

GLOBAL VALUE FUND LIMITED

ABN 90 168 653 521

**Appendix 4D
Interim Financial Report
for the half-year ended 31 December 2019**

For personal use only

Half-year report

This half-year ended report is for the reporting period from 1 July 2019 to 31 December 2019.

Results for announcement to the market	31 December 2019	31 December 2018	Movement up/down	% mv't
	\$	\$	\$	
Income from ordinary activities	12,475,761	(1,116,960)	13,592,721	1216.94
(Loss)/ Profit before tax for the period	9,134,894	(3,638,492)	12,773,386	351.06
(Loss)/ Profit from ordinary activities after tax attributable to members	6,489,036	(2,600,648)	9,089,684	349.52

All comparisons are to the half-year ended 31 December 2018.

Dividends

The Company declared a fully-franked final dividend for FY2019 of 2.90 cents per share, which was paid on 11 November 2019. The record date for entitlement to the FY2019 final dividend was 1 October 2019.

Since the end of the half-year, the Company has declared a fully-franked interim dividend for FY2020 of 2.90 cents per share to be paid on 13 May 2020. The record date for entitlement to the interim dividend is 31 March 2020.

Dividend reinvestment plan

The Company's dividend reinvestment plan ("DRP") will be in effect for the FY2020 fully-franked interim dividend payment of 2.90 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 Net Tangible Asset value ("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 enrol 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 FY2020 interim dividend is 5.00 pm (AEDT) Wednesday 1 April 2020. Details of the DRP are available on the Company's website, click [here](#).

Net tangible assets per Share	31 December 2019	31 December 2018
	\$	\$
Net tangible asset backing (per share) before tax	1.09	1.04
Net tangible asset backing (per share) after tax	1.07	1.05

Appointment of Auditor

The Company appointed Deloitte Touche Tohmatsu Limited ("Deloitte") to replace Pitcher Partners as auditor of the company on 12 November 2019. The resolutions to remove Pitcher Partners and appoint Deloitte as their replacement were passed by poll at the Company's Annual General Meeting.

December 2019 half-year review by the Portfolio Manager

Financial markets during the December half were characterised by a continuation of the 'bad news is good news' paradigm, which has underpinned markets since the beginning of 2019. The foundation of this playbook is that what is 'bad' for the economy becomes 'good' for asset prices, as central banks ease policy rates to support the former, pushing the latter higher in the process.

Over the period, global GDP growth continued to slow, falling to its lowest level since the financial crisis over a decade ago. The key driver behind the deteriorating economic backdrop continues to be the trade war between the US and China, which has weighed on most countries, but has especially affected export orientated economies like Germany and Japan. In response to stalling growth, central banks around the world once again responded by cutting official interest rates, or by expanding existing quantitative easing programs. In the US, the Federal Reserve cut official rates three times during the six-month period. In Australia, having already delivered a rate cut in June, the RBA cut rates twice more, in July and October, taking the official base interest rate down to just 0.75%.

In a wearily familiar playbook, financial markets rallied strongly on the back of yet more monetary stimulus, with higher-risk and growth sensitive asset classes leading the way. In US\$ terms, global equity markets¹ rose by 8.9%², with the FANG³ index of high-growth technology stocks rallying an eye-watering 22.4% during the period. In Australia, the local equity market rose by 3.1%, while in Australian dollar terms global share markets were 8.7% higher. Falling interest rates increase the relative value of other future income streams, like company profits. This has the effect of rebasing asset prices higher, despite deteriorating fundamentals. The re-basing process can seem somewhat perverse at times. As a case in point, over the December half-year period, reported earnings for the companies within the MSCI All Country global share market index fell by 2.2%⁴, relative to the June half-year period. In Australia, they fell by 3.1% on the same basis. For the companies that make up the FANG index, which rallied 22.4% over the period, earnings fell by a remarkable 16.7%.

As a reminder for our investors, Global Value Fund Limited ("GVF") invests across a wide variety of different assets classes, most of which have a meaningfully lower risk profile than share market investments. Over the six months to December, the fund's see-through equity market exposure averaged just 35%⁵. The fund's other see-through exposures span a variety of different credit markets, as well as other asset classes which have little or no correlation to general financial market moves. While we run with a low risk, highly diversified portfolio, we aim to generate equity market like returns over the long run. We set out to do this through an active hands-on program of unlocking the intrinsic value we see across the various investments that we hold. In doing so we provide our investors with a second source of return and thus market outperformance.

Given our investments into global equity markets typically make up well below half of the overall investments held by the fund, we often find ourselves discussing general equity market moves more than is perhaps warranted given the portfolio's actual composition. In truth, this reflects the fact that the gyrations of the equity markets are generally far more animating to write about than an examination of high-yield bond convexity. That of course is not to say that the latter gets less attention from us. Thus, it is worth bearing in mind that when looking at the fund's performance, an assessment of non-equity market movements is generally as important, if not more so, than a simple evaluation of what share markets did during a period.

