UPDATE

AVI Global Trust

AGT

December 2020

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

AVI Global Trust

AGT's NAV rose +6% in December as the recovery in global equity markets continued apace.

Read more below

VNV Global

VNV Global was AGT's largest contributor in December reflecting, we believe, increasing investor enthusiasm for Babylon, the digital healthcare company.

Read more below

EXOR

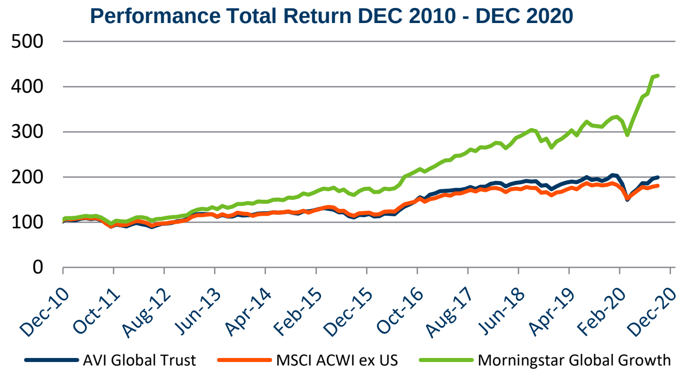
Shareholders have voted to approve the merger of FCA and Peugeot to form Stellantis, creating the world's third-largest autos manufacturer by sales.

Read more below

PERFORMANCE

(Figures to 31 December 2020)

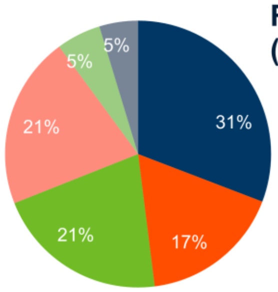
Share Price (pence)	882.0
NAV (pence)	948.5
Premium / (Discount)	-7.0%



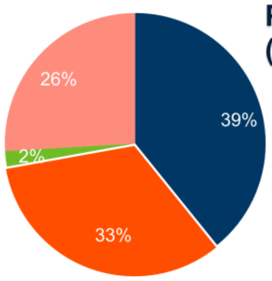
	Month	Financial Yr* to date	Calendar Yr to date
AGT NAV[1]	6.1%	17.4%	13.6%
MSCI ACWI Ex US[3]	3.0%	10.7%	7.2%
MSCI ACWI Ex US Value[1]	3.1%	13.9%	-3.8%
MSCI ACWI[1]	2.2%	8.5%	12.7%
Morningstar Global[1]	22.6%	30.6%	40.8%

THE FUND

Risk Region Breakdown# (% of net assets)



Portfolio Exposure (% of invested assets)



#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.

Top Ten Equity Holdings

Holding	%
Japan Special Situations**	14.0
Oakley Capital Investments	7.0
Pershing Square Holdings	6.5
SoftBank Group	6.4
Sony	5.4
VNV Global	5.2
Exor	4.9
Third Point Investors	4.7
Fondul Proprietatea	4.7
KKR	3.9
TOTAL	62.7

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV rose by +6.1% in December, as the recovery in global equity markets continued apace. Returns were driven by a combination of NAV growth and a tightening of the portfolio discount (32% to 30%). Major contributors included VNV Global, Oakley Capital Investments, SoftBank and EXOR.

VNV Global was the single-largest contributor to returns in December, adding 142 basis points (bps) as its share price rose +32%. VNV is a Stockholm-listed company which invests in early-stage technology-enabled businesses, in particular those with strong network effects. We attribute the strong increase in VNV's share price to increasing investor enthusiasm around Babylon, the digital healthcare company. We have long believed that Babylon is held too cheaply in VNV Global's NAV, a fact that the market is evidently now recognising, bidding the company up to a 40% premium to the last reported NAV. Our own valuation work, which values Babylon using a basket of US digital healthcare peers, suggests that VNV Global trades on a discount of 25-30% to our estimate of NAV. We believe that Babylon is likely to list in the near-term, which will provide a more transparent view of investors' appraisal of its potential.

At Babylon's recent Capital Markets Day (October 2020), we were given a significant level of insight into the company's growth plans, in particular opportunities in the US value-based care market in which it is partnering with insurance companies to provide its services to members. Despite Babylon's revenues for 2020 increasing an estimated fourfold over the prior year, we still view Babylon's growth prospects as exciting given the size of the US market alone, which is measured in the trillions of dollars, and the company's digital and data-driven model and the potential cost savings this can yield.

We consider VNV's other key portfolio holdings – Gett, BlaBlaCar and Voi – to also be highly attractive assets with significant growth potential and, in several cases, potential catalysts in the near- to medium-term.

Oakley Capital Investments (OCI) added 70bps to returns, driven primarily by a tightening of the discount from 27% to 20%, resulting in share price returns of +11% for shareholders. Since we last wrote about OCI in the September newsletter, it has continued its buyback programme, repurchasing 10m shares at a 25-30% discount to official NAV. Since the commencement of the buybacks in March 2019, OCI has bought 12% of outstanding shares at a significant discount to NAV, generating risk-free, immediate NAV accretion for remaining shareholders. It has also, we believe, removed a perceived overhang from the register which had been depressing the share price.

At the end of January, OCI will release a trading update with an estimated NAV range for the end of December. While we do not claim to have a crystal ball, we note the following: Firstly, OCI's last reported NAV, as at end-June 2020, is quite stale. Other listed private equity funds that report on a quarterly or monthly basis have posted strong NAV gains in recent months, reflecting a recovery from the write-downs incurred during the pandemic. Secondly, there are four strongly performing companies in OCI's portfolio which have benefitted from, or not been affected by, lockdowns, but were held at cost in the last NAV due to the investments having been made within the last twelve months. These factors favour the argument that the "true" discount to NAV is wider than the current 19%.

SoftBank contributed 61bps to returns in December, as a -4% fall in NAV was more than offset by a tightening discount (49% to 41%), resulting in a share price return of +11%. SoftBank's largest underlying holding, Alibaba (64% of NAV) declined -12% over the month, reflecting investors' worries that the Chinese Communist Party would further sanction Alibaba and its financial subsidiary, Ant Group, as well as worries that the US would add Alibaba to a list of "banned" stocks.

Although the SoftBank investment is relatively young (initiated Feb-20), it has been a highly successful one to date. Our initial thesis has played out with large-scale asset disposals used to fund a large share buyback programme and reduce debt. There have also been some positive changes in the company's corporate governance with a growing proportion of the Board made up of independent directors and, despite some further governance mis-steps along the way, we have been pleasantly surprised at the extent to which management has listened to and addressed at least *some* of our concerns in this area. The share price response to these changes has been positive, up 3x since the March lows where we added to our holding with the discount tightening from a record 76% to 37% at the time of writing. Over the lifetime of the investment, initiated just before COVID roiled global markets, AGT has earned a +71% IRR and a 1.55x multiple on cost (same in JPY and GBP). We have trimmed the position of late, reflecting the tighter discount and several attractive opportunities elsewhere competing for capital.

EXOR was the fourth-largest contributor to returns over the month, adding 60bps to returns as the NAV rose +7%, bolstered by a 4% tightening of the discount. Just after month's end, shareholders voted to approve the merging of FCA with Peugeot to form Stellantis, creating the world's third-largest autos manufacturer by sales and triggering a special dividend payout of EUR2.9bn for FCA shareholders (a 12% yield). Carlos Tavares, CEO of Peugeot, will become CEO of Stellantis. Mr Tavares is well-regarded as an efficient operator with an ability to cut costs, realise synergies, and successfully integrate acquisitions (as he did with the acquisition of Opel in 2017). As such we are excited about the prospect of strong profit growth for the new combined company, with the potential for industry consolidation having been one of the initial attractions that led to our investment in EXOR.

MANAGER'S COMMENT

EXOR trades on a 35% discount to NAV which, as we have said previously, likely reflects a legacy misconception that EXOR is a cyclical European industrial holding company. It goes without saying that we disagree with this assessment, and point to Ferrari and Partner Re as examples of the diversified nature of EXOR's holdings. Furthermore, there is significant merit in holding high-quality cyclical companies such as FCA and CNH Industrial as the global economy recovers from COVID-19. EXOR's share of the FCA special dividend will amount to *c*. EUR830m, which may be used to fund NAV-accretive buybacks, or as firepower to fund a sizable new investment.

Trading activity was relatively limited over the month. We trimmed some positions on valuation grounds, with the net result being a reduction in the trust's gearing, which stood at 6% at the end of December, down from 11% in November.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	Percent of NAV
VNV GLOBAL	142	5.2
OAKLEY CAPITAL	70	7.0

Largest Detractors	1-month contribution bps	Percent of NAV
SWIRE PACIFIC	-19	2.1
MITSUBISHI ESTATE	-10	0.9

	Value	% 1 mo	% 1 yr	% 3 yr	% 5 yr
Share Price (pence) TR[2]	882.0	8.7	15.8	29.5	113.0
Net Asset Value TR[1]	948.5	6.1	13.6	25.3	95.3
MSCI ACWI ex US TR[3]		3.0	7.2	14.2	65.3
MSCI ACWI ex US Value[1]		3.1	-3.8	-2.3	42.3
MSCI ACWI TR[1]		2.2	12.7	31.9	92.2
Morningstar Global Growth TR[3]		22.6	40.8	56.9	121.5
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 ex US Value[1]	-15.0	1.1	3.3	17.7	24.7
MSCI ACWI[1]	5.3	7.3	12.9	14.9	30.6
Morningstar Global Growth[3]	7.3	2.9	13.8	20.1	22.9

Capital Structure	
Ordinary Shares	116,003,133
Shares held in Treasury	10,854,751
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	£1.1bn.
Debt @ fair value	£124.1m.
Gearing[4]	6.0%

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 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 13 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.
# Libor +102bps. 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
www.assetvalueinvestors.com

IMPORTANT INFORMATION