



Product Review

Global Value Fund Limited

ISSUE DATE 18-10-2023

About this Review

ASSET CLASS REVIEWED	ALTERNATIVES
SECTOR REVIEWED	GROWTH ALTERNATIVES (MODERATE)
SUB SECTOR REVIEWED	LIC
TOTAL COMPANIES RATED	2

About this Company

LIC REVIEWED	GLOBAL VALUE FUND LIMITED
TICKER	GVF
LISTING DATE	21 JULY 2014
COMPANY OBJECTIVE	EQUITY MARKET LIKE RETURNS ACROSS AN INVESTMENT CYCLE WITH A MEANINGFULLY LOWER RISK PROFILE
ANNUAL FEES AND COSTS (ESTIMATE)	1.5% P.A.
PERFORMANCE FEE	15% (1YR INTEREST RATE SWAP + 4% WITH HWM)

Market data

MARKET CAPITALISATION	\$196M
SHARES ON ISSUE	175M
SHARE PRICE (17-10-2023)	\$1.12
52 WEEK HIGH/LOW SHARE PRICE	\$1.18 / \$1.02
NTA (29-9-2023)	\$1.22
52 WEEK HIGH/LOW NTA	\$1.25 / \$1.15
SHARE PRICE PREM/(DISC) TO NTA	-8.24%

Board of Directors

NO. OF DIRECTORS	4
MAJORITY INDEPENDENT DIRECTORS	YES (CHAIR HAS CASTING VOTE)
CHAIRPERSON	JONATHAN TROLLIP

About the Investment Manager

INVESTMENT MANAGER	STAUDE CAPITAL LIMITED
OWNERSHIP	100% MILES STAUDE & EMMA DAVIDSON
ASSETS MANAGED IN THIS SECTOR	USD 174M (SEP. 2023)
YEARS MANAGING THIS ASSET CLASS	9

Investment Team

PORTFOLIO MANAGER	MILES STAUDE
INVESTMENT TEAM SIZE	4

Investment process

STYLE	VALUE / ACTIVISM
BENCHMARK	50% MSCI AC WORLD INDEX (AUD) / 50% RBA CASH RATE
POSITION LIMITS	10% OF NTA (MAX.)
TYPICAL NO. OF POSITIONS	40
PERMITTED INVESTMENTS	EQUITY (LISTED & PRIVATE), CREDIT, FIXED INCOME, INFRASTRUCTURE, REAL ESTATE, CASH
CORRELATIONS	TYPICAL EQUITY BETA OF 0.5

Company rating history

OCTOBER 2023	RECOMMENDED
SEPTEMBER 2022	RECOMMENDED
SEPTEMBER 2021	RECOMMENDED

What this Rating means

The 'Recommended' rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Scope of this rating

- Lonsec has used a holistic approach in forming an opinion on this Listed Investment Vehicle's (LIV) ability to meet its stated investment objectives. The rating model includes an assessment of the underlying investment capability in addition to the vehicle's effectiveness. When assessing the underlying investment capability Lonsec has relied upon its Managed Funds research process. Vehicle effectiveness considers a range of characteristics in combination with empirical observations.
- The rating should not be considered, or in any way interpreted, as Lonsec's forward-looking opinion or otherwise on the 'intrinsic value' of the LIV and whether Lonsec believes this to be 'overvalued' or 'undervalued' relative to the prevailing traded price.

Strengths

- Miles Staude is considered an astute investor demonstrating a strong understanding of corporate activism and trading strategies.
- Underlying trading strategies are considered logical and intuitively appealing providing investors with potentially a differentiated alpha source.
- High level of alignment with investors, specifically for Staude.
- Consistent performance over the medium to long term including the impact of both franking credits and dividends paid.
- Well-positioned from a capacity standpoint.

Weaknesses

- Relatively small and illiquid closed-end company which may, at times, trade at a discount to NAV.
- High fee load, including management fees, corporate expenses (incl. directors fees), performance fees and underlying holding fees, albeit commensurate with the strategy's capacity.
- Returns are expected to have a relatively high equity beta during market declines, therefore limiting the diversification benefits expected from an alternatives allocation.

ANALYST: MATTHEW FREEMAN | APPROVED BY: DARRELL CLARK

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Company Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK			●
CAPITAL VOLATILITY			●
CREDIT RISK		●	
FOREIGN CURRENCY EXPOSURE			●
LEVERAGE RISK		●	
SECURITY CONCENTRATION RISK			●
SECURITY LIQUIDITY RISK			●

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIOmetrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE						●	

A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW	MODERATE	HIGH
RISK TO INCOME		●	

Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY			●
ESG	●		

Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE			●
FEES VS. ASSET CLASS			●

Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

What is this Company?

- Global Value Fund Limited ('GVF' or 'the Company') is an ASX-listed investment company which was first listed on the exchange (ASX: GVF) on 21 July 2014. The Company had a market capitalisation of A \$198m and 175m shares on issue as at July 2023. GVF aims to generate equity market-like returns across an investment cycle with lower realised volatility than a comparable international equity portfolio. This is interpreted by Staude Capital Limited ('Staude Capital' or 'the Manager') as being a total return of 10% p.a. (gross) over five-year periods.

The Structure

- GVF is formally structured as a listed investment company and is governed by a Board of Directors ('the Board'). The Company is currently externally managed by Mirabella Financial Services LLP, who have seconded Staude Capital to manage the portfolio. However, Lonsec understands that the Board expects to directly appoint Staude Capital for the investment activities of GVF within the next 12 months.
- The Board is comprised of four individuals, and is led by Jonathan Trollip as Independent Chairperson. Trollip has a casting vote as Chairperson thereby the Board is majority independent. It has operational responsibilities for the effective functioning of the

vehicle. Additionally, and more importantly from a practical shareholder value perspective, the Board is responsible for GVF's capital management decisions.