Performance of the portfolio

For the half-year ended 31 December 2019, the Company's investment portfolio generated net investment returns of 5.9%. The fund's see-through market exposures generated gross positive returns of 3.0%⁵. This figure comprises the underlying returns received from the portfolio's diversified holdings across global equity and credit markets, and the fund's holdings in alternative and real assets. On top of these underlying market returns, the fund's discount capture strategy generated a gross additional 4.9%⁵ return over the period. Positive returns from this strategy represent outperformance over the underlying market and currency exposures of the investment portfolio, and the 4.9% return generated over the December half represents substantial market outperformance over a six-month period. The remaining attribution of returns are accounted for by currency movements, which detracted from performance as the Australian dollar strengthened during the period, and the Company's operating costs.

¹ Global share market returns refer to the MSCI All Country World Index.

² All market returns quoted are total returns, including net dividends. Source: Bloomberg LLP.

³ A share market index comprising the highly-traded growth stocks of technology companies like Facebook, Amazon and Google.

⁴ All earnings and market data is sourced from Bloomberg LLP.

⁵ Source: Staude Capital Limited.

Performance of the portfolio (continued)

The success we enjoyed in unlocking value from our portfolio holdings was reasonably well-spread during the period, with several names all making meaningful individual contributions to the outperformance. Two holdings in particular however are worth highlighting: Blue Sky Alternatives Access Fund ("BAF"), and VPC Specialty Lending Investments ("VSL").

BAF, in our view, is a great case study in how much market 'noise' can differ from underlying fundamentals during times of stress. The highly public collapse of the listed fund management group Blue Sky cast a wide shadow across the market. In the process, BAF, a LIC that Blue Sky was the manager for (and which, perhaps unfortunately, shared the Blue Sky name), sold off heavily. Our view has always been that there is a great difference between Blue Sky the asset management company (BLA), and Blue Sky Alternatives Access Fund (BAF), an investment fund which BLA acts as the manager to. The first is an operating business, the second is just a portfolio of assets. At our core, we are asset traders, looking for assets that we can buy below intrinsic value, and where we believe we can be involved in the process of unlocking this value. While the unfortunate collapse of the management company generated copious amounts of bad press, we did our own patient due diligence on the specific assets within the BAF fund and subsequently built a substantial position at a deep discount to asset backing. While there are always some risks involved when investing into private market assets, our view was, and remains, that an exciting pot of gold lies beneath the Blue Sky rubble. The key issue confronting BAF shareholders is how to go about realising this value.

I joined the board of BAF in July 2019, to add my skill set to those of the existing directors as the board set about tackling the challenge of unlocking the considerable underlying value within the company. Over the December half year period, the BAF board covered substantial ground, often in very trying conditions, working to negotiate an acceptable commercial exit from the existing Blue Sky arrangements. Pleasingly, the board was able to [announce in November](#) that it was close to finalising the process, and that it had selected Wilson Asset Management ("WAM") as the preferred new investment manager for the company. WAM arguably has the most impressive LIC franchise in the Australian market, and the board's view is that they are an ideal firm to revitalise and reboot the BAF story.

Over the December half, in tandem with the progress the BAF board was making, the company was substantially re-rated by the market. The company's discount to asset backing moved from 33% at the end of June 2019, to 22% by the end of December. Including the positive underlying performance of BAF's investment portfolio over the period, and the dividends we received, the position generated a 23% total return for GVF. While the company is no longer as cheap as it once was, we remain confident that there remains substantially more value to be realised from our holding once the transition to a new manager is finally complete.

VSL is another position worth discussing. We highlighted in our FY2019 annual report that it was an example of 'stored value' - a position that had gone against us in the short-term, but where we were confident of recouping this value and more over the medium term. VSL is a London listed investment trust that lends to middle-market financial companies, mainly in the USA, where it has a profitable niche lending model. Despite our original investment thesis playing out as hoped, the stock sold off heavily in the final few months of FY2019. The main drivers for this sell-off were technical factors that had little to do with the underlying fundamentals which we were excited about. The first of these technical drivers was the very [public fall from grace of Neil Woodford](#), one of the highest profile fund managers in Britain. In the wake of this, Woodford Investment Management was forced to close its main investment funds. It then embarked on a large scale forced-selling program across many of his holdings, including VSL, where it owned 18% of the shares outstanding. We took advantage of the share price sell-off this generated and participated in the buying of this stock - at prices that we believed to be highly distressed. Further adding to the technical selling pressure, VSL was erroneously removed from the important FTSE All-Share Index in June 2019, resulting in a considerable amount of passive index fund selling. In July 2019, the FTSE index service announced that it had incorrectly removed VSL from the FTSE Index and re-instated the company. With the Woodford stock-overhang passed, and passive index funds needing to repurchase their previously sold stock, the VSL share price recovered strongly over the December half year period, delivering a 14% total return. Despite the re-rating, we continue to be very positive about the position. The underlying lending strategy generated a 11.3% return over calendar 2019, which supports its current running yield of circa 10%. More interestingly, the trust faces a continuation vote in June 2020, at which point shareholders can vote to put the fund into liquidation. Given the discount to asset backing remained at 16% at the end of December, we expect a substantial drive by both the manager and the board to address the discount in the run-up to this vote.

