

Manager's Comment

AVI Global Trust (AGT)'s NAV fell by -1.2% in January, as a tightening portfolio discount (from 32.3% to 31.8%) was more than offset by declining underlying NAVs. Contributors for the month include Fondul Proprietatea, Sony Corp, and Third Point Offshore. Detractors include the Japan Special Situations basket, Symphony International, and Aker.

Fondul Proprietatea (FP) was the largest contributor in January, adding 42 basis points (bps) to returns. NAV growth of +7% was compounded by a tightening discount, resulting in total share price returns of +9%. FP reported a December NAV during the month, with strong upward revaluations of unlisted holdings Hidroelectrica (+18%) and Bucharest Airports (+12%). Together, these two holdings account for 53% of FP's NAV.

The political landscape in Romania has changed in the past year, with early elections now looking increasingly likely. The PNL party, which currently form the caretaker government, are likely to triumph given their commanding lead in the polls. With a powerful mandate from voters and a large majority, we expect them to continue to roll back the anti-business approach of the predecessor (and now discredited) PSD-led government.

We now see a clearer pathway to an IPO of Hidroelectrica (42% of FP's NAV) which, given the still-conservative valuation at which it is carried in Fondul's NAV, should generate material upside. We believe Hidro's IPO is likely to be well-received given its appeal as what will be the only pure-play listed hydro-power company in a world increasingly focussed on ESG, and the vast amounts of long-dated capital looking for infrastructure assets with reliable income streams.

Sony Corp contributed 28bps to returns, with discount contraction (from 36% to 33%) being the primary driver. We initiated the Sony position in June 2019 and to date it has been a highly successful investment, generating an IRR of 57% and a multiple on cost of 1.33x (local currency). Our investment was predicated on the thesis that Sony's four "crown jewel" businesses (Gaming, Music, Pictures and Semiconductors) were misunderstood by investors, and that the complexity of Sony's corporate structure further obscured the value on offer. Our own research indicated that the four businesses were of high quality and likely to drive strong earnings growth in the future; we also believed that there were several levers that could be pulled in order to unveil the value on offer: (a) a spin-off of the Semiconductor business as a stand-alone entity; (b) disposal of listed stakes in Sony Financial, M3, Spotify and Olympus, which would have the benefit of providing capital for re-investment and deconsolidating Sony Financial; and (c) the deployment of a moderate amount of gearing. The presence of activist investor Third Point on the register was also encouraging.

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In a sign of Japan's changing attitude to corporate governance and shareholder influence, Sony didn't immediately rebuff Third Point's advances; it disposed of its stake in Olympus and increased its buyback. While it did not go so far as to enact all the suggestions above, neither did it dismiss them entirely and the door remains open for further value-unlocking actions in the future. Looking forward, Sony continues to trade on an attractive 33% discount despite the strong performance since June. Our initial thesis remains intact: we are confident about the prospect of NAV growth driven by the underlying core businesses' earnings, as well as the prospect of further discount narrowing as the market comes to appreciate and understand Sony. Several avenues remain open to management to help uncover this value.

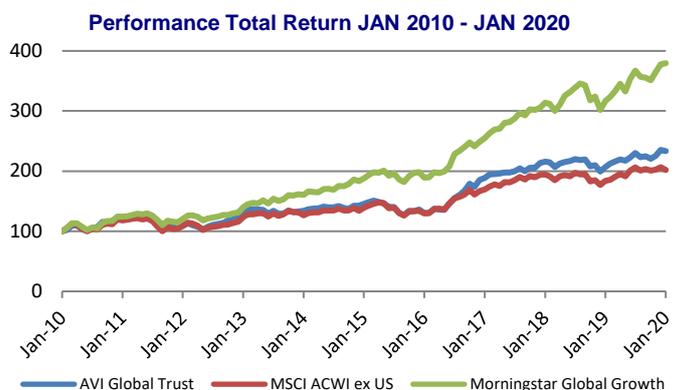
Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

Performance Total Return

This investment management report relates to performance figures to 31 January 2020.

