UPDATE 31 March 2020

AVI GLOBAL TRUST

Manager’s Comment

AVI Global Trust (AGT)’s NAV fell by -19% over the month as global markets continued to sell off in response to the spread of COVID-19. While markets stabilised in late March as governments and central banks announced massive fiscal and monetary stimulus, the outlook remains uncertain as very little can be known about the extent of the economic damage, or the timing of stay-at-home orders being reversed.

AGT’s portfolio discount widened out to 45%, a level which exceeds those seen during previous market crises such as the global financial crisis (39%) and the Eurozone crisis (41%). This type of discount widening is indicative of panic and mass selling by investors and has been a strong headwind to your portfolio’s performance. However, when the conjuncture passes and should investors begin to see the potential for earnings recovery, we believe that the discount widening will reverse and become a tailwind as we have seen on such occasions in the past.

We had reduced the gearing on AGT’s portfolio coming into the crisis, which left us with a modest amount of valuable capital to deploy into new and existing positions priced at extraordinary valuations. Gearing was c. 9% at the end of the month.

Turning to the specifics of portfolio performance, key contributors over the month include Pershing Square Holdings, Sony Corp and Swire Properties. Detractors include Eurocastle/doValue, Oakley Capital Investments and Symphony International.

“However, when the conjuncture passes and should investors begin to see the potential for earnings recovery, we believe that the discount widening will reverse and become a tailwind as we have seen on such occasions in the past”

Pershing Square Holdings (‘PSH’) was the largest contributor in March, adding 57 basis points (‘bps’) to returns. Its NAV increased by +11% in March compared to the S&P 500’s fall of -12%; for Q1-20, the respective figures are +3% and -20%, extending its run of outperformance from the prior year. While PSH’s portfolio materially underperformed the broad market due to its heavy exposures to lock-down-affected consumer-focussed stocks, an extraordinarily successful hedging programme protected the NAV. Anticipating the severe economic impact of the measures necessary to “flatten the curve”, the Manager purchased credit default swaps covering very large notional amounts of US and European pre-dominantly investment grade credit exposures. The notional amount was reported at $45bn as at end-February, but a seemingly well-informed FT article later cited a peak figure of $71bn. In a matter of weeks, the value of the CDS contracts had jumped as the market selloff intensified and credit spreads widened. The hedge was unwound realising $2.6bn across all of Pershing’s funds (a gain of ~100x the premium and commissions paid of $27m) in what one analyst has termed “arguably the greatest trade the UK closed-end industry has ever witnessed.” This left the Manager in the enviable position of having an enormous amount of capital to deploy into its portfolio of stocks at depressed levels.

PSH ended the month on a 34% discount, 3% wider than at the start of the month. While we hesitate to pinpoint what a “fair” discount might be – especially given the consistent widening in the discount over the past two years – we believe that the current 34% discount is too wide given the quality of the portfolio; the manager’s actions during the crisis, showing that the fund can offer downside protection and countering the criticism of “hedge-fund” style fees for managing a long-only portfolio; and the ongoing NAV-accretive buyback programme which has accelerated as volumes have picked up over the last month.

The Eurocastle and doValue position was the largest detractor over the month, reducing returns by -158bps. We combine the two holdings as doValue was spun out of Eurocastle in December 2019; doValue now accounts for the vast majority of the position’s 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.

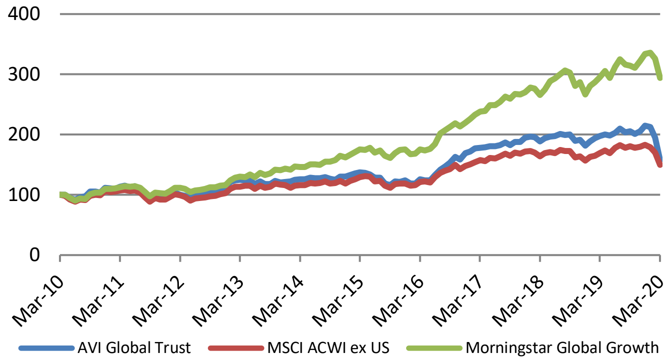
Performance Total Return

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

Share Price (pence)	555.0
NAV (pence)	619.9
Premium / (Discount)	-10.5%

	Month	Financial Yr* to date	Calendar Yr to date
AGT NAV[1]	-19.1%	-24.7%	-27.2%
MSCI ACWI Ex US[3]	-11.9%	-17.0%	-18.1%
MSCI ACWI Ex US Value[1]	-15.8%	-23.2%	-23.7%
MSCI ACWI[1]	-10.9%	-14.9%	-16.0%
Morningstar Global Growth[1]	-10.5%	-13.3%	-15.7%

Performance Total Return MAR 2010 - MAR 2020



Top Ten Equity Holdings

Holding	%
Japan Special Situations**	21.2
Pershing Square Holdings[#]	9.9
Oakley Capital Investments	7.8
Sony	7.4
Jardine Strategic	6.3
Fondul Proprietatea	5.3
Softbank Group	5.2
Third Point Offshore Investors	5.0
EXOR	4.2
Swire Pacific	3.7
TOTAL	76.0

[#] 25% of this position (2.5 % of NAV) is hedged, partially reducing AGT’s overall exposure to Pershing Square Holdings

The share price of doValue declined -50% in March, reflecting the general selloff in Italian financials, and the illiquidity of it shares. In sell-offs, doValue's share price is often correlated with Italian financials, despite the fact that: (a) it runs a balance-sheet light model, and is more akin to an asset manager, earning fees from a portfolio of non-performing loans (NPLs) that it manages for third parties; and (b) its diversification outside of Italy into markets including Spain, Portugal, Cyprus and Greece.

In the short-term, doValue's cash flows are likely to be delayed with lockdowns in Europe slowing judicial processes, which are necessary to restructure the NPLs that doValue manages. However, the key word here is 'delayed' – we would expect a resumption of activity once European economies and legal systems re-open. Looking forward, the current crisis may even present an opportunity for doValue as an economic slowdown should inevitably lead to more loans becoming non-performing. Indeed, doValue's existing flow agreements with Italian and Spanish banks have already resulted in increased inflows of NPLs. In our view, doValue remains an attractive stock trading on a derisory multiple, with its balance sheet-light model and geographically diversified portfolio providing the potential for significant growth in assets under management and thus earnings and cash flows over time.

Symphony International reduced returns by -140bps, as the NAV fell 21% and the discount widened from 39% to 54%. Key holding Minor International (39% of NAV), the Thai-listed hotel and food group, fell -39% as its activities were affected by the COVID-19 outbreak, with travel bans and lockdowns affecting large swathes of its operations. With a high debt burden (115% of equity), this naturally raised questions about the ability of Minor's balance sheet to withstand the crisis. While the debt burden is prima facie worrying – it increased significantly following the acquisition of NH Hotels – some comfort can be found in several factors: (1) Minor owns many of its own hotels, giving it the flexibility to explore sale-and-leaseback transactions if needed, which would release capital to support the balance sheet; (2) covenants have been loosened (leases will be excluded from debt calculations, perpetual debt will continue to be treated as equity); (3) the bridging loans used to acquire NH Hotel have been extended by 6 years; and (4) gross cash and undrawn facilities total USD2 billion (70% of market cap). Therefore, we feel reasonably confident about Minor's financial strength and its ability to weather the crisis.

We believe Symphony's sharply widening discount from already very wide levels is primarily a function of the shares' illiquidity. We continue to engage with the Board and management regarding solutions to the persistently wide discount to NAV.

Last month, we wrote about a newly initiated position in SoftBank (5% of AGT's NAV), with the investment thesis predicated on a wide discount (60% at the time of writing) and the presence of activist investor Elliott on the register, which we believed could spur SoftBank to address shareholders' concerns. This hypothesis was vindicated during the month, with SoftBank making two major announcements: the first for a buyback of JPY500 billion (6% of market cap); and the second, JPY4.3 trillion of planned asset sales, with the proceeds being used to reduce debt and to fund an additional buyback of JPY2 trillion (22% of market cap, or 28% in total). Buying back a large percentage of outstanding shares at a wide discount will be highly accretive for remaining shareholders – we estimate that, if the buyback were conducted at the current share price and discount, NAV per share would increase by +23%. Since the announcement, approximately five million shares have been bought back, or 1% of the total planned programme.

Contributors / Detractors (in GBP)

Largest Contributors	1 month contribution bps	Percent of NAV
PERSHING SQUARE HOLDINGS	57	9.9
SONY	3	7.4

Largest Detractors	1 month contribution bps	Percent of NAV
DOVALUE SPA	-157	2.0
OAKLEY CAPITAL INVESTMENTS	-152	7.8

#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.

Statistics

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Price (£) TR[2]	555.0	-20.1	-21.9	-11.3	13.8
Net Asset Value TR[1]	619.9	-19.1	-20.8	-12.7	12.5
MSCI ACWI ex US TR[3]		-11.9	-11.3	-5.0	15.9
MSCI ACWI ex US Value[1]		-15.8	-19.8	-17.5	0.2
MSCI ACWI TR[1]		-10.9	-6.7	5.5	37.8
Morningstar Global Growth TR[3]		-10.5	-7.2	6.7	37.0

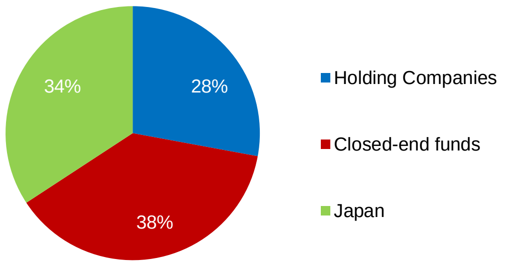
Fiscal Yr Net Returns (%)	2019	2018	2017	2016	2015
Price[1]	-0.4	12.0	18.7	34.3	-9.5
Net Asset Value[1]	2.1	10.0	18.8	31.0	-8.3
MSCI ACWI ex US (£)[3]	4.5	4.7	15.8	27.4	-6.0
MSCI ACWI ex US Value[1]	1.1	3.3	17.7	24.7	-10.3
MSCI ACWI[1]	7.3	12.9	14.9	30.6	-0.1
Morningstar Global Growth[3]	2.9	13.8	20.1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

Capital Structure	
Ordinary Shares	116,003,133
Shares held in Treasury	7,478,677
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

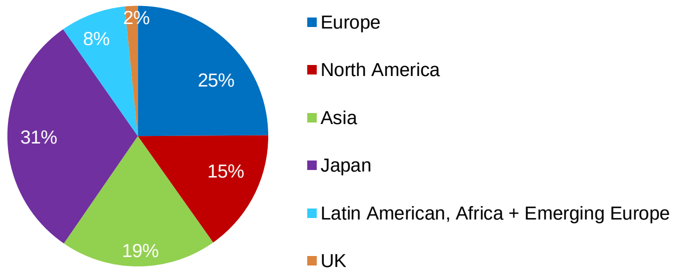
Gross Assets/Gearing	
Gross Assets	£793.1m.
Debt par value	£103.8m.
Actual Gearing (Debt less cash divided by net assets)	8.9%

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, NS Solutions, 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

Portfolio Exposure
(% 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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