Outlook

How much longer the current iteration of the 'bad news is good news' playbook can run for is of course unknowable. Early economic indicators suggest that the actions taken by central banks over 2019 seem to have arrested the synchronised global slow down for now, with the market and most forecasters expecting a modest reacceleration throughout 2020. In the near-term, any improvement in the economic backdrop will most likely be positive for risk assets, as monetary policy remains incredibly loose and the market starts to price in better fundamentals. The longer that persists however, the greater the likelihood that interest rate expectations start to rise, and thus the risk that the 'bad news is good news' playbook moves into reverse. Ultimately, 'good' economic news must one day become 'bad' market news, given the risk that rising interest rates will re-base asset prices lower again. From where we sit today, that risk seems some way off yet, and of course there is the real possibility that economic fundamentals continue to worsen, potentially heralding yet more stimulus.

In our view, the biggest risk in the current environment is complacency. Highly supportive central banks and rallying stock markets are hiding a host of sins. Central bank stimulus is not infinite, something we discussed in [this recent article](#), while the sorts of returns that have been generated from holding higher-risk assets classes in recent times are unsustainable over the long-run.

Thus, as ever at the Global Value Fund, we continue to keep our head down and our focus on managing risk, despite how benign the current backdrop may seem today. Our portfolio remains full of underlying value, with clear catalysts in place to release this to the benefit of our investors. Importantly, our ability to unlock this value remains independent of what broader markets may, or may not, do next.

This report is based on the half-year interim report which has been subject to an independent review by the Auditors, Deloitte. All the documents comprise the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2019 Annual Financial Report.

For personal use only

Global Value Fund Limited

ABN 90 168 653 521

**Interim Financial Report
for the half-year ended 31 December 2019**

Contents

Page

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	4
Financial Statements	
Condensed Statement of Profit or Loss and Other Comprehensive Income	5
Condensed Statement of Financial Position	6
Condensed Statement of Changes in Equity	7
Condensed Statement of Cash Flows	8
Notes to the Financial Statements	9
Directors' Declaration	16
Independent Auditor's Review Report to the Members	17

For personal use only

Corporate Directory

Directors

Jonathan Trollip
Chairman & Independent Director

Chris Cuffe, AO
Independent Director

Geoffrey Wilson, AO
Director

Miles Staude
Director

Company Secretary

Mark Licciardo
Mertons Corporate Services Pty Ltd
Level 7, 330 Collins Street
Melbourne Victoria 3000

Investment Manager

Mirabella Financial Services LLP
130 Jermyn Street
London SW1Y 4UR
United Kingdom

Portfolio Manager

Miles Staude
Staude Capital Limited¹
30 Moorgate
London EC2R 6PJ
United Kingdom
Telephone: (44) 0203 874 2241

Administrator

Citco Fund Services (Australia) Pty Ltd
Level 22, 45 Clarence Street
Sydney NSW 2000

Auditors

Deloitte Touche Tohmatsu Limited
Level 9, 225 George Street
Grosvenor Place
Sydney NSW 2000
Telephone: (02) 9322 7000

Registered Office

Global Value Fund
C/- Mertons Corporate Services Pty Ltd
Level 7, 330 Collins Street
Melbourne Victoria 3000
Telephone: (03) 8689 9997

Share Registrar

Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000
Telephone: (02) 9290 9600
Fax: (02) 9279 0664

Stock Exchange

Australian Securities Exchange (ASX)
The home exchange is Sydney
ASX code: GVF

¹ 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 Limited and has seconded the investment team at Staude Capital to manage the Company's portfolio.

Directors' Report

The Directors of Global Value Fund Limited ("the Company") present their report together with the condensed interim financial report of the Company for the half-year ended 31 December 2019.

Global Value Fund Limited is a company limited by shares and is incorporated in Australia.

Directors

The following persons held office as Directors of the Company during the period:

Jonathan Trollip	Chairman & Independent Director
Chris Cuffe	Independent Director
Geoffrey Wilson	Director
Miles Staude	Director

Directors have been in office since the start of the period to the date of this report.

Principal Activity

The Company was established to provide investors with the opportunity to invest in global financial markets through a carefully constructed portfolio of financial assets trading at a discount to their underlying value.

