

September 2021

**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

## Sony

Sony shares accelerated +10% during a month of increased investor interest in the music industry.

[Read more below](#)

## Investor AB

We took advantage of a set-back in the shares to add to a core long-term holding.

[Read more below](#)

## IAC

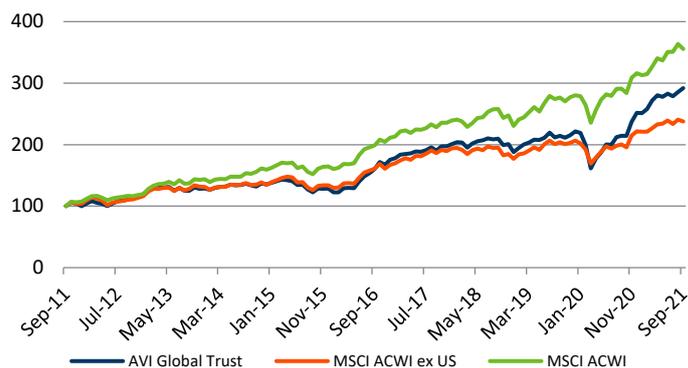
We take a look at IAC, which became a 3% position during the month.

[Read more below](#)

PERFORMANCE  
(Figures to 30 September 2021)

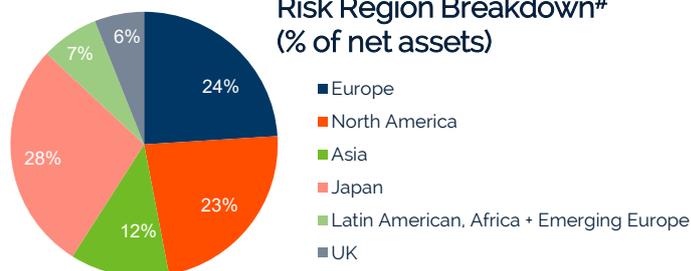
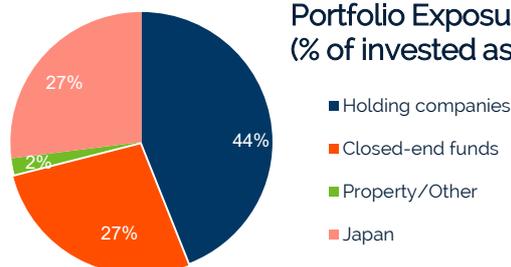
Share Price (pence)	1020.0
NAV (pence)	1093.8
Premium / (Discount)	-6.7%

## Performance Total Return SEO 2011- SEP 2021



	Month	FY-2021	Calendar Yr to date
AGTNAV <sup>1</sup>	2.2%	36.2%	16.0%
MSCI ACWI ExUS <sup>3</sup>	-1.2%	18.8%	7.4%
MSCI ACWI <sup>1</sup>	-2.2%	22.2%	12.7%

## THE FUND

Risk Region Breakdown#  
(% of net assets)Portfolio Exposure  
(% of invested assets)

## Top Ten Equity Holdings

Holding	%
Pershing Square Holdings	7.0
Third Point Investors	6.6
EXOR	6.3
Sony	5.6
Oakley Capital Investments	5.1
KKR	5.1
Fondul Proprietatea	4.5
Aker ASA	4.3
Christian Dior	4.2
Investor AB 'B'	3.9
<b>TOTAL</b>	<b>52.6</b>

#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 returned +2.2% in September. Key contributors were Sony, Third Point Investors Ltd, and Aker, with Investor AB and KKR the most notable detractors. The portfolio weighted average discount widened 1.7% over the month to stand at 29.2%.

The end of September marks the close of AGT's financial year. We are pleased to report that in FY21 AGT achieved a NAV total return of +36.2%, which compares to an +18.8% return for the MSCI AC World ex-US index, the comparator benchmark, and +22.2% for the broader MSCI AC World. The annual report is due to be published in early November, and the AGM will be held on 16th December.

Sony	Share Price: +10%	NAV: +14%	Discount: -27%
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*Japanese conglomerate with four crown jewel businesses: Gaming, Music, Pictures and Images & Sensors*

Sony was the largest contributor to returns in September, adding +0.5% to AGT's NAV as the shares appreciated by +10%.

As readers may remember, our investment thesis in Sony is predicated on the opportunity to own four world-class businesses (Gaming, Music, Pictures and Images & Sensors) which, due to misperceptions surrounding Sony's conglomerate structure, trade at a very reasonable (15x EV/EBIT) valuation.

Conglomerates are simply a type of structure in which disparate businesses, with no obvious relationship between them, are grouped under one corporate umbrella. Conglomerates are often valued at a discount to the sum of their parts, as investors worry about one or several factors, such as management's inability to run a group of companies better than focused single-business competitors, or poor businesses being propped up by the cash flows of stronger ones.

We do not see this being present at Sony. Indeed, conglomerates who can demonstrate synergies between divisions – which would not be possible without the conglomerate structure – often attract a premium. In Sony's case there are very real synergies, most notably between Gaming and Pictures, where IP such as Spiderman is developed, enhanced and exploited in both game and film format. Over time, we believe investors will come to recognise Sony as the entertainment and IP power house that it is, and the impressive job management have done in building this. As and when this happens, we would expect Sony's discount to shrink. Combined with the prospects for continued growth in profits, this bodes well for prospective returns.

Turning specifically to the Music business, Sony Music (28% of NAV) is the world no.2 in the oligopolistic record label business. During the month competitor Universal Music Group ("UMG") - to which we have exposure via Pershing Square Holdings - listed on the Euronext exchange. The IPO of UMG provides another reference point for our Sony Music valuation, adding +3% to our estimated NAV.

The music industry, having seen revenues fall some 42% from 1999 to 2014, has been revived by streaming. We believe content owners are the primary beneficiaries of this, capturing the lion's share of the profit pool. As well as Sony Music we have exposure to this via UMG (Pershing Square Holdings) and Hipgnosis Songs Fund, the largest pure-play music royalty company in the world. In total we have c.7% of your NAV invested in this "theme" and are excited about prospective returns here in the coming years.

#### Japan:

Japanese equities had a strong month, with the MSCI Japan Small cap index up +3% whilst the MSCI AC World index returned -2% (both in GBP). At the start of the month, the beleaguered prime minister Suga resigned, in no small part due to low approval ratings following the slow roll-out of the vaccine. A week is a long time in politics, and no sooner had Suga departed than Japan's vaccine record was being touted for its speed and efficiency, with the State of Emergency lifted at the end of September.

Indeed, it has long been our theory that Japanese equities would play catch-up as the economy re-opened, having lagged developed markets throughout the year. Keisei Electric Railway, which owns a stake in Tokyo Disneyland operator Oriental Land, was a meaningful contributor, adding 0.3% to returns as the shares rose +10%. Pasona (HR-related services) and Bank of Kyoto (nominally a regional bank but more akin to a Japan Inc. ETF) also contributed to performance. During the month we continued to build a position in a new company where we are actively working with management to create corporate value.

Investors greeted the appointment of "Mr Status Quo" Fumio Kishida as prime minister with a lukewarm reaction. However, we note that early concerns about tax raises have been assuaged, and believe the corporate governance agenda to be increasingly ingrained in the attitudes of both corporates and investors, regardless of who is in power. As such we remain excited about prospects for returns in Japan.

## MANAGER'S COMMENT

Investor AB

Share Price: -8%

NAV: -5%

Discount: -19%

*Swedish family-backed holding company with exposure to high quality listed and unlisted businesses*

Investor AB was the greatest detractor from returns, declining -8% over the month. Returns were roughly in equal parts attributable to a decline in NAV and a widening of the discount from 15% to 19%. The discount has now widened some 6% since mid-August, and should be seen in the context of widening discounts across the Swedish holding company universe. The fact that – unlike a number of peers – Investor never made it to a premium before de-rating doesn't appear to be of much interest to the market, and Investor has been thrown out with the bath water.

We took advantage of this and added to Investor by approximately one-third over the month, having long felt it warranted a larger position in the portfolio. We view Investor as arguably the best-run holding company in Europe, with exposure to high-quality listed equities, and an increasingly relevant portfolio of private businesses that benefit from structural growth trends, and where we expect significant value creation going forward, in particular through bolt-on acquisitions. We believe the Wallenberg family to be excellent stewards of capital, and that Investor has created significant value through active portfolio management, such as the splitting of Atlas Copco, the spin-off of the Electrolux Pro business, and the listing of EQT. The fact one can align capital with such operators at an effective "ongoing charge" of 8bps is an added bonus.

AGT has earned an IRR of +14% from Investor over a holding period of almost twenty years. We look forward to the next twenty.

