May 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

FEMSA

FEMSA owns Mexico's largest chain of convenience stores, with multiple exciting opportunities for further growth.

Read more below

Naspers

Naspers announced a restructuring plan aimed at tackling its and Prosus' persistently wide discounts. The deal has been met with some scepticism on the buy- and sell-side alike.

Read more below

Oakley Capital Investments

Oakley announces two new investments in a UK-based chain of high-quality nurseries, and a German provider of software solutions to SME ecommerce merchants.

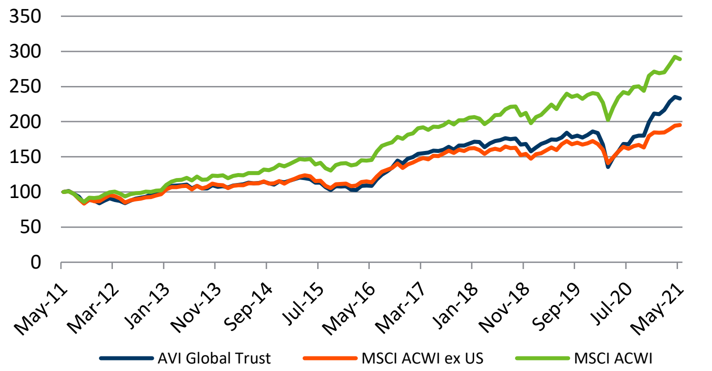
Read more below

PERFORMANCE

(Figures to 31 May 2021)

Share Price (pence)	975.0
NAV (pence)	1045.6
Premium / (Discount)	-6.7%

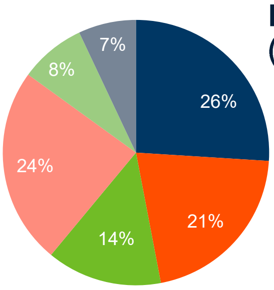
Performance Total Return MAY 2011- MAY 2021



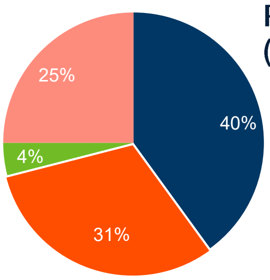
	Month	Fiscal Yr* to date	Calendar Yr to date
AGT NAV[1]	-0.9%	29.5%	10.2%
MSCI ACWI Ex US[3]	0.5%	16.9%	5.7%
MSCI ACWI[1]	-1.1%	15.6%	6.6%

THE FUND

Risk Region Breakdown# (% of net assets)



Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

Holding	%
Japan Special Situations**	14.6
Oakley Capital Investments	6.8
Third Point Investors	5.6
Pershing Square Holdings	5.3
EXOR	4.8
Sony	4.8
Fondul Proprietatea	4.6
Christian Dior	4.6
KKR	4.5
Nintendo	3.8
TOTAL	59.4

#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 declined -0.9% in May. Sterling strength was a headwind over the month, while a tightening of the portfolio discount (28% to 26%) provided a tailwind. Contributors included Oakley Capital Investments, Christian Dior, and Symphony International. Detractors included the Japan Special Situations basket, SoftBank, and Naspers.

FEMSA Share Price: +6% NAV: -2% Discount: 25%

We recently began to build a position in Fomento Económico Mexicano (FEMSA), a Mexican family-controlled holding company whose origins date back to the establishment of Mexico's first brewery in 1890. Today, FEMSA owns a diversified collection of businesses:

1. FEMSA Comercio (73% of NAV), an unlisted business which operates Oxxo-branded convenience stores, and other small-format retail stores, across Mexico and Latin America.
2. Listed stakes in Heineken (19%) and Coca-Cola FEMSA (12%), the world's largest Coca-Cola bottling business.
3. A collection of unlisted, smaller distribution and logistics businesses (6%).

It is FEMSA Comercio generally, and Oxxo specifically, in which we are most interested. A typical Oxxo store is approx. 100m^2 in size, selling a large range of high-frequency, low-cost items such as snacks, beer and cigarettes to customers who are principally motivated by convenience. The average cost of a new store is $130,000, which at maturity earns a 30% return on capital and has a payback period of just three years. Oxxo's management are expert operators of this model, with 20,000 stores open in Mexico (10x the second-largest player) and a new one (pre-COVID) opening every six hours. The runway for growth in both Mexico and, more recently, Brazil, is very long.

The Oxxo story is not just exciting for the roll-out potential, however. Every day, 1 in 10 Mexicans visit an Oxxo store, wherein, along with their usual daily purchases, they can avail of a host of additional services, such as bank deposits, remittances, e-commerce payments, and other financial services. Management has ambitions to grow this into a fully-fledged digital wallet, serving the needs of Mexico's large unbanked population and benefiting from the continued digitisation of the Mexican economy. While success is far from assured, FEMSA Comercio appears cheap "as is": we estimate that FEMSA's unlisted businesses trade at 10x EV/EBITDA (long-term average: 15x), so that in effect we are buying a free option on the digital initiatives.

Naspers Share Price: -8% NAV: -5% Discount: 54%

Naspers announced a restructuring plan aimed at tackling the discounts at both Naspers (54% discount) and Prosus (37%). By way of reminder, Naspers is a Johannesburg-listed company whose main asset is a 72% stake in Prosus; Prosus in turn is a company listed on Euronext, and its main asset is a 29% stake in Tencent, the Chinese tech conglomerate. The transaction involves Prosus offering to acquire 45% of Naspers by issuing 2.3 new Prosus shares per 1 Naspers share tendered.

The deal attempts to tackle two of the main reasons cited by management for Naspers' and Prosus' discounts:

1. Naspers' large weighting in the South African indices. Naspers accounts for 24% of the index, but most local investors are prevented from having more than 10% invested in a single company. The transaction would bring Naspers weight in the index to 15%, somewhat mitigating the issue.
2. Prosus' low free float. The deal increases the free float in Prosus from 27% to 43%, with the free-float market cap post transaction being €100 billion greater.

The deal has been met with scepticism from investors and sell-side analysts alike, as the resulting cross-shareholding – in which Naspers owns Prosus, and Prosus owns Naspers – adds another layer of complexity. In our view, the ideal outcome – an *in-specie* distribution of Prosus shares to Naspers shareholders – was always unlikely given that it would create a taxable event running to the tens of billions of euro. As such, the proposed transaction is an attempt to tackle the persistent discounts while avoiding the crystallisation of a significant tax liability.

We remain happy to hold Naspers at present, as we gain exposure to a global tech giant in Tencent at a look-through discount in excess of 50%. We also have the option to tender our Naspers shares for Prosus ones, which would allow us to capture the *c.* 7-8% discount at which Naspers trades to the offer price. We are watching events closely as the deal is by no means certain to complete at this point.

MANAGER'S COMMENT

Oakley Capital Investments Share Price: +6% NAV: -1% Discount: 18%

Oakley Capital Investments (OCI) was the largest contributor to returns