The Investment Strategy

- Staude Capital believes that financial markets are broadly efficient and that it is difficult to outperform general market indices through active stock selection over the long term. Instead, Staude Capital seeks to add value through the purchase of assets trading below their assessed intrinsic or net asset value. This approach is then combined with an active strategy aimed at capturing the value presented by the discount. The firm's investment style has been described as 'value' alongside 'an arbitrage mentality'. As such, the underlying portfolio will primarily comprise investments in discounted securities of closed-end funds ('CEFs') listed on major global stock exchanges. In addition to CEFs, Staude Capital may also invest in convertible bonds, preference shares and hybrid securities, as well as investments in listed entities with significant holdings in cash, or conglomerates.
- The underlying portfolio will be diversified across a range of underlying asset classes, including listed equity, credit, fixed income, infrastructure, private equity, real estate and cash holdings. Staude Capital will also utilise market hedging techniques, with the aim of delivering superior risk-adjusted returns for shareholders over the medium-to-long term (five-to-seven years). The Company will also seek to maximise the total return to shareholders, incorporating capital gains and dividend income franked to the maximum extent possible.
- The underlying portfolio will generally include positions in over 40 securities, with a maximum of 10% in a single exposure (at initial entry point). Historically, the turnover of the underlying portfolio has averaged around 130% p.a. The underlying portfolio will be managed with a 'long' bias, but Staude Capital may use short selling and derivatives to manage the Company's market and currency exposures up to an aggregate notional value of 30% of its NTA. The Company is also permitted to utilise leverage of up to 20% of the Company's NTA.

Using this Company

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- The Company will generally sit within the 'growth' component of a balanced portfolio. It is suitable for mid-to-high risk profile investors with a five-year-plus investment time horizon.
- The Company is subject to equity market risks and movements (both positive and negative) in the prices of the underlying securities in the portfolio. Potential investors should therefore be aware of, and comfortable with, the potential for the Company to experience periods of negative absolute returns which may result in capital losses being incurred on their investment. Lonsec recommends advisors consult the Lonsec Risk Profile Review and/or the Lonsec Risk Profile Definitions document(s) for guidance on appropriate asset allocations for a diversified investment portfolio. Lonsec recommends

ANALYST: MATTHEW FREEMAN | APPROVED BY: DARRELL CLARK

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that equity investments are suitable for investors with an investment time horizon of at least five years.

Suggested Lonsec risk profile suitability

SECURE DEFENSIVE CONSERVATIVE BALANCED GROWTH HIGH GROWTH

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- The leverage limit for GVF has permanently increased from 15% to 20%.
- Miles Staude, Portfolio Manager, and Emma Davidson, Director and Investor Relations have relocated to Sydney, Australia. Mark Ambrose alongside James Dow and Marios Charalambous manage the operations of the London office, with Staude maintaining a presence across both locations.

Lonsec Opinion of this Company

Board of directors

- The Board is chaired by Jonathan Trollip and includes Chris Cuffe and Geoff Wilson, who are both well-known figures in the Australian funds management landscape, alongside Portfolio Manager, Miles Staude. The Board comprises four members and is majority independent as Trollip, as Independent Chairperson has a casting vote. Lonsec considers the majority independent director board representation alongside an independent chairperson to be consistent with good corporate governance principles.
- Lonsec notes that GVF is stewarded by a Board with a blend of strong industry and financial services experience. This includes, most importantly, personnel with relevant and extensive investment markets experience. Both Wilson and Cuffe have strong domain experience in asset management and/or financial services, with Wilson having particularly strong experience in the management of LIC vehicles through his eponymously named firm. Lonsec considers GVF's Board composition to be reasonable and notes it has been stable since listing. Separately, Lonsec considers the remuneration arrangements for the Board to be also reasonable considering the overall cap of A\$120,000 p.a. for the four and notes positively that Staude has forgone his director fees.
- Given the nature of the strategy focuses heavily on closing the discounts of its investments, Lonsec believes that the GVF Board will need to be vigilant in managing any discounts in GVF's share price itself.

People and resources - Investment manager

- The Company is currently externally managed by Mirabella Financial Services LLP, who have seconded Staude and the Staude Capital investment team to manage the portfolio. However, Lonsec understands that the Board expects to directly appoint Staude Capital for the investment activities of GVF within the next 12 months. Staude Capital is a London-based hedge fund manager with a heritage in discount capture and activist techniques. It was spun out of Metage Capital, a London-based investment management firm, after the principals of Metage Capital decided to scale down its business. The business is fully owned by Staude and Emma Davidson, Director and CEO.
- Staude Capital, at current funds under management (FUM) is modestly profitable, on a management fees only basis. The business has also seen positive momentum with the launch of Staude Value Fund (SVF) in July 2021 via A\$15m of external seed funding and has since grown this vehicle to A\$25m. Lonsec understands that Staude Capital may also look to build ancillary strategic partnerships where it aligns with its investment process and after taking account of team capacity. These developments alongside the existing LIC structure and Staude and Davidson's demonstrated commitment to support the venture moderate Lonsec's concerns around business risk to an extent. Nevertheless, Lonsec would prefer to see the firm on a stronger footing prior to revising its view on business sustainability over the long term.
- The investment team comprises four individuals including Staude, Investment Managers James Dow and Mark Ambrose and Investment Analyst Marios Charalambous. Staude is well-experienced with over 23 years' industry experience in trading, investment management and research, covering a wide range of financial markets. Prior to founding Staude Capital, Staude spent 10 years as a Portfolio Manager and Investment Analyst at Metage Capital, and five years as a sell-side Equity Analyst at RBC Capital Markets. Staude is viewed as a credible and astute investor with extensive knowledge of Closed-ended Funds (CEF), a highly specialised market sub-set, and well-equipped to manage GVF.
- Dow and Staude are former colleagues from Metage Capital and worked together for over 10 years prior to managing GVF since its inception. The combined industry acumen and investment experience of the two individuals within the CEF space is regarded as a significant advantage to this strategy. Ambrose was hired in 2020 and has over 18 years' of research and investment experience and prior association with Staude through his sell-side roles. Lonsec notes that Ambrose has expanded the team's knowledge of more specialised industry sectors and has been a valuable contributor to the activist trades in the portfolio. The team is rounded off by Charalambous, who provides data and analysis support to the wider team. The headcount expansion in recent years is viewed positively in terms of increasing the breadth and capacity of the team. Ambrose's hire in particular is considered integral to supporting Staude on some of the activist positions and advantageous to Staude and Davidson's relocation to Australia. Lonsec notes that post the move, Ambrose has been handling

day to day operations of the London office while Staude has been maintaining a presence across both locations.

- Notwithstanding the improvements made to resourcing in recent years, Staude's responsibilities can be onerous at times, spanning across the broader business and marketing duties, research due diligence and activist campaigns, board representation in addition to portfolio management. Lonsec understands that the firm may look to further expand resourcing in Australia subject to firm profitability which is considered prudent. Lonsec does however note the team is working on extracting greater process efficiencies through automating its analysis and monitoring tools. Lonsec will continue to monitor the team's resource capacity in future reviews.
- Key person risk in Staude is considered to be moderately high, given his role as Portfolio Manager, his investment skill and experience and his ownership of the firm. Moreover, given GVF's investment strategy is highly specialised and is supported by a relatively small team, key person risk is likewise considered to be elevated in Dow and Ambrose. That said, Lonsec acknowledges the Manager's investment in the team over the past three years with the additions of Ambrose and Charalambous to the investment team along with the addition of a dedicated operations and compliance executive, Debbie Tanner, COO and CCO. For these reasons, Lonsec considers key person risk to have abated somewhat with respect to Staude, additionally his ownership of Staude Capital, alongside his co-investment in GVF via a private holding company further mitigates key person risk. The launch of the SVF Cayman vehicle has also enabled the broader team to co-invest in the firm's strategies.

Research and portfolio construction

- Staude Capital's core strategy is to buy investments in CEFs which are trading at discounts to their respective NAVs. This strategy involves two key components, namely: 1) Trading – where there is a potential near-term catalyst which is both foreseeable and that is likely to narrow the discount gap (i.e. a likely impending share buyback); and 2) Activism – where change can be forced upon the vehicle through corporate activism by Staude Capital. Lonsec considers this strategy to be logical and intuitively appealing with the potential to provide investors with a differentiated source of alpha. This view also encompasses the observation of the CEF/LIC space containing examples of discounted securities and poor management and/or conflicted corporate governance.
- An important part of the strategy is providing liquidity for the UK's Independent Financial Advisor (IFA) market and Staude Capital claims to be one of the first calls by brokers with clients looking to exit their CEF positions, presenting an opportunity for it to make-a-market for relatively illiquid securities at an appropriate discount. Historically, this has enabled Staude Capital to buy into CEF positions at large discounts and then liquidate their position at a smaller discount when another IFA client is seeking exposure. Establishing and maintaining a

strong connection with the IFA network is therefore an integral part of the strategy which leverages the investment team's networks.

- Staude Capital is sophisticated in its approach to the tender process for CEF share buybacks and the strategy benefits from the apathy of shareholders on the register of most CEFs. As such, GVF will generally sell more than its fair allocation into a share buyback. This strategy has historically been a key source of alpha for the strategy.
- Activism is a central tenet of Staude Capital's discount capture strategy and 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 and a corporate activist can engage directly with boards or run public relations or media campaigns to exert influence. While activist campaigns can be time consuming and reduce the underlying portfolio's liquidity, Lonsec notes that Staude Capital has had considerable success with such campaigns to date and that corporate activism has historically contributed c.50% of GVF's alpha.
- Lonsec believes the activism component brings a key advantage for GVF's performance, which has historically exhibited a strong right tail skew in its profile. This reflects that the underlying portfolio's largest trade winners tend to significantly outsize the biggest detractors. It also potentially results in a reasonably lumpy performance pattern.
- Although primarily 1-2 in terms of number of trades in the portfolio, activist campaigns by nature are substantially more resource and time intensive relative to other targeted alpha sources. Historically, Staude has been primarily responsible for research, due diligence and risk management of this part of the part of the portfolio adding significantly to his workload. In this context, Lonsec considers Ambrose's hire to have broadened the team's resources and has observed his positive contribution to recent activist trades. Lonsec is also mindful that such campaigns can be extremely complex and potentially prolonged in their resolution creating a material distraction/time drag for Staude and potentially compromising his focus on the remaining portfolio as has been observed in the past (e.g. director appointment to ASX: BAF). As such, Lonsec looks upon the team developments favourably and believes they will likely assist in optimising Staude's active involvement in research and management of these trades over time.
- Staude Capital may also attempt to implement its strategy in asset classes where it lacks specific expertise or knowledge or transparency of holdings or the investment strategy is opaque (e.g. catastrophe bonds). Staude attempts to mitigate this risk through position sizing and a sufficient margin of safety in the valuation discount. Lonsec notes an element of basis risk exists given the difficulty in hedging some of the more complex and less liquid underlying positions, such as private equity. That said, the hedging of the underlying exposure to traditional asset classes has been satisfactory to date.
- A concentrated portfolio style including high percentage ownership, unlisted exposures and possible board representation can create potential

challenges for exiting positions. While this applies to all holdings in the portfolio, it is considered especially relevant for restructuring and activist trades which may be subject to a long and drawn out settlement process. Lonsec also accepts that Staude's ability to agitate for future change can become dependent on his reputation for past success and is likely to desire a resolution once invested. In this regards, Lonsec notes that the team has been successful in c. 8 of every 10 such positions which speaks to their credibility in this field. Risk management of these trades is primarily incorporated in the initial position sizing which goes back to the team's conviction in the investment thesis. Lonsec has also been advised that sell-levels on each holding are implemented, reviewed and debated by the team semi-monthly on an ongoing basis. That said, Lonsec believes the investment process may benefit from greater clarity on sell discipline for these trades, including an explicit assessment of the risk/reward proposition over the investment horizon contingent on required financial/non-financial criteria being met.

- Staude as Portfolio Manager is fully responsible for portfolio construction and accountable for the performance of the strategy. The underlying portfolio has historically been diversified by both security and asset class, particularly at the underlying level, and Staude Capital has also adequately managed liquidity to date. That said, the portfolio has displayed significant concentration at the headline level to key positions as mentioned.

ESG integration

- Lonsec's ESG integration assessment considers how rigorous, robust and structured the ESG process for the Fund is as well as how well it integrates into the overall investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Fund's portfolio or the Manager's adherence to any form of impact, green / sustainable or ethical standards.
- At the corporate level Lonsec views the Manager's overall ESG policy framework and disclosure as significantly lagging peers. The Manager has articulated a commitment to the integration of ESG within their investment process by publishing their ESG policy on the firm's website. The ESG policy includes high level guidance on engagement, however, the policy is considered rather generic compared to peers. The level of disclosure with respect to the engagement framework and engagement outcomes is lagging peers with no reporting on engagement outcomes publicly available. The Manager does not provide any details on their proxy voting policy or voting outcomes.
- The Manager has not indicated any ESG approach in their submissions to Lonsec. While the Manager may be undertaking some activities that would be considered ESG integration Lonsec is unable to provide guidance on how that might reflect portfolios.
- Within the management of this specific Fund Lonsec notes:
 - The Manager has no observable structured approach to the collection of ESG data within their investment process. The Manager does not

source general external ESG data instead relying on collecting its own ESG data through company meetings and web sites. Lonsec believes that this is less robust than peers.

- The Manager performs very little internal ESG research for this Fund and it is not clear that ESG research is an important element of the overall investment process.
- There is no relationship between ESG factors and the stock selection process.
- While ESG risks are reflected in position sizing there is no clear portfolio level ESG monitoring or management with all monitoring activity focused on individual stocks.
- There are no signs that company engagement on ESG issues is a component of the Manager's current investment approach for this Fund.
- ESG does not form a component of the Managers broader compliance framework and overall transparency provided to investors is lagging. Pleasingly voting on the Fund is directed by the Fund's portfolio manager directly.

Risk management

- Risk is reasonably well-managed in an absolute sense, reflecting the hedging overlay and the diversification of underlying assets in the underlying portfolio. The strategy may however exhibit a significant level of equity beta and is susceptible to drawdowns along with the broader market.
- While Staude Capital's risk systems are less sophisticated than larger peers in the Alternatives universe from Lonsec's experience, it is also worth noting that the gross and net leverage used has historically been relatively much lower. That said, Lonsec notes the potential basis risk associated with the overlay given the difficulty in offsetting some of the more complex underlying exposures.

Fees

- The Company has a management fee of 1.5% p.a. (with the total expense ratio – taking into consideration the cost of the Board and running costs to c.1.8% p.a.). The Company also has a performance fee of 15% over a hurdle rate of the mid-price of the Australian Financial Markets Association one-year Interest Rate Swap plus 4% (subject to a high-water mark). Lonsec highlights that due to the increasing interest rate environment, the Fund's performance hurdle on an absolute basis has also increased and would therefore expect an improved fee proposition for investors at this time. That said, the total fee load is considered relatively high whilst also noting the underlying investment fees of the CEFs. It should be noted, however, that the underlying fees of CEFs are accounted for by Staude Capital when assessing the overall case (and discount) of an underlying investment and there is limited capacity on offer.

Product

- The GVF dividend reinvestment plan ('DRP') was designed such that if the GVF share price is below NAV, the Board buys back existing shares on market to fulfil the DRP obligation and will only issue new shares if the share price is above NAV. This DRP has been in place for 14 dividends now with GVF buying back shares on occasion under the terms of the plan

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when it has traded at a discount and when the vehicle has traded at a premium to NTA, the Company has historically issued new shares.

Funds under management

- Staude Capital managed A\$240m in FUM (current fee paying capital) as at July 2023 of which A\$215m was invested in GVF. At current FUM levels, the business is considered well-placed to implement many of the trading techniques it utilises. Capacity is set at \$500m across both the Company and Staude Value Fund (SVF) which is reasonably conservative and reflects both the low liquidity of the underlying investments and the desire for Staude Capital to continue to provide alpha for investors. However, Lonsec notes that additional scale can be an advantage for activism strategies where a higher level of investment may be required to drive meaningful change.

Performance

- **The Quantitative Performance Analysis charts at the rear of the report may not reflect the same figures reported by Staude Capital. Specifically, the data series used in this document are based on share price returns that exclude franking credits. The addition of franking credits improves the comparability (from a performance viewpoint) with peers in a managed fund/trust vehicle. Additionally, the Net Tangible Asset Value (NTA) data in this document is calculated based on the undiluted NTA approach, which in GVF's case, results in a different outcome to the diluted NTA approach due to the option issuance at its IPO. Please refer to GVF's website for further information on GVF's franking credits, undiluted NTA and diluted NTA calculations.**
- All figures below are to September 2023 (net) unless otherwise stated. For the three, five and seven years, GVF generated strong absolute returns of 9.3% p.a., 6.3% p.a., and 6.7% p.a. Relative to the Lonsec designated Benchmark of 50% MSCI AC World Index AUD / 50% RBA Cash Rate, the performance amounted to relative returns of +3.2% p.a., +1.2% p.a., and +0.4% p.a. respectively.
- GVF's performance over FY2023 fared well with adjusted pre-tax Net Tangible Assets (NTA) returning +15.5% including the impact of both franking credits and dividends paid. Biggest contributor to the returns during this period was GVF's core discounted capture strategy, which generated gross returns of 6.1%. Position in Amedeo Air Four (AA4) was the largest positive contributor while listed private equity holdings modestly detracted.
- Lonsec notes that share price returns over a defined period can be materially influenced by the premium/discount to NTA. Generally, over the short-term, LIC's discount to NTA have a tendency to widen during periods of strong directional market moves due to the market over or under reacting to the broader environment relative to the underlying assets within the portfolio. This characteristic will, however, largely depend on the LIC's size, the number of investors and the underlying asset class. Lonsec highlights that GVF is likely to exhibit a higher equity beta during market declines which limits the diversification benefits expected from an alternatives

allocation. The vehicle has traded at a modest average discount to pre-tax NTA (c.2%) since listing and an average 3.2% discount for FY2023.

- GVF has consistently paid six-monthly dividends since the second half of 2015. For FY2023, GVF has announced both interim and final fully franked dividends of 3.3c to be paid in May and November 2023.

Overall

- Lonsec has maintained the Company's 'Recommended' rating. Lonsec has a high regard for Portfolio Manager, Miles Staude, who demonstrates a deep understanding of various corporate activism and trading strategies offering investors a differentiated alpha source.
- Lonsec recognises the ongoing positive momentum in Staude Capital's business, likewise, the expansion of team resources over the last few years is looked upon positively with Lonsec anticipating greater moderation in Staude's workload over time.
- GVF is stewarded by a Board with complementary skillsets and deep prior experience. GVF's trading performance relative to NTA has averaged a modest discount albeit this has fluctuated throughout its operating history. The Company is relatively small and can be thinly-traded. Also, from an asset allocation perspective, Lonsec cautions that GVF has historically exhibited a relatively high equity beta during market declines for an alternatives strategy, reducing its diversification benefits within a broader portfolio.

People and Resources

Corporate overview

The Company is currently externally managed by Mirabella Financial Services LLP, who have seconded Miles Staude and the Staude Capital investment team to manage the GVF portfolio. Staude Capital is a London-based hedge fund manager with a heritage in discount capture and activist techniques. Staude Capital is fully owned by Miles Staude and Emma Davidson.

Size and experience - Board of directors

NAME	POSITION	YEAR JOINED
JONATHAN TROLLIP	CHAIRMAN & INDEPENDENT DIRECTOR	2014
CHRIS CUFFE AO	INDEPENDENT DIRECTOR	2014
GEOFF WILSON AO	NON-INDEPENDENT DIRECTOR	2014
MILES STAUDE	NON-INDEPENDENT DIRECTOR & PM	2014

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Jonathan Trollip (Chairman and Independent Director) is an experienced Director with extensive commercial, corporate, governance, legal and transaction experience. Trollip is Chairman of Spheria Emerging Companies Limited and Plato Income Maximiser Limited and a nonexecutive Director of BCAL Diagnostics Limited and ASX, AIM and JSE listed Kore Potash Plc. Jonathan is involved in the not-for-profit sector as Chairman of the Pinnacle Charitable Foundation Limited, a director of the Watarrka Foundation and on the advisory board of Science for Wildlife Limited.

Chris Cuffe AO (Independent Director) has more than 30 years' experience building wealth management practices. Most notably he joined Colonial First State in 1988 and became its CEO two years later, leading the company from a start-up operation to Australia's largest investment manager. In 2003 Chris became the CEO of Challenger Financial Services Group Limited and subsequently headed up Challenger's Wealth Management business.

Cuffe is Chairman of Hearts and Minds Investments Limited, and a director of listed investment company, Argo Investments Limited. He is also Chairman of Australian Philanthropic Services Limited (a non-profit organisation assisting philanthropists), a non-executive Director of Realside Financial Group (a boutique private debt and unlisted property manager), and a Director of Third Link Investment Managers (the manager of an Australian equities fund known as Third Link Growth Fund).

Geoff Wilson AO (Non-Independent Director) has over 43 years direct experience in investment markets having held a variety of senior investment roles in Australia, the UK and the US. Geoff founded Wilson Asset Management in 1997. Geoff created Australia's first listed philanthropic wealth creation vehicles, the Future Generation companies.

Wilson is currently Chairman of WAM Capital Limited, WAM Research Limited, WAM Active Limited, WAM Leaders Limited, WAM Microcap Limited, WAM Global Limited, WAM Strategic Value Limited and the Australian Stockbrokers Foundation. He is the Founder and a Director of Future Generation Global Investment Company Limited and Future Generation Investment Company Limited and a Director of WAM Alternative Assets Limited, Hearts and Minds Investments Limited, Incubator Capital Limited, Sporting Chance Cancer Foundation, the Australian Fund Managers Foundation, and the Australian Children's Music Foundation. He is also founder and Director of investment management companies Wilson Asset Management (International) Pty Limited, MAM Pty Limited and Boutique Investment Management Pty Ltd.

Miles Staude (Non-Independent Director) has over 23 years of experience in trading, investment management and research, covering a wide range of financial markets. He is the Portfolio Manager of the Global Value Fund ('GVF') and under Mirabella's regulatory licences, Miles has overall responsibility for the GVF portfolio management teams trading and investment management activities.

Prior to founding Staude Capital, Miles Staude spent ten years as a Portfolio Manager and Investment Analyst at Metage Capital, a London based investment management firm. Before joining Metage, he spent

5 years as a sell-side equity analyst at RBC Capital Markets, based in both Sydney and London.

Board remuneration

The annual fees paid to the Board of Directors in the financial year ending 30 June 2022 were: Trollip (\$40,000), Cuffe (\$35,000), Wilson (\$10,000) and Miles Staude (nil).

Size and experience - Investment team

NAME	POSITION	EXPERIENCE
		INDUSTRY / FIRM
MILES STAUDE	PORTFOLIO MANAGER	23 / 9
JAMES DOW	INVESTMENT MANAGER	30 / 9
MARK AMBROSE	INVESTMENT MANAGER	18 / 3
MARIOS CHARALAMBOUS	INVESTMENT ANALYST	4 / 1

James Dow (Investment Manager) is a member of the GVF portfolio management team. Dow has over 30 years' experience in financial markets, having managed a diverse range of financial instruments in his career. Prior to working at Staude Capital, Dow spent 16 years as an Investment Manager at Metage Capital, a London based investment management firm. Before joining Metage he spent two years as an Investment Manager at Credit Suisse and four years working in various investment support roles at Buchanan Partners, a London-based hedge fund manager.

Mark Ambrose (Investment Manager) is a member of the GVF portfolio management team and as at February 2023 is also a Director of the Staude Capital Board. Ambrose has 18 years' experience in financial markets, covering a diverse range of sectors at Atlas Capital Group, ABN Amro, CLSA (UK) and LingBridge. Most recently, Ambrose spent almost ten years as a desk strategist and specialist salesman on the investment companies team at Jefferies in London before joining Staude Capital in March 2020.

Marios Charalambous (Investment Analyst) is a member of the GVF portfolio management team. Charalambous holds a Bachelors degree in Mathematics from Oxford and has four years' industry experience. Prior to joining Staude, he worked as an analyst at Coremont LLP and a data analyst at Imagine Software.

Investment team remuneration

As the 100% equity owner of Staude Capital, Staude is strongly aligned to both the success of the business and strategy through GVF's performance fees. Both the investment managers and the analysts are paid a salary and an annual bonus, which is linked to the performance of the strategy, individual stock calls, the profitability of the business and other subjective qualitative factors.

ANALYST: MATTHEW FREEMAN | APPROVED BY: DARRELL CLARK

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Research Approach

Overview

Staude Capital looks to identify investment opportunities from a variety of internal and external sources. Internal sources include proprietary systems which monitor a wide range of global markets for attractive discount opportunities, with a particular focus on the CEF sector. External sources of opportunities come from broker relationships with Staude Capital, and other CEF investors who may seek Staude Capital's assistance in bringing about change in the entity.

Staude Capital undertakes qualitative and quantitative analysis on potential opportunities and seeks only to invest in circumstances where it believes that the risk/reward characteristics presented by a discounted security are favourable. This involves detailed analysis of both the underlying assets of a security and the factors causing the discount to exist. Staude Capital will aim to establish likely catalysts to unlock this discount prior to investing.

Closed-end funds ('CEFs')

CEFs (like listed investment companies or listed investment trusts) are collective investment vehicles that have a fixed number of securities that are traded between investors. This feature means that it is common for CEFs to trade above or below the realisable value of their portfolio. CEFs publish a net asset value (NAV) which identifies the value of their underlying portfolio and listed CEFs normally also produce a transparent list of their portfolio holdings. This enables the Manager to assess whether the published NAV is realisable and realistic.

CEFs are a major international asset class and Staude believes that the market capitalisation of the investable universe of these securities is in excess of US\$700bn. The scale of this universe presents a wide range of securities, many of which trade at attractive discounts relative to their underlying value. These discounts can be volatile over time and this volatility can provide further investment opportunities.

As an asset class, CEFs provide access to a wide range of global financial markets and underlying assets. Discount capture techniques within a CEF portfolio provide investors with the dual benefit of an investment in a diversified portfolio of international markets, as well as a potential source of market outperformance. Where a CEF has a significant portion of its portfolio in cash, this can provide downside protection for investors willing to unlock this value.

Discount capture

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. Staude Capital views a willingness to engage proactively with boards, management teams and other shareholders as an essential element of discount capture.

The crucial factor in running a successful discount capture strategy is separating promising opportunities from 'value-traps' and recognising where there is the potential to bring about change and release value.

Activism is not always a prerequisite for capturing the underlying value presented by a discount. There are many opportunities to capture the value embedded in a

security through passive techniques. 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.

Staude Capital utilises a variety of proprietary systems to engage in this form of passive discount capture and leverages its relationships with intermediaries for access to stock and information flows.

While Staude Capital will look to capture 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; although it is often the key to driving an increase in shareholder value.

Changes that may unlock value for investors include amendments to a company's capital management, alterations to its balance sheet structure, the return of capital to shareholders, changes to corporate strategy, board and management personnel, or corporate actions such as takeovers or divestitures. A corporate activist can engage directly with the board or run public relations or media campaigns to exert influence.

The success and profitability of a discount capture strategy depends primarily on the ability of the investment manager to identify and purchase securities at a discount to their underlying value and then to successfully engage in strategies to realise this value. The key risk with such a strategy lies with poor security selection by Staude Capital and/or an inability to successfully execute its strategies to unlock value. If these strategies are unsuccessful, the underlying portfolio's assets will continue to trade at a discount. It also may be difficult for Staude Capital to exit its investment positions if these securities are illiquid. In such instances the underlying portfolio may incur a loss.

Portfolio Construction

Overview

Staude, as Portfolio Manager, is responsible for portfolio construction and accountable for the performance of the strategy.

The underlying portfolio will generally be diversified with over 40 securities and a maximum of 10% in a single exposure (at initial entry point). Staude Capital expects that the underlying portfolio will comprise mainly of investments listed on developed market stock exchanges; however the assets underlying these investments will be exposed to a wider range of geographies, including emerging markets. Staude Capital will aim to construct the underlying portfolio to ensure that there is a wide diversification across different global markets and currencies to mitigate country specific risk. Individual geographic exposures will be driven by the relative attractiveness of opportunities available in a particular market or asset class.

Where an attractive set of investment opportunities exists, but the Manager is concerned about the aggregate exposure of the underlying portfolio to a particular currency or asset type, Staude Capital may use hedges to mitigate this risk.

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While Staude Capital is also permitted to utilise leverage of up to 20% of the Company's net asset value, this is expected to be used more heavily in times of market stress when discounts tend to widen as has been evident since March 2020.

Risk Management

Risk limits

MAXIMUM GROSS EXPOSURE	120% OF NTA
MAXIMUM INDIVIDUAL SECURITY WEIGHT	10% OF NTA
MAXIMUM ALLOCATION TO CASH	100%
MAXIMUM TOTAL ALLOCATION TO ILLIQUID ASSETS	20% OF NAV (SOFT)
MAXIMUM TOTAL ALLOCATION TO EMERGING MARKETS	30% OF NAV (HARD)
MAXIMUM HEDGING	30% OF NTA
DERIVATIVES	USED FOR HEDGING EXPOSURE LEVELS ONLY

Risk is managed in an absolute sense and Staude Capital will endeavour to hedge any significant market exposures with a broad mix of equity (both private equity and listed equity), debt, and alternative exposures (real estate, hedge fund and other such as catastrophe bonds).

Risk monitoring

Portfolio management, risk management and portfolio attribution is enabled through the use of a suite of Excel-based MIS (Management Information Service) reports developed by Staude Capital. These reports are either generated automatically or produced manually as a part of periodic P&L runs. Reports include those facilitating a regular review of trades, positions and fund exposures.

The Exposure System is the primary portfolio risk management tool. The Exposure Reports produced are effectively a portfolio-wide stress test, describing the aggregate portfolio sensitivity to a variety of market factors. The two key market-priced risk factors which are considered the most significant are asset class risk and currency risk.

Staude Capital examines each underlying portfolio holding, 'long' or 'short', with a view to estimating its exposure both to relevant benchmark asset class indices and to currencies. These estimates are based on empirical measurements of historical experienced beta as well as on fundamental factors, such as the cash on a company's balance sheet or the theoretical delta of a derivative. In the case of closed-end funds this typically involves a 'look-through' analysis to the assets comprising the underlying portfolio of the investee fund as well as consideration of the currency and market of the fund itself.

Security exposure to each of the measured risk factors is then aggregated to give a view of these exposures at the overall portfolio level, which is the central risk-management tool. This portfolio exposure report is continuously updated to reflect changes to the constitution of the underlying portfolio as well as changes to the risk characteristics of the individual holdings, which are reviewed on a regular schedule.

Currency management

The underlying portfolio will also include a broad mix of major currency exposures, Staude Capital may utilise FX hedges to limit the Company's exposure to an individual currency or basket of currencies. Staude Capital typically aim to broadly align the portfolio's currency exposures with the global investable universe (as viewed from an Australia investor). That said, Staude Capital tend to structurally have an overweight to the A\$ (typically 30%) due to using the A\$ as a proxy for emerging market currencies.

Risks

An investment in the Company carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the Prospectus and should be read in full and understood by investors. Lonsec considers major risks to be:

Equity market risk

Investments in equity markets are subject to numerous factors which may have an impact on the performance of an investment (both positive and negative). Unexpected changes in economic, technological, structural, regulatory or political conditions can have an impact on the returns of all investments within a particular market.

Investment risk

Being an LIC, its securities may trade on the ASX at a either a discount or premium to its NTA for extended periods of time which will alter the realised performance outcome over a given period.

Derivatives risk

The Company has scope, to implement various derivative strategies. Derivative market values can fluctuate significantly and, as a result, potential gains and losses can be magnified.

Liquidity risk

Liquidity risk is the risk that an underlying investment may be difficult or impossible to sell in a timely fashion when required, or that the price at which such a sale may be made differs substantially from what Staude Capital considers to be fair market value.

Currency risk

The Company will invest principally in entities listed on international markets, which may themselves hold assets either listed or trading in different countries. This will expose the underlying portfolio to movements in the relative values of different currencies. If the Australian dollar increases in value compared to the currency in which the Company holds assets, the assets will have a lower value in Australian dollar terms. Staude Capital may utilise FX hedges to limit the Company's exposure to an individual currency or basket of currencies, but there can be no guarantee that such hedging will be effective.

Corporate activism risk

The Company may sometimes employ an 'activist' strategy, which may involve engaging with other shareholders, the boards of investee entities and other stakeholders to seek to increase shareholder value.

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Such actions could potentially lead to litigation and/or some form of enforcement action. This could include action by other stakeholders, market operators and/or financial services regulators. This could be costly and time consuming and may adversely impact on the financial performance of the Company. The Company may incur expenses as a result of such action, including but not limited to litigation, legal and other expert's fees, travel and accommodation costs, and other expenses.

Leverage risk

Leverage through borrowing, also known as gearing, can magnify portfolio gains, but will also magnify losses. This may impact the Company's risk, liquidity and value. Staude Capital believes it is in shareholders' interests to aim to have the underlying portfolio fully invested at all times, so as to reduce the negative performance effects of 'cash drag' on the Company. As the attractiveness of the available investment universe will vary over time, Staude Capital will have the ability to borrow funds to invest, up to the value of 20% of the Company's net asset value. This facility will ensure that Staude Capital is not forced to immediately match purchases with sales, as well as providing an ability to capitalise on highly attractive investment opportunities that may arise from time-to-time.

Short selling risk

Short selling can magnify gains and/or offset risks in an investment portfolio, but can also magnify losses in a similar manner to leverage. While the use of short selling can substantially improve the risk profile for invested capital, it may also have a significantly increased adverse impact on the Company's financial performance. The Company's policy will be to use short selling to offset risk, rather than as a means of magnifying returns from investment positions. In this regard, short selling will be used to manage and moderate financial market risk for the underlying portfolio, and may be used to manage other risks as appropriate.

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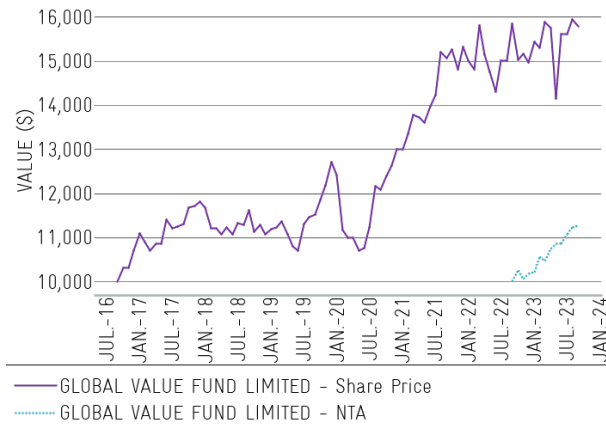
Quantitative Performance Analysis - annualised after-fee % returns (at 30-9-2023)

Performance metrics

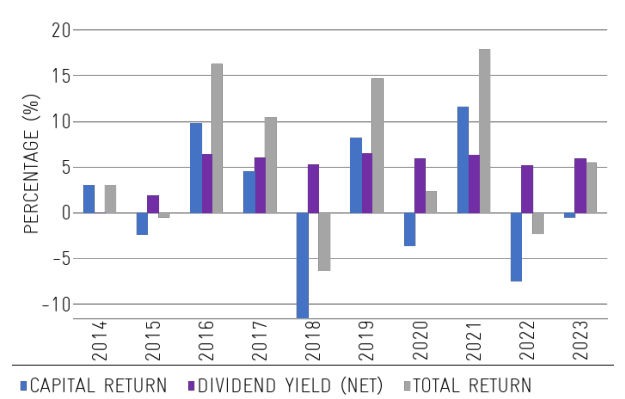
	1 YR	3 YR	5 YR	7 YR
TOTAL RETURN (% PA)	-0.36	9.27	6.33	6.74
STANDARD DEVIATION (% PA)	17.05	13.11	12.89	11.58
EXCESS RETURN (% PA)	-12.15	3.16	1.16	0.42
WORST DRAWDOWN (%)	-10.87	-10.87	-15.74	-15.74
TIME TO RECOVERY (MTHS)	3	3	7	7
TRACKING ERROR (% PA)	17.29	13.04	12.47	11.50

PRODUCT: GLOBAL VALUE FUND LIMITED
 PRODUCT BENCHMARK: 50% MSCI AC WORLD INDEX AUD / 50% RBA CASH RATE
 TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

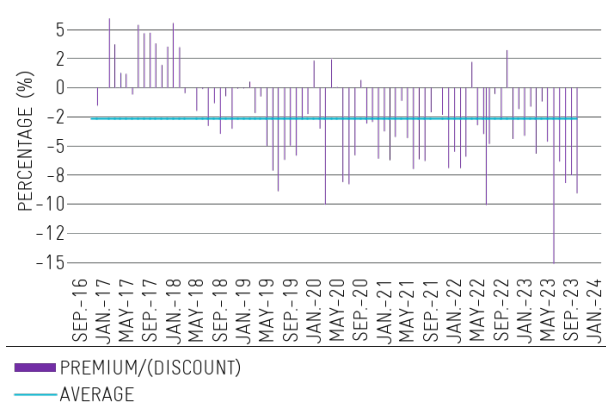
Growth of \$10,000 over seven years



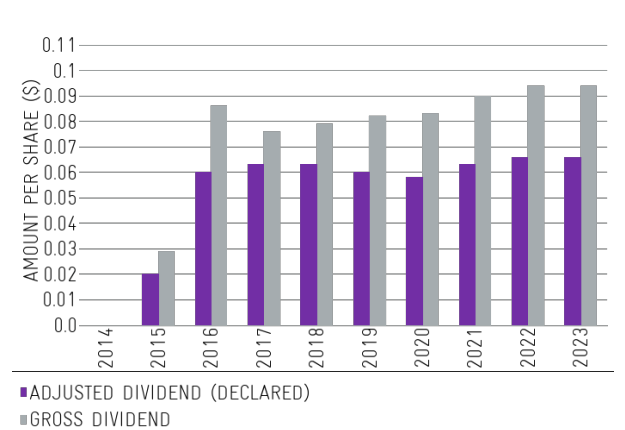
Calendar Year Returns over 10 years



Share Price Premium/Discount to NTA over seven years



Dividend Record over 10 years



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Glossary

[Click here for the glossary of terms.](#)

About Lonsec

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Analyst Disclosure and Certification

Analyst remuneration is not linked to the research or rating outcome. Where financial products are mentioned, the Analyst(s) may hold the financial product(s) referred to in this document, but Lonsec considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst holdings may change during the life of this document. The Analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the matters and financial product(s) to which this document refers.

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