. In comparison, European share markets rose a more modest 2.2%, while the local Australian market increased by 1.2%.

Compared to the developed world, China has shown remarkable economic resilience to the Covid-19 pandemic, and in recent months, its historically important export and heavy industry sectors have begun expanding strongly again. This has fuelled both the local Chinese share market and many of the commodity markets that are heavily tied to China. For Australian investors, the most important of these is the iron ore market, and during December the price of iron ore jumped 22%, as Chinese imports hit a new all-time high. In tandem with the strength of the iron ore market, the Australia dollar moved sharply higher against the US dollar, rising by 4.8% during the month, greatly dampening offshore investment returns in the process. In Australian dollar terms, global share markets fell 0.1% while global credit markets fell by 3.3%[5].

The largest individual contributor to GVF's returns in December came from VPC Specialty Lending (VSL) — a name we covered in our October monthly, and with which we had significant public engagement in 1H 2020. Our engagement last year resulted in significantly improved terms for investors — including opportunities for a full or partial exit at asset backing in 2023 if certain performance and discount targets are not hit — setting up a compelling discount capture story. While this underpins the discount story, at a NAV-level, VSL's loan portfolio has continued to perform very well. As a result, conservative loan loss provisions taken in March 2020 have gradually been unwound, boosting the already attractive return on the loan portfolio. On top of this, VSL's equity investments — a diversified mix of individually small positions which are acquired at or near-zero cost as part of the terms of the loans VSL makes — have begun to re-rate significantly, with the recent market rally in 'Fintech'. For example, at the end of December, VSL disclosed that an equity investment that represented just 1% of its NAV as of the end of November, was to be acquired at a price that was more than triple its carrying value.

Besides the yield on the portfolio and the asymmetric payoff of the company's free equity stakes, there is a further potential NAV kicker in the form of 'founder shares' that VSL owns in a special purpose acquisition company (SPAC) managed by its manager, Victory Park Capital. In the event this SPAC consummates a merger,

Global Value Fund Limited

ASX Code	GVF
Listed	July 2014
Shares on issue	172M
Share price	$1.08
Market cap	$186M
Total dividends declared[1]	44 cents
Profits Reserve[2]	15.3 cents
Fully franked yield[3]	7.9%

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

VSL's founder shares convert into ordinary shares of the company at effectively zero cost, adding at least 5% to NAV after fees, and potentially much more.

While the discount remains unacceptably wide, the market has finally begun to recognise the positives in VSL, and its discount to asset backing narrowed from 23% to 18%, contributing the bulk of GVF's returns on the investment in December.

Another name covered in previous factsheets, Highbridge Tactical Credit Fund (HTCF), capped off a tremendous year of performance in which the NAV gained 18.9%, despite the strategy having very little market exposure (and therefore risk). During December, the board recommended, and shareholders approved, an orderly winding up of the company, to take place in several stages over the next year. As a result, the discount to asset backing narrowed considerably, driving significant discount capture. On the current discount, GVF still stands to exit its investment at a 6.5% premium to the current share price over the next year, which translates into an annualised return of c. 8%, on top of any net returns produced by the underlying portfolio in the meantime.

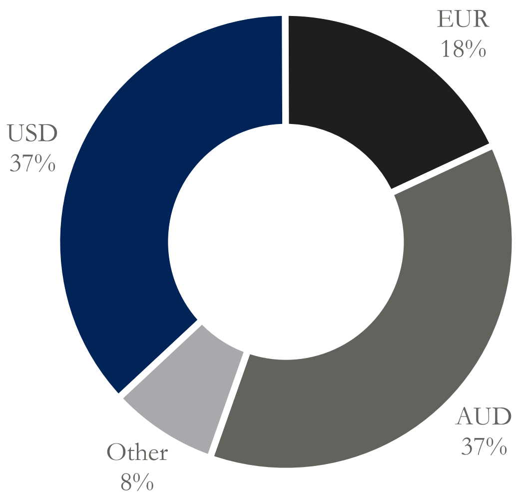
Elsewhere, December was a busy month for major liquidity events in GVF's portfolio, all of which represent significant discount capture versus GVF's entry price. Specifically: Contrarian Value Fund paid out over two-thirds of shareholders' capital as a first instalment of its liquidation; US Masters Residential Property Fund repaid $80 of the $90 outstanding face value on its 2021 notes; Henderson Alternative Strategies paid out cash representing 76% its asset backing after winding down at the end of November; and JPEL Private Equity (JPEL) redeemed approximately 36% of its shares, 28% above the prevailing share price, following the recent sale of the JPEL's largest position at a significant premium to carrying value. Focusing on JPEL, a position we had added to at attractive levels back in November, the remainder of our position is priced at a deep discount to asset backing, offering significant future upside potential as the fund enters the latter stages of its orderly wind-down.

The GVF investment portfolio increased in value by 1.5% during December, a pleasing result given the large rally in the Australian dollar over the month. Underpinning the positive returns was another strong month from the fund's discount capture strategy, which added 2.4% to returns. In contrast, the fund's underlying market and currency exposures detracted 0.8% from performance during the month, with the remaining attribution of returns accounted for by the Company's operating costs.

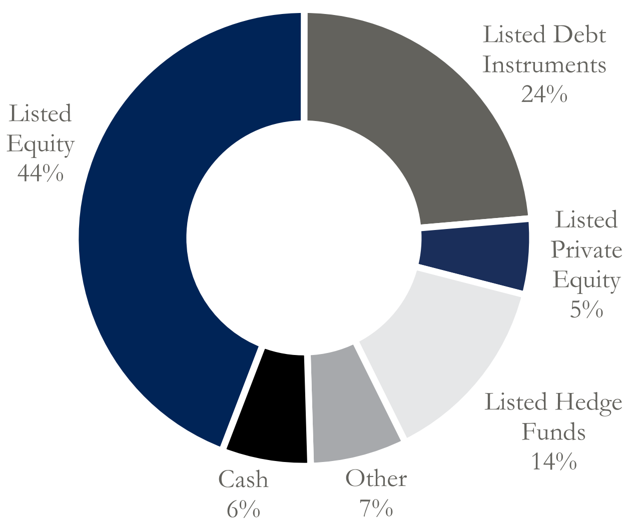
December caps a strong start to FY2021 for GVF. Over the first half of the year, net investment returns have been 16.6%. In comparison, in Australian dollar terms, global share markets have risen by 11.3%, while global credit markets have fallen by 3.8%.

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

Underlying Currency Exposures



Underlying Asset Classes



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 December.

Including emerging market currencies that are chiefly pegged to the US$, the fund's US$ exposure is approximately 39%.

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

Exposure to cash represents both cash balances held by the Company and the underlying cash holdings of the fund's portfolio of investments.

Top Holdings[6]

Holding	% NTA	Summary
Ellerston Global Investments	8.1%	Australian listed investment company (LIC) that holds a portfolio of global equities. Having traded below Net Asset Value (NAV) for some time, the board implemented a restructuring of the LIC and converted the company into an open-ended trust.
Third Point Investors	7.3%	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 18.9% discount to its NAV and, under pressure from shareholders, the Board has enacted several positive initiatives designed to lower this discount, including a $200M share buy-back program.
Highbridge Tactical Credit Fund	7.2%	London-listed CEF which acts as a feeder-fund into a market-neutral credit hedge fund run by Highbridge Capital Management, a leading global hedge fund firm based in New York. The fund has now entered into a managed wind-down and will return capital to shareholders over the next year. Given the current discount, a managed wind-down would represent an exit approximately 6.5% above the current share price. Despite being market neutral, the fund has performed strongly, returning 18.9% in CY 2020.
Australian Leaders Fund	5.7%	Australian Leaders Fund is an Australian listed hedge-fund that is converting into an open-end structure during Q1 of 2021.
VPC Specialty Lending Investments	5.2%	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 more than c.10% pa based on the current share price, and trades on a discount of 18% 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.

[1] Grossed up dividends of 43.52c declared from IPO at $1 through to 9th November 2020, the FY2020 final dividend payment date.

[2] The profits reserve sits at 15.3c as of 30th November 2020.

[3] Based on the end of month share price of 1.08 and the FY2020 full year dividend of 5.8 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] 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 December 2020.