

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.

HEADLINES

Japan Special Situations

The basket was this month's largest contributor, with strong performances from Pasona and Fujitec.

[Read more below](#)

Christian Dior

Christian Dior fell -7% as investors worried over Xi Jinping's comments on the need to promote "common prosperity" in China.

[Read more below](#)

Aker

We take a look at Aker, and examine how its investment portfolio has evolved to a diverse range of high-quality assets.

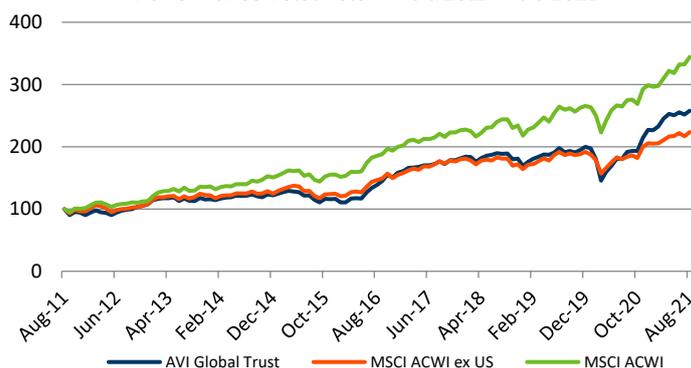
[Read more below](#)

PERFORMANCE

(Figures to 31 August 2021)

Share Price (pence)	974.0
NAV (pence)	1070.2
Premium / (Discount)	-9.0%

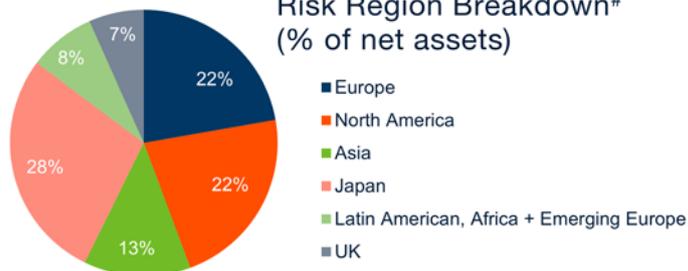
Performance Total Return AUG 2011- AUG 2021



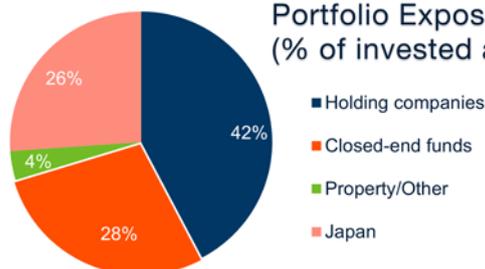
	Month	Fiscal Yr* to date	Calendar Yr to date
AGTNAV ¹	2.4%	33.3%	13.5%
MSCI ACWI ExUS ³	3.0%	20.3%	8.7%
MSCI ACWI ¹	3.6%	24.9%	15.1%

THE FUND

Risk Region Breakdown#
(% of net assets)



Portfolio Exposure
(% of invested assets)



Top Ten Equity Holdings

Holding	%
Japan Special Situations**	16.7
Third Point Investors	6.1
EXOR	6.1
Pershing Square Holdings	6.0
Oakley Capital Investments	5.5
KKR	5.3
Sony	5.1
Fondul Proprietatea	4.6
Christian Dior	4.4
Pershing Square Tontine	3.4
TOTAL	63.2

*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.

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV gained +2.4% in August. Contributors included the Japan Special Situations basket, Third Point Investors and Pershing Square Holdings. Detractors included Christian Dior, Nintendo and Aker.

Japan Special Situations**Share Price: +6%****NAV: +5%****Discount: -39%**

A basket of 15 Japanese companies with cash and/or listed securities covering a large proportion of the market value.

The Japan Special Situations basket was the single-largest contributor to returns, adding 96 basis points (bps), more than double the next-largest contributor. Notable performers in the basket were Pasona and Fujitec, who alone were responsible for over half of the basket's performance.

Pasona's share price rose +20%, driven in the main by a +23% share price gain from Benefit One, in which it owns a 50% stake and accounts for a remarkable 320% of Pasona's market cap. While the market is understandably focused on Benefit One's performance, we believe that the improved profitability of Pasona's core business (HR-related services) is being overlooked: indeed, it recently reported its highest-ever operating profits, helping to dispel arguments that Pasona's core business would be permanently lossmaking. Currently, Pasona trades on a -77% discount to NAV, reflecting in part this perception. To highlight the magnitude of the discount, if it were to close to zero – an event we admittedly regard as unlikely – we could stand to make a return of +335% from discount contraction. The potential for NAV growth and a tightening of the discount to less extreme levels holds out the prospect for very attractive returns from here.

Fujitec was the second-largest contributor, with its share price gaining +12% over the month. August saw it report strong earnings growth, with operating profits growing +163%. Compared to the same quarter pre-COVID, operating profits are now +94% higher. Furthermore, efforts to improve the company's margin structure appear to be working – gross margins were 25%, above the long-term average of 21%. Despite strong fundamentals, Fujitec continues to trade on a 12x EV/EBIT multiple compared to peers on an average of 25x. We believe there may be more upside to be had, notwithstanding the +130% share price gains over the past two years.

In early September, Prime Minister Suga announced that he would not run for re-election. While too early to comment on the likelihood of various potential successors, we believe nonetheless that the corporate governance reform agenda is well and truly entrenched. Therefore, we expect progress with reform to continue. The basket trades on a 5x EV/EBIT which, given: (a) the strong earnings recovery seen to date; (b) the continued improvements we are seeing in governance and regard for shareholder returns; and (c) the high-quality nature of the businesses, seems excessively low.

