February 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

SoftBank Group

SoftBank's discount tightened further in February, reflecting increasing market approval of a slate of transformative actions that SoftBank has taken over the past year, including asset sales, buybacks, and corporate governance improvements.

Read more below

Rebalancing the Portfolio

Since the second half of 2020, we have been initiating positions in companies that we expect will benefit from a return to normality as economies re-open.

Read more below

Nintendo

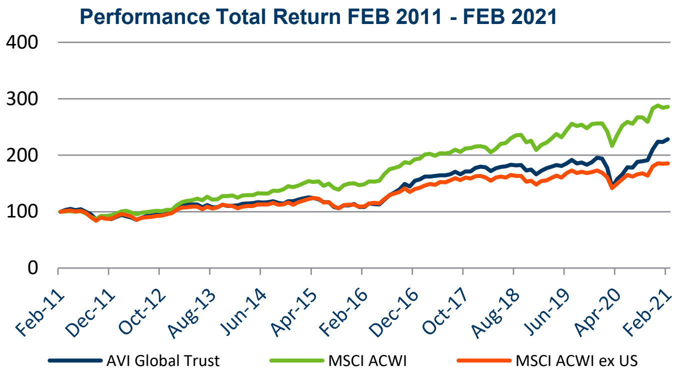
AGT has initiated a new position in Nintendo, the Japanese video game company, which we believe is undergoing an exciting business transformation that is underappreciated by the market.

Read more below

PERFORMANCE

(Figures to 28 February 2021)

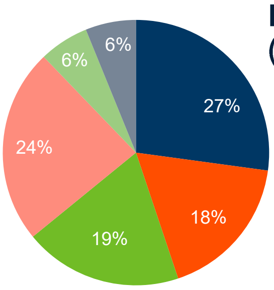
Share Price (pence)	871.0
NAV (pence)	972.0
Premium / (Discount)	-10.4%



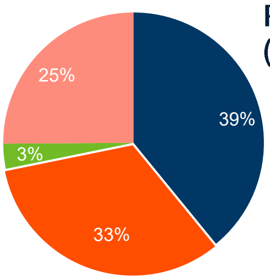
	Month	Fiscal Yr* to date	Calendar Yr to date
AGT NAV[1]	2.8%	20.4%	2.5%
MSCI ACWI Ex US[3]	0.2%	10.6%	-0.1%
MSCI ACWI[1]	0.5%	8.0%	-0.4%

THE FUND

Risk Region Breakdown# (% of net assets)



Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

Holding	%
Japan Special Situations**	14.3
Oakley Capital Investments	7.0
Pershing Square Holdings	6.2
Sony	5.5
Fondul Proprietatea	5.1
EXOR	5.0
Third Point Investors	4.9
KKR	4.2
Naspers	4.2
Christian Dior	3.5
TOTAL	59.9

#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 +2.8% in February. Returns were driven by a combination of underlying NAV growth and a tightening of the portfolio discount (32% to 31%), with sterling strength acting as a headwind. Significant contributors included SoftBank Group, KKR and Sony. Significant detractors included VNV Global, Kinnevik and Nintendo.

SoftBank Group

SoftBank's strong performance over the month (share price +22% in JPY) was driven primarily by a significant tightening in the discount. We initiated a position in SoftBank in February 2020 and added to the position at discounts in excess of 75% during the following month's market rout. Since that date, SoftBank has undertaken a series of transformative actions, including: (1) realising JPY5.5 trillion through asset sales; (2) conducting a JPY2.0 trillion NAV-accretive buyback, with plans for another JPY0.5 trillion; (3) reducing gearing; (4) improving corporate governance through the appointment of two new independent directors; and (5) enhancing transparency over the Vision Fund. Successful IPOs from the Vision Fund (notably Doordash and, after month-end, Korean e-commerce play Coupang) have boosted its track record and, arguably as importantly in terms of Softbank's discount, helped shift the narrative around the fund and management's investing prowess.

The market has reacted well to these actions, with SoftBank now trading on a discount of 27% to our estimated NAV (at the time of writing). Reflecting the tighter discount and associated reduced upside, and notwithstanding a long pipeline of prospective IPOs from the Vision Fund, we have reduced Softbank's weight in AGT by approximately half. To date, the investment has generated an IRR of +76% and a multiple on cost of 1.64x.

VNV Global

VNV's share price fell -6% in February following sharp gains over previous months, making it the single-largest detractor from returns. This was despite reports that key healthcare technology asset Babylon (55% of NAV using AVI's valuation) is exploring a US listing. In our view, Babylon is held at a conservative valuation in VNV's NAV, reflected in part by the shares trading at a premium to the last reported NAV. Our own estimate re-values Babylon using a basket of listed peer multiples and puts VNV on an estimated discount of almost 30%.

VNV had become an outsized position on the back of strong performance (up +67%) since our initial investment in Jun-20, and we recently reduced our investment to a size that better reflects some of the business execution and regulatory risks around Babylon.

Tilting the Portfolio

We talked in the latest Annual Report about how we took advantage of the March 2020 sell-off to 'tilt' the portfolio towards companies with robust, defensive earnings streams, strong balance sheets and high levels of cash flow generation. In other words, we shifted the portfolio towards higher quality companies with clear secular growth prospects and, as a consequence, away from more cyclical and economically sensitive stocks. This re-positioning of the portfolio put us in good stead, with many of these types of companies being strong drivers of AGT's returns in 2020.

Since the second half of 2020, we have been re-balancing AGT's exposure back towards cyclical and economically sensitive stocks, initiating positions in companies that we expect will benefit from a return to normality as economies re-open. These include companies such as Associated British Foods (the UK conglomerate that owns Primark), those operating in the London office and retail property and leisure markets (Capital & Counties, Secure Income REIT, Shaftesbury), Jardine Cycle & Carriage, and Berkshire Hathaway. These new positions build on the reflation beneficiaries we already had in the portfolio such as Aker, Exor and many of the small-cap names we hold in Japan.

Nintendo

AGT has initiated a new position in Nintendo, the Japanese listed video-game company. The investment thesis for Nintendo is predicated on its high-quality and unique IP (e.g. Super Mario, Pokémon), net cash and investments covering approximately a quarter of market cap, as well as a digital transformation of its business that reminds us strongly of Sony during the PlayStation 4 cycle. The insights garnered from our deep-dive research into Sony's gaming division allowed us to spot similarities between it and Nintendo's business, highlighting how insights in one area can be leveraged or ported over to another.

As a reminder, the video game business has historically been characterised by earnings cyclicality, with revenues and profits driven by the periodic release of new consoles. Sony transformed its own gaming business by introducing a subscription service, microtransactions, platform fees and streaming services, reducing reliance on hardware sales, and introducing higher-margin, recurring (sticky) revenue streams which are prized by the market for being stable and highly visible.

MANAGER'S COMMENT

In our view, Nintendo is at the beginning of a similar process. In 2020, management took large strides in shifting its videogame business towards an attractive, digitally focused model by introducing both subscription revenues and downloadable content onto the Switch platform. The pandemic served as a catalyst to move consumers online, making the digital subsegment the fastest growing part of Nintendo, now accounting for 42% of software sales and helping drive operating margins to 37% (+11% over last year). In addition to the digital transformation, Nintendo has the option to further monetise its world-class IP by expanding into new areas – for example, through opening its first-ever theme park and the release of a new Super Mario movie, slated for 2022.

Despite the deep moat given by IP and the ongoing transformation of the business, Nintendo trades at *c.* 10x operating profits, which we believe reflects fears that management will attempt to re-invent the wheel with each hardware cycle, meaning that profits will continue to be cyclical and the business will always be exposed to the risk of an unsuccessful console launch – for example, the introduction of the Wii (highly successful) and the Wii U (less successful). In our view, this risk is overstated, and we believe there is strong evidence to suggest that Nintendo is moving away from unpredictable hardware cycles, towards the Switch becoming the sole platform, upgraded each cycle, similar to the PlayStation. The release of the Switch Lite in 2019 and the upcoming release of the Switch Pro, with upgraded hardware, highlights Nintendo's desire to extend the Switch lifecycle, offering consumers a better experience on refreshed versions of the platform. Furthermore, the introduction of microtransactions, subscription services, and different price point consoles suggests that Nintendo is starting to build an ecosystem where consumers will store their Switch game data on the cloud and in turn, upgrade their console every few years.

We are excited about Nintendo as an investment opportunity and believe that it holds out the prospect of both significant earnings growth and valuation upside as the market comes to appreciate the new and improved business model.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	Percent of NAV
Softbank Group	79	2.9
KKR	57	4.2
Sony	36	5.5
Exor	30	5.0
Swire Pacific Ltd ‘B’	28	2.5

Largest Detractors	1-month contribution bps	Percent of NAV
VNV Global	-33	2.2
Kinnevik B	-25	3.0
Nintendo	-19	3.0
Japan Special Situations**	-16	14.3
Hipgnosis Songs	-11	1.9

	% 1 mo	% 1 yr	% 3 yr	% 5 yr	% 10 yr
Share Price (pence) TR[2]	1.9	28.0	28.5	118.9	122.4
Net Asset Value TR[1]	2.8	29.4	26.8	110.7	126.4
MSCI ACWI ex US TR[3]	0.2	15.3	15.5	69.5	85.4
MSCI ACWI TR[1]	0.5	19.0	32.2	93.9	171.6
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	11,133,152
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	£1.2bn.
Debt at fair value (gross)	£132.4m.
Gearing (net)[4]	7.7%

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 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

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