To achieve its objective, the Company has appointed Mirabella Financial Services LLP ("Mirabella") to act as Investment Manager and Mirabella has seconded the investment team at Staude Capital to manage the Company's portfolio. 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 portfolio held comprises mainly equities, bonds and closed ended funds that are listed on various international exchanges as well as cash deposits denominated in domestic and foreign currencies.

The Company's approach is designed to provide superior risk-adjusted returns compared to more traditional forms of international equity investing.

No change in this activity is anticipated in the future.

Review of Operations

For the half-year ended 31 December 2019, the Company's investment portfolio generated net investment returns of 5.9%. The fund's see-through market exposures generated gross positive returns of 3.0%². This figure comprises the underlying returns received from the portfolio's diversified holdings across global equity and credit markets, and the fund's holdings in alternative and real assets. On top of these underlying market returns, the fund's discount capture strategy generated a gross additional 4.9%² return over the period.

Positive returns from this strategy represent outperformance over the underlying market and currency exposures of the investment portfolio, and the 4.9% return generated over the December half represents substantial market outperformance over a six-month period. The remaining attribution of returns are accounted for by currency movements, which detracted from performance as the Australian dollar strengthened during the period, and the company's operating costs.

Investment operations over the half-year ended 31 December 2019 resulted in an operating profit before tax of \$9,134,894 (2018: loss of \$3,638,492) and an operating profit after tax of \$6,489,036 (2018: loss of \$2,600,648).

The net tangible asset backing for each ordinary share at 31 December 2019 after tax amounted to \$1.07 (2018: \$1.05). The net tangible asset backing for each ordinary share at 31 December 2019 before tax amounted to \$1.09 (2018: \$1.04).

Dividend

The Company declared a fully-franked final dividend for FY2019 of 2.90 cents per share, which was paid on 11 November 2019. The record date for entitlement to the FY2019 final dividend was 1 October 2019.

The Company's dividend reinvestment plan ("DRP") was in effect for the payment of this dividend.

Appointment of Auditor

The Company appointed Deloitte Touche Tohmatsu Limited ("Deloitte") to replace Pitcher Partners as auditor of the company on 12 November 2019. The resolutions to remove Pitcher Partners and appoint Deloitte as their replacement were passed by poll at the Company's Annual General Meeting.

² Staude Capital Limited.

Events occurring after the reporting period

Since the end of the half-year, the Company has declared a fully-franked interim dividend for FY2020 of 2.90 cents per share to be paid on 13 May 2020. The record date for entitlement to the interim dividend is 31 March 2020.

The Company's DRP will be in effect for the interim FY2020 dividend payment.

The DRP participation enrolment deadline for the interim dividend is 5.00 pm (AEDT) Wednesday 1 April 2020.

Other than the dividend declared since the end of the half-year, no other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

Rounding of amounts to nearest dollar

The Company is of the kind referred to in ASIC Corporations (Rounding in Financials/ Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the half-year financial report are rounded to the nearest dollar, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is set out on page 4 of this financial report.

Signed in accordance with a resolution of Directors made pursuant to S.306(3) of the *Corporations Act 2001*.



Jonathan Trollip
Chairman

Sydney
20 February 2020

For personal use only

The Board of Directors
Global Value Fund Limited
C/- Mertons Corporate Services Pty Ltd
Level 7, 330 Collins Street
Melbourne Victoria 3000

20 February 2020

Dear Board Members,

Global Value Fund Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Global Value Fund Limited (the "Company").

As lead audit partner for the review of the financial statements of Global Value Fund Limited for the half year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants

For personal use only

Global Value Fund Limited
Condensed Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2019

Condensed Statement of Profit or Loss and Other Comprehensive Income

	Notes	31 December 2019 \$	31 December 2018 \$
Income			
Net realised (losses)/ gains on disposal of investments		(546,011)	2,466,360
Net unrealised gains/ (losses) on market value movement of investments		12,778,787	(7,406,033)
Net realised (losses) on foreign exchange movement		(1,134,462)	(58,555)
Net unrealised (losses) on foreign exchange movement		(2,074,127)	(275,146)
Interest income		466,173	145,419
Dividend income		2,981,097	4,010,995
Other income		4,304	-
Total income		12,475,761	(1,116,960)
Expenses			
Management fees		(1,184,009)	(1,202,145)
Performance fees		(912,871)	-
Administration fees		(135,342)	(134,460)
Brokerage and clearing expenses		(510,346)	(277,844)
Accounting fees		(35,407)	(30,656)
Share registry fees		(42,283)	(41,555)
Dividends paid on borrowed stock		(129,237)	(68,246)
Interest expense		(258,654)	(617,901)
Tax fees		(6,850)	(6,600)
Directors' fees		(42,500)	(42,500)
Legal fees		(3,000)	(20,072)
Secretarial fees		(16,888)	(17,110)
ASX fees		(30,260)	(36,819)
Audit fees		(19,336)	(17,500)
Other expenses		(13,884)	(8,124)
Total expenses		(3,340,867)	(2,521,532)
Profit/ (Loss) before income tax		9,134,894	(3,638,492)
Income tax (expense)/ benefit		(2,645,858)	1,037,844
Profit/ (Loss) attributable to members of the Company		6,489,036	(2,600,648)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/ (loss) for the period		6,489,036	(2,600,648)
		Cents	Cents
Earnings/ (Loss) per share for profit attributable to the ordinary equity holders of the Company:			
Basic and diluted earnings/ (loss) per share	7	4.39	(1.76)