Christian Dior**Share Price: -7%****NAV: -7%****Discount: -12%**

Family-backed holding company whose sole asset is a 41% stake in LVMH, the luxury goods conglomerate

Christian Dior was the largest single detractor from returns in August, with the share price falling -7%. The proximate cause of the share price weakness was the regulatory environment in China. Investors have been skittish following comments regarding the need to promote "Common Prosperity" by President Xi Jinping at the 10th Meeting of the Central Committee for Financial and Economic Affairs on August 17th. China, as a key growth region for the luxury goods sector, is closely watched for any signs of change in the regulatory environment.

The ideal of common prosperity has appeared frequently in events and speeches in recent years. However, in the context of 2021 and a seemingly more invasive approach to regulation and the promotion of social goals, investors are pondering whether the ideals of the CCP might dampen growth for the luxury goods sector.

As several luxury goods CEOs have pointed out, the ambition to grow the middle class, and reform taxes, is *prima facie* beneficial for the luxury industry over the long term. What is less clear, however, particularly in the shorter term, is whether displays of wealth and conspicuous consumption become less socially acceptable. This remains largely unknowable in the short term.

We would however reject comparisons between today's situation and historic anti-grafting initiatives, where the luxury goods sector was specifically targeted. More than that, we would note that regulatory actions over the last 18 months have been distinctly pro-luxury, most notably with regard the development of Hainan as a duty-free luxury hotspot, and last year's tripling of the tax-free shopping quota to ¥100k. Certainly the promotion of the luxury goods industry and the repatriation of spend would fit with goals to boost domestic consumption.

MANAGER'S COMMENT

In the context of the above we continue to monitor the situation. We note that Mr. Arnault has used the share price weakness to modestly increase his stake in LVMH.

Aker**Share Price: -7%****NAV: +0%****Discount -22%**

Family-backed holding company with investments primarily in the energy sector

Aker also detracted from returns. The NAV was flat over the month however a widening of the discount from 15% to 22% saw the shares decline -7%.

Whilst the NAV was flat overall, under the surface there was divergence between Aker BP (which declined -5% shaving ~3% off NAV) and Aker Horizons (which returned +14% adding ~3% to NAV). Concerns about the spread of the Delta variant – and as such global growth – saw the oil price decline -5% over the month. As is often the case over short periods, Aker BP's share price tracked this fall. In turn we attribute Aker's discount widening to the misconception that Aker is an "oil holding company", with investors doubly punishing the oil price weakness in the form of a wider discount.

We believe such a view is misguided and ignores the evolution of Aker's NAV to a more diverse range of higher quality assets. Indeed, just in the last year Aker have: (1) listed krill company Aker Biomarine (6% of NAV); (2) built and listed a renewable energy holding company Aker Horizons (23% of NAV); and (3) demonstrated the value of industrial application software company Cognite (11% of NAV), following investments from Accel and TCV.

Since listing in 2004 Aker has compounded returns at +20% per annum. We remain excited about the prospect of continuing to align our capital with such skilled and active value creators.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	Percent of NAV
Japan Special Situations**	96	16.7
Third Point Investors	44	6.1
Pershing Square Holdings	21	6.0
Symphony International Holdings	18	2.2
Godrej Industries	17	3.3

Largest Detractors	1-month contribution bps	Percent of NAV
Christian Dior	-29	4.4
Nintendo	-17	3.0
Aker	-17	3.1
Pershing Square Tontine	-12	3.4
Investor AB	-9	3.2

	% 1 mo	% 1 yr	% 3 yr	% 5 yr	% 10 yr
Share Price TR ²	1.8	38.4	36.8	91.8	154.6
Net Asset Value TR ¹	2.4	34.6	36.8	85.9	157.8
MSCI ACWI ex US TR ³	3.0	21.5	23.6	52.7	123.5
MSCI ACWI TR ¹	3.6	25.2	41.2	85.6	244.1
Fiscal Yr Net Returns (%)	2020	2019	2018	2017	2016
Price ¹	2.0	-0.4	12.0	18.7	34.3
Net Asset Value ¹	0.0	2.1	10.0	18.8	31.0
MSCI ACWI ex US (£) ³	-1.8	4.5	4.7	15.8	27.4
MSCI ACWI ¹	5.3	7.3	12.9	14.9	30.6

Capital Structure	
Ordinary Shares	116,003,133
Shares held in Treasury	12,670,620
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
JPY Revolving Credit Facility [#]	¥9,000,000,000
Gross Assets/Gearing	
Gross Assets	£1.3bn.
Debt at fair value (gross)	£148.6m.
Gearing (net) ^a	3.9%

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.

4 Fair value of net debt divided by net assets at fair value.

* 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 15 stocks: Daiwa Industries, Fujitec, Kato Sangyo, Konishi, NS Solutions, Pasona Group, Sekisui Jushi, SK Kaken, Teikoku Sen-I, Toagosei, Digital Garage, DTS Corp, Bank of Kyoto, Hazama Ando, Wacom.

Libor + 1.025%. Capacity ¥9,000,000,000.

Investment Manager – Joe Bauernfreund

AVI Ltd. +44 20 7659 4800 info@assetvalueinvestors.com

The share price can be found in The Times.

Information may be found on the following websites:

www.aviglobal.co.uk

www.assetvalueinvestors.com

IMPORTANT INFORMATION

All figures are as at the period under review unless otherwise stated. All sources Asset Value Investors Ltd ("AVI") unless otherwise stated. AVI is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the "FCA") and is a registered investment adviser with the Securities and Exchange Commission of the United States. While AVI is registered with the SEC as an investment adviser, it does not comply with the Advisers Act with regard to its non-U.S. clients. This document does not constitute an offer to buy or sell shares in AVI Global Trust plc (the "Trust"). The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Trust should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund.