

Global Income Fund's Undeserved Discount

by: Robert Lewis

March 22, 2011 | about: [GIFD](#)

Global Income Fund is a closed end fund trading on the NASDAQ under the symbol GIFD. This is a small fund with only \$37 million dollars in assets, and which always sells at a steep discount even though it is doing the right things. The fund primarily seeks income but in a very unconventional way.

GIFD's assets are primarily divided into three categories:

1. Closed end funds 62%
2. Foreign bonds 22%
3. Private equity funds 14%



Each category is interesting in and of itself and

truly deserves further analysis. Although it's an income fund, GIFD invests in closed end funds that are both income and equity. Several of the CEFs owned are REIT funds and generate a fine return on their equity investments in REITs. For that matter, some of the funds generate greater income from the REITs than do the bond funds. GIFD also invests in CEFs, which have substantial holdings in high yielding equities. Many of the CEFs have been bought at substantial discounts from net asset value, which only enhances their yield.

Buying GIFD is similar to getting a double discount; a substantial part of its assets are in CEFs selling at a discount-- while GIFD is also at a discount.

The foreign bond portfolio is also interesting as not all the bonds are denominated in United States dollars. The bond portfolio also provides exposure to the Eurodollar, the Australian Dollar and the Canadian Dollar. It would appear that management believes that the currency exposure will enhance yield. I do not know if that is true, but then everyone should have some foreign currency exposure.

The private equity exposure is in five publicly held funds with primary exposure to mezzanine financing.

Although it is difficult to accurately ascertain each fund's actual value, it would appear that they collectively trade at a 40% discount from net assets. Private equity was beaten up pretty badly [in the financial crisis] and is now on a long, slow road to recovery.

The positions held by GIFD reflect the imaginative and somewhat daring vision of its management. This is not one of your conservative income funds, but rather one that seeks income in a different way. I believe that it is well worth owning and that management deserves great respect for its initiative and positions.

This is a small CEF trading on the NDAQ. This fund is not really very liquid and purchases in excess of 500 shares takes time and requires limit orders. As the stock trades for about \$4.20, acquiring a position can be tedious and time consuming. Still, GIFD should be in everyone's portfolio.

Disclosure: I am long [GIFD](#).