The above Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Global Value Fund Limited
Condensed Statement of Financial Position
As at 31 December 2019

Condensed Statement of Financial Position

	Notes	31 December 2019 \$	30 June 2019 \$
Assets			
Cash and cash equivalents		23,799,838	18,239,672
Trade and other receivables		393,248	381,999
Financial assets at fair value through profit or loss	3	149,020,170	156,174,202
Deferred tax asset		628,476	137,963
Current tax asset		384,388	-
Total assets		<u>174,226,120</u>	<u>174,933,836</u>
Liabilities			
Trade and other payables		1,114,465	236,390
Financial liabilities at fair value through profit or loss	3	10,435,041	17,325,799
Deferred tax liabilities		4,106,263	1,007,154
Total liabilities		<u>15,655,769</u>	<u>18,569,343</u>
Net Assets		<u>158,570,351</u>	<u>156,364,493</u>
Equity			
Issued capital	5	151,227,208	151,227,208
Profits reserve	6	11,634,617	8,974,562
Accumulated losses	6	(4,291,474)	(3,837,277)
Total equity		<u>158,570,351</u>	<u>156,364,493</u>

The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.

For personal use only

Global Value Fund Limited
Condensed Statement of Changes in Equity
For the half-year ended 31 December 2019

Condensed Statement of Changes in Equity

	Notes	Contributed equity \$	Profits reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019		151,227,208	8,974,562	(3,837,277)	156,364,493
Profit for the period		-	-	6,489,036	6,489,036
Other comprehensive income for the period		-	-	-	-
Transfer of profits during the period	6	-	6,943,233	(6,943,233)	-
<u>Transactions with owners:</u>					
Shares issued on dividends reinvested	5	-	-	-	-
Dividends paid	2	-	(4,283,178)	-	(4,283,178)
Balance at 31 December 2019		<u>151,227,208</u>	<u>11,634,617</u>	<u>(4,291,474)</u>	<u>158,570,351</u>
Balance at 1 July 2018		150,758,155	14,429,042	(3,837,277)	161,349,920
(Loss) for the period		-	-	(2,600,648)	(2,600,648)
Other comprehensive income for the period		-	-	-	-
Transfer of profits during the period	6	-	3,435,017	(3,435,017)	-
<u>Transactions with owners:</u>					
Shares issued on dividends reinvested	5	469,053	-	-	469,053
Dividends paid	2	-	(4,638,757)	-	(4,638,757)
Balance at 31 December 2018		<u>151,227,208</u>	<u>13,225,302</u>	<u>(9,872,942)</u>	<u>154,579,568</u>

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

	31 December 2019	31 December 2018
	\$	\$
Cash flows from operating activities		
Proceeds from sale of investments	113,246,752	99,625,465
Payment for investments	(115,402,496)	(108,291,282)
Proceeds from return of capital on investments	14,651,793	6,943,032
Realised foreign exchange (losses)	(1,134,462)	(58,555)
Dividends received	3,024,833	3,921,420
Interest received	427,607	57,330
Other income received	4,304	-
Interest paid	(277,444)	(564,521)
Management fees paid	(1,182,777)	(1,205,558)
Performance fees paid	-	(735,231)
Dividends paid on borrowed stock	(139,407)	(94,352)
Income tax paid	(421,649)	(1,389,661)
Payments for other expenses	(879,583)	(857,529)
Net cash provided by/ (used in) operating activities	<u>11,917,471</u>	<u>(2,649,442)</u>
Cash flows from financing activities		
Dividends paid	(4,283,178)	(4,169,704)
Net cash (used in) financing activities	<u>(4,283,178)</u>	<u>(4,169,704)</u>
Net increase/ (decrease) in cash and cash equivalents held	7,634,293	(6,819,146)
Cash and cash equivalents at the beginning of the financial period	18,239,672	7,821,378
Effects of foreign currency exchange rate changes on cash and cash equivalents	(2,074,127)	(275,146)
Cash and cash equivalents at end of period	<u>23,799,838</u>	<u>727,086</u>
Non cash financing activities		
Dividends reinvested	-	469,053

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

For personal use only

Notes to the financial statements

1 Significant accounting policies

These condensed interim financial statements and notes for the half-year represent those of Global Value Fund Limited ("the Company").

The interim financial statements were authorised for issue on 20 February 2020 by the Board of Directors.

Basis of preparation

These condensed interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

These interim financial statements do not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the Annual Financial Report of the Company for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report and the half-year financial report have been rounded to the nearest dollar, unless otherwise stated.

(a) Comparatives

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(b) New and amended accounting standards not adopted

AASB 16: Leases is applicable to annual reporting periods beginning on or after 1 January 2019. This standard does not have a material impact on the Company's financial statements.

No other new accounting standards and interpretations that are available for early adoption but not yet adopted at 31 December 2019, will result in any material change in relation to the financial statements of the Company.

2 Dividends

(a) Dividends paid during the period

	2019 \$	2018 \$
Fully-franked final dividend of 2.90 cents per fully paid ordinary share based on tax paid at 30%. The aggregate amount of the dividend with an ex-date of 30 September 2019 and a record date of 1 October 2019, was paid on 11 November 2019 (2018: 3.15 cents, 70% franked):	4,283,178	4,638,757

(b) Dividends not recognised at the end of the financial period

Since period end, the Directors have declared a fully-franked interim dividend of 2.90 cents per fully paid ordinary share. The aggregate amount of the dividend with an ex-date of 30 March 2020 and a record date of 31 March 2020, expected to be paid on 13 May 2020 out of the profits reserve at 31 December 2019, but not recognised as a liability at period end, is:

	4,283,178	4,652,417
--	-----------	-----------

(c) Dividend reinvestment plan

The Company's dividend reinvestment plan ("DRP") will be in effect for the payment of this FY2020 fully-franked interim dividend of 2.90 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 Net Tangible Asset value ("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.

There are no costs to participate in the plan and shareholders can discontinue their participation in the plan at any time.

For personal use only

3 Fair value measurements

The Company measures and recognises its financial assets (excluding derivatives) at fair value through profit or loss ("FVTPL") on a recurring basis.

(a) Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

(i) Recognised fair value measurements

The following table presents the Company's assets and liabilities measured and recognised at fair value at 31 December 2019.

At 31 December 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at FVTPL				
Australian and overseas listed equity securities	122,398,508	-	17,714,145	140,112,653
Convertible corporate bonds	8,530,089	377,440	-	8,907,529
Derivative financial instruments ¹	-	(12)	-	(12)
Total financial assets	130,928,597	377,428	17,714,145	149,020,170

¹ The aggregate notional value of all derivatives included in Level 2 of the fair value hierarchy is \$1,231.

Financial liabilities at FVTPL

Australian and overseas listed equity securities sold short *	(10,435,041)	-	-	(10,435,041)
Total financial liabilities	(10,435,041)	-	-	(10,435,041)

At 30 June 2019	Level 1 \$	Level 2 \$ #	Level 3 \$	Total \$
Financial assets at FVTPL				
Australian and overseas listed equity securities	141,813,415	-	9,372,114	151,185,529
Convertible and corporate bonds	4,990,373	-	-	4,990,373
Derivative financial instruments ²	-	(1,700)	-	(1,700)
Total financial assets	146,803,788	(1,700)	9,372,114	156,174,202

² The aggregate notional value of all derivatives included in Level 2 of the fair value hierarchy is \$3,818.

Financial liabilities at FVTPL

Australian and overseas listed equity securities sold short *	(17,325,799)	-	-	(17,325,799)
Total financial liabilities	(17,325,799)	-	-	(17,325,799)

* Any securities sold short by the Company are for hedging purposes only.

During the current financial period, the Company has reclassified financial assets measured at FVTPL amounting to \$1,659,018 as at 30 June 2019 from Level 2 to Level 3. The Company has consistently applied Discount to Net asset value ("NAV") valuation technique to value these financial assets measured at FVTPL and has therefore reclassified these investments in the comparative period.

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted last prices at the end of the reporting period, excluding transaction costs.

The majority of investments included in Level 2 of the hierarchy include amounts due to be received upon the liquidation of closed end funds. As these funds ceased trading prior to the end of the period the valuation technique used to determine value attributed to these investments is, the fair value of all consideration due and payable to the Company by the liquidators of the investee fund less an applicable discount.

3 Fair value measurements

(i) Recognised fair value measurements (continued)

(a) Movements in asset classes categorised as Level 3:

	31 December 2019 \$	30 June 2019 \$
Opening balance	9,372,114	10,381,859
Transfers during the period	197,833	5,018,834
Disposals and movement in market value during the period	(2,442,164)	(6,151,676)
Acquisitions during the period	10,586,362	123,097
Closing balance	17,714,145	9,372,114

(b) Valuation techniques and inputs for material Level 3 Fair Values:

31 December 2019	Fair value \$	Valuation Technique	Description of valuation technique and inputs used in respect of underlying asset
Carador Income Fund Repurchase Pool	260,866	Discount to Net asset value ("NAV")	The fund was put into liquidation in November 2017 and has returned 98% of the November 2017 NAV. The remaining capital is expected to be returned shortly. Unlike most funds when put into liquidation, this fund remained listed on the London Stock Exchange. As a result of the substantial capital returns, the fund size is small and liquidity of shares low. To value the security, the Portfolio Manager uses the discount to NAV of the last traded price and applies this discount to an estimate of NAV. The last traded discount to NAV was 10.1%. The Portfolio Manager estimates the NAV using the NAV released monthly adjusted for estimated price changes in the underlying positions.
East Capital Eastern Europe Small Cap Fund	3,403,234	Discount to Net asset value ("NAV")	This is an open-ended fund, with redemptions available at NAV. However, there are certain restrictions to the size of redemptions the fund will allow each quarter given the illiquidity of the underlying assets, small size of East Capital and the concentrated investor base. This would mean that exiting a large position may take many years. The seller of the stake bought by the Company believed that a 23% discount to NAV was an appropriate level to exit their entire position at in one transaction. The Company has therefore decided to maintain the discount of 23% and apply it to an estimate of NAV. East Capital publish an official monthly NAV mid-way through the following month. The Portfolio Manager models the change in price and currency, since the last published NAV, of all of the underlying positions held by the fund over the period to obtain a NAV estimate.
Blue Capital Global Reinsurance	1,616,023	Discount to Net asset value ("NAV")	An investment trust in liquidation that owns a portfolio of global catastrophe reinsurance contracts. The Portfolio Manager values the investment at the last traded discount prior to delisting relative to an estimate of NAV. The last traded discount to NAV was 10.2%. Since delisting in July 2018, the trust announces a new quarterly NAV mid-way through the first month of the following quarter. The Portfolio Manager estimates the NAV by considering industry loss estimates, portfolio exposures and comparable vehicle performance.

For personal use only

3 Fair value measurements (continued)

(i) Recognised fair value measurements (continued)

(b) Valuation techniques and inputs for Level 3 Fair Values (continued):

31 December 2019	Fair value \$	Valuation Technique	Description of valuation technique and inputs used in respect of underlying asset
Life Settlement Assets	618,114	Discount to Net asset value ("NAV")	Liquidity of the shares in Life Settlement Assets is low. As a result, the last trade can be out of date and not reflective of more recent information released by the company. To value the security, the Portfolio Manager uses the discount to NAV of the last traded price and applies this discount to any new information released prior to the valuation date. The last traded discount to NAV was 24.6%. This discount is applied to the latest NAV that is released on a monthly basis by the company.
Boussard & Gavaudan Eire Fund Class A EUR	5,261,618	Discount to Net asset value ("NAV")	In October 2019, GVF elected to convert its holding in a listed closed end fund into an unlisted fund called Boussard & Gavaudan Eire Fund Class A EUR. Redemptions of this fund are limited to 4% per month from 2022. To value the security, the Portfolio Manager uses a straight-line tightening of the discount to NAV, starting with the last trade price before delisting and ending at parity in 2024, when GVF expects to have redeemed its entire position. The discount used in December 2019 is 22%.
Highbridge Multi Strategy Fund	3,419,797	Discount to Net asset value ("NAV")	An investment trust in liquidation that delisted in September 2019 and returned 75% of capital in October 2019. The balance of capital is expected shortly. To value the security, the Portfolio Manager applies a 10% discount to NAV for the remaining assets.
Vietnam Phoenix PE	617,486	Third party broker price	The price is the average of the highest bid and lowest offer provided by third party brokers.
Chenavari Capital Solutions	1,904,948	Discount to Net asset value ("NAV")	Liquidity of the shares in Chenavari Capital Solutions is low. In late December 2019, GVF purchased a position as part of a large block trade that occurred below the bid/offer spread at the time. To value this security, the Portfolio Manager applies a 36% discount to the NAV.

For personal use only

3 Fair value measurements

(i) Recognised fair value measurements (continued)

(c) Valuation sensitivity:

A 5% increase/ (decrease) in NAV of Carador Income Fund Repurchase Pool would increase/ (decrease) the estimated fair value by \$13,043.

A 5% increase/ (decrease) in NAV of East Capital Eastern Europe Small Cap Fund would increase/ (decrease) the estimated fair value by \$170,161.

A 5% increase/ decrease in NAV of Blue Capital Alternative Income Fund would increase/ decrease the estimated fair value by \$80,801.

A 5% increase/ decrease in NAV of Life Settlement Assets would increase/ decrease the estimated fair value by \$30,906.

A 5% increase/ decrease in NAV of Boussard & Gavaudan Eire Fund Class A EUR would increase/ decrease the estimated fair value by \$263,082.

A 5% increase/ decrease in NAV of Highbridge Multi Strategy Fund would increase/ decrease the estimated fair value by \$170,990.

A 5% increase/ decrease in NAV of Chenavari Capital Solutions would increase/ decrease the estimated fair value by \$95,247.

There were transfers of financial assets with a total valuation of \$197,833 from Level 1 to Level 3 (2019: \$826,922) and no transfers of financial assets from Level 2 to Level 3 of the fair value hierarchy during the period (2019: \$4,191,912). Total realised gains on sale of investments in Vietnam Phoenix PE was \$62,101 during the year which is included in "net realised gains on disposal of investments" in the Statement of Profit or Loss and Other Comprehensive Income.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The carrying amounts of all financial instruments other than those measured at fair value on a recurring basis are considered to represent a reasonable approximation of their fair values.

4 Segment information

The Company has only one reportable segment. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments.

The Company continues to have foreign exposure as it invests in companies which operate internationally.

5 Issued capital

	31 December 2019		30 June 2019	
	No of shares	\$	No of shares	\$
(a) Share capital				
Ordinary shares	<u>147,695,772</u>	<u>151,227,208</u>	<u>147,695,772</u>	<u>151,227,208</u>
(b) Movements in ordinary share capital				
	Number of shares	Issue price		\$
31 December 2019				
Opening balance at 1 July 2019	147,695,772		151,227,208	
Shares issued to participants in the dividend reinvestment plan *	-		-	
Closing balance	<u>147,695,772</u>		<u>151,227,208</u>	
30 June 2019				
Opening balance at 1 July 2018	147,262,122		150,758,155	
Shares issued to participants in the dividend reinvestment plan	433,650	\$1.0817	469,053	
Closing balance	<u>147,695,772</u>		<u>151,227,208</u>	

* As the share price for the Company was less than the Company's NTA at the time of the final dividend for FY2019 payment on 11 November 2019, cash available for distribution as dividends on shares subject to the dividend reinvestment plan was used to acquire the Company's shares on-market and therefore no new shares were issued.

	31 December 2019	30 June 2019
	\$	\$
6 Profits reserve and accumulated losses		
(a) Profits reserve		
Profits reserve	<u>11,634,617</u>	<u>8,974,562</u>
Movements:		
Opening balance	8,974,562	14,429,042
Transfer of profits during the period	6,943,233	3,836,693
Dividends paid	<u>(4,283,178)</u>	<u>(9,291,173)</u>
Balance as at the end of the period	<u>11,634,617</u>	<u>8,974,562</u>
(b) Accumulated losses		
Accumulated losses	<u>(4,291,474)</u>	<u>(3,837,277)</u>
Movements:		
Opening balance	(3,837,277)	(3,837,277)
Net profit for the period	6,489,036	3,836,693
Transfer of profits during the period	<u>(6,943,233)</u>	<u>(3,836,693)</u>
Balance as at the end of the period	<u>(4,291,474)</u>	<u>(3,837,277)</u>

	31 December 2019 \$	31 December 2018 \$
7 Earnings/ (Loss) per share		
Profit/ (Loss) after income tax used in the calculation of basic and diluted earnings/ (loss) per share	<u>6,489,036</u>	<u>(2,600,648)</u>
	Cents	Cents
(a) Basic and diluted earnings/ (loss) per share		
Basic and diluted earnings/ (loss) per share attributable to the ordinary equity holders of the Company	<u>4.39</u>	<u>(1.76)</u>
(c) Weighted average number of shares used as denominator	No. of shares	No. of shares
Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted earnings/ (loss) per share	<u>147,695,772</u>	<u>147,384,675</u>

As at the end of the period, there are no outstanding securities that are potentially dilutive in nature for the Company.

8 Contingencies and commitments

The Company had no material contingent liabilities or commitments as at 31 December 2019 (30 June 2019: nil).

9 Events occurring after the reporting period

Since the end of the half-year, the Company has declared a fully-franked interim dividend for FY2020 of 2.90 cents per share to be paid on 13 May 2020. The record date for entitlement to the interim dividend is 31 March 2020.

The Company's DRP will be in effect for the interim FY2020 dividend payment.

The DRP participation enrolment deadline for the interim dividend is 5.00 pm (AEDT) Wednesday 1 April 2020.

Other than the dividend declared since the end of the half-year, no other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods.

For personal use only

Directors' Declaration

In accordance with a resolution of the Directors of Global Value Fund Limited ("the Company"), the Directors of the Company declare that:

- (a) the interim financial statements and notes, as set out on pages 5 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and any other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2019 and of its performance as represented by the results of the operations and the cash flows, for the half-year ended on that date.
- (b) At the date of this declaration, in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to S.303(5) of the *Corporations Act 2001*.



Jonathan Trollip
Chairman

Sydney
20 February 2020

For personal use only

Independent Auditor's Review Report to the Members of Global Value Fund Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Global Value Fund Limited, which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 5 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Global Value Fund Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

For personal use only

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Global Value Fund Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Global Value Fund Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

David Salmon

David Salmon
Partner
Chartered Accountants
Canberra, 20 February 2020

For personal use only