IAC/InterActive Corp

Share Price: -1%

NAV: +1%

Discount: -25%

*American holding company controlled by Barry Diller with investments focussed on the internet sector*

During the period we added to IAC – the holding company controlled by Barry Diller – to make it a 3% position.

AGT first invested in IAC in December 2020 with an investment thesis predicated on Vimeo, a video SaaS business that was eventually spun out in May 2021. IAC shares ran up before we had made it a full position, but we generated healthy absolute and relative returns on a small position. Since the spin-off of Vimeo, IAC has de-rated materially and we took advantage of this by markedly increasing the position in September.

The history of IAC is a long and successful one. A dollar invested in Silver King (the precursor to IAC) when Barry Diller took control in 1995 has grown to a little over \$40 today, compared to \$13 for the S&P 500 over the same time period. IAC has specialised in building businesses that are trying to transition sectors from offline to online, such as Expedia for travel, and MTCH for dating. IAC has a track record of spinning these off to shareholders when they reach maturity, having spawned 10 public companies.

Today IAC is back in building mode with a portfolio as follows: **1)** a listed stake in **Angi (31% of NAV)**, the leading home services marketplace; **2)** **Dotdash (23%)**, an online content publisher that just acquired Meredith Corporation's media assets; **3)** a listed stake in **MGM Resorts International (18%)**, whose BetMGM is a leader in the nascent US sports betting and online gaming market; **4)** a collection of other smaller assets (**17%**), the most promising of which are **Care.com**, a marketplace trying to bring the \$300bn care market online, and a minority stake in **Turo**, a peer-to-peer car rental marketplace.

At the end September IAC traded at a 25% discount to our estimated NAV, and the implied value of the (ex-listed and cash) stub assets was some two-thirds lower than it had been at the time of the Vimeo spin-off in May. Given IAC's long and successful history of spinning assets to shareholders, we believe the fair discount is zero. As such we are optimistic about prospective returns from discount narrowing, as well as NAV growth, with Barry Diller having compounded returns at 15% since 1995.

## STATISTICS

## Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	Percent of NAV
Sony Group	53	5.6
Third Point Investors	49	6.6
Aker ASA	39	4.3
Pasona Group	32	1.9
Keisei Electric Railway	30	3.1

Largest Detractors	1-month contribution bps	Percent of NAV
Investor AB 'B'	-28	3.9
KKR	-18	5.1
Prosus	-16	1.9
Associated British Foods	-13	2.5
Swire Pacific Ltd 'B'	-11	2.0

	% 1 mo	% 1 yr	% 3 yr	% 5 yr	% 10 yr
Share Price TR <sup>2</sup>	4.7	40.2	42.5	89.4	203.2
Net Asset Value TR <sup>1</sup>	2.2	36.2	39.1	81.9	191.9
MSCI ACWI ex US TR <sup>3</sup>	-1.2	18.8	21.9	47.8	137.7
MSCI ACWI TR <sup>1</sup>	-2.2	22.2	38.0	79.0	255.8
Fiscal Yr Net Returns (%)	2021	2020	2019	2018	2017
Price <sup>4</sup>	40.2	2.0	-0.4	12.0	18.7
Net Asset Value <sup>4</sup>	36.2	0.0	2.1	10.0	18.8
MSCI ACWI ex US (£) <sup>3</sup>	18.8	-1.8	4.5	4.7	15.8
MSCI ACWI <sup>1</sup>	22.2	5.3	7.3	12.9	14.9

Capital Structure	
Ordinary Shares	116,003,133
Shares held in Treasury	13,889,808
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 <sup>#</sup>	¥9,000,000,000
Gross Assets/Gearing	
Gross Assets	£1.3bn.
Debt at fair value (gross)	£148.8m.
Gearing (net) <sup>4</sup>	7.0%

<sup>1</sup> Source: Morningstar. All NAV figures are cum-fair values.

<sup>2</sup> Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.

<sup>3</sup> From 1<sup>st</sup> 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.

<sup>4</sup> Fair value of net debt divided by net assets at fair value.

\* AVI Global Trust financial year commences on the 1<sup>st</sup> October. All figures published before the fiscal results announcement are AVI estimates and subject to change.

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

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The share price can be found in The Times.

Information may be found on the following websites:

[www.aviglobal.co.uk](http://www.aviglobal.co.uk)

[www.assetvalueinvestors.com](http://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.