Share Price (pence)	763.0
NAV (pence)	841.4
Premium / (Discount)	-9.3%

	Month	Financial Yr* to date	Calendar Yr to date
AGTNAV ¹	-1.2%	2.2%	-1.2%
MSCI ACWI Ex US ³	-2.2%	-0.9%	-2.2%
MSCI ACWI Ex US Value ¹	-4.0%	-3.3%	-4.0%
MSCI ACWI ¹	-0.6%	0.7%	-0.6%
Morningstar Global Growth ¹	-0.9%	1.9%	-0.9%



Top Ten Equity Holdings

Holding	%
Japan Special Situations**	17.9
Oakley Capital Investments	8.2
Pershing Square Holdings [#]	7.4
Jardine Strategic	6.0
Sony	5.9
Fondul Proprietatea	4.6
EXOR	4.6
Third Point Offshore Investors	4.6
Symphony International Holdings	3.8
Tokyo Broadcasting System	3.7
TOTAL	66.7

* 25% of this position (1.9% of NAV) is hedged, partially reducing AGT's overall exposure to Pershing Square Holdings

The Japan Special Situations basket was the single-largest detractor, reducing returns by 46bps. We estimate that the average stock in the basket declined by -3% which was broadly in line with Japanese equity markets – the TOPIX and TOPIX Small Indexes returned -2% and -4% in January as fears mounted over the impact of the coronavirus on Asian economies. The latest metrics for the 16 companies in AGT's Japan Special Situations basket show that (on a weighted average basis) net cash is 46% of market cap; including investment securities brings this number to 89%. The basket trades at a lowly 4x EV/EBIT and the underlying businesses (stripped of excess capital) earn an average return on equity of 17%. Since inception in June 2017, the basket has returned +25% in GBP terms, significantly ahead of both the TOPIX (+10%) and TOPIX Small (+9%) over that time period. We continue to view the theme as our highest-conviction idea, with the basket accounting for 18% of AGT's NAV, and total Japan exposure now at 28% of NAV.

During the month, we recorded a significant victory in Japan. We had submitted shareholder proposals to an undisclosed company, which we were content to subsequently withdraw when the company acquiesced to our demands and publicly announced key changes. While other companies in the basket have shown positive results and changing attitudes, this is the first company where management has directly confirmed that it was our engagement that sparked the discussion and shaped policy. We view this event as both confirmation of the trend in Japan towards improved corporate governance, and as a victory that confirms the validity of our balanced approach to activism in Japan. We typically engage behind closed doors via letters and meetings, avoiding the more brash and confrontational style of activism which is seen as anathema in Japan. That said, we are prepared to go public in the face of continued and persistent intransigence and believe our mix of the "carrot" and "stick" is bearing fruit.

On the latter, we have now initiated a public campaign to highlight the inefficiency of Teikoku Sen-I's balance sheet, which is replete with cash and investment securities, accounting for 44% of market value. AGT has been a shareholder of Teikoku since March 2018, and we have engaged with management consistently over the past two years to highlight changing corporate governance practices and suggest ways to improve capital allocation. Despite this, Teikoku's management has been recalcitrant and unaccepting of criticism, instead relying on a network of "group" shareholders to defeat AGM proposals aimed at releasing excess capital and rationalising the balance sheet. Further information on our campaign is available at www.transformingteikoku.com.

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR ²	763.0	-1.9	11.2	24.5	63.1
Net Asset Value TR ¹	841.4	-1.2	12.5	22.9	58.7
MSCI ACWI ex US TR ³		-2.2	9.7	19.0	45.2
MSCI ACWI ex US Value ¹		-4.0	2.6	8.0	31.7
MSCI ACWI TR ¹		-0.6	15.8	30.6	71.4
Morningstar Global Growth TR ³		-0.9	13.8	31.4	69.4

Fiscal Yr Net Returns (%)	2019	2018	2017	2016	2015
Price ¹	-0.4	12.0	18.7	34.3	-9.5
Net Asset Value ¹	2.1	10.0	18.8	31.0	-8.3
MSCI ACWI ex US (£) ³	4.5	4.7	15.8	27.4	-6.0
MSCI ACWI ex US Value ¹	1.1	3.3	17.7	24.7	-10.3
MSCI ACWI ¹	7.3	12.9	14.9	30.6	-0.1
Morningstar Global Growth ³	2.9	13.8	20.1	22.9	5.7

Capital Structure

Ordinary Shares	116,003,133
Shares held in Treasury	6,659,438
4.184% Series A Sterling Unsecured Note 2036	£30,000,000
3.249% Series B Euro Unsecured Note 2036	€30,000,000
2.930% Unsecured Note 2037	€20,000,000
0.992% [#] JPY Revolving Credit Facility	¥4,000,000,000

Gross Assets/Gearing

Gross Assets	£1,034.3m.
Debt par value	£99.7m.
Actual Gearing (Debt less cash divided by net assets)	1.1%

- 1 Source: Morningstar. All NAV figures are cum-fair values.
 2 Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.
 3 From 1st October 2013 the lead benchmark was changed to the MSCI ACWI ex US (£) Index. The investment management fee was changed to 0.7% of net assets and the performance related fee eliminated. AVI Global Trust financial year commences on the 1st October. All figures published before the fiscal results announcement are AVI estimates and subject to change.
 * A basket of 16 stocks: Daiwa Industries, Fujitec Co, Kanaden Corp, Kato Sangyo Co, Konishi Co, Mitsubishi Belting, Nakano Corp, Nishimatsuya Chain Co, Pasona Group, Sekisui Jushi Corp, SK Kaken, Tachi-S Co, Teikoku Sen-I Co, Toagosei Co, Digital Garage, DTS Corp.
 # Libor +102bps

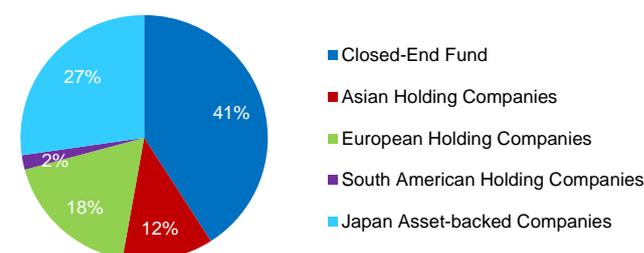
Contributors / Detractors (in GBP)

Largest Contributors	1 month contribution bps	Percent of NAV
FONDUL PROPRIETATEA	42	4.6
SONY	28	5.9

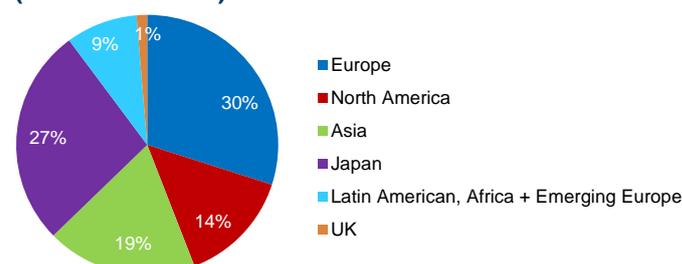
Largest Detractors	1 month contribution bps	Percent of NAV
JAPAN SPECIAL SITUATIONS**	-46	17.9
SYMPHONY INTERNATIONAL HOLDINGS	-40	3.8

[#]AVI estimate. Previously, this breakdown was calculated by assigning one region to each portfolio company held by AGT. From the 31-Dec-16 newsletter onwards, this is calculated using the estimated multi-regional exposure for each portfolio company. For listed underlying holdings, the country of listing is used; for unlisted underlying holdings, the exposure is typically assigned according to the country where a majority of sales are made.

Sector Breakdown (% of invested assets)



Risk Region Breakdown (% of net assets)



Further Information

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The share price can be found under 'INVESTMENT COMPANIES' in The Financial Times, The Times, The Daily Telegraph, The Scotsman and The Evening Standard.

Information may be found on the following websites.

www.aviglobal.co.uk or
www.assetvalueinvestors.com

IMPORTANT INFORMATION

Risk Factors you should consider before investing

Investment in the AVI Global Trust plc (the "Trust") carries risks, which are more fully described in the Key Features Document. Listed below are some of the key risks: Investors are reminded that past performance is not a guide to future performance and that their capital will be at risk and they may therefore lose some or all of the amounts that they choose to invest in the Trust.

The Trust utilises gearing techniques (leverage) which exaggerate market movements both down and up and which could mean sudden and large falls in market value. Movements in exchange rates can impact both the level of income received and the capital value of your investment. If the currency of your residence strengthens against the currency in which the underlying investments of the fund are made, the value of your investment will reduce and vice versa.

As with all stock exchange investments the value of investment trust shares will immediately fall by the difference between the buying and selling prices.

Where investments are made in emerging market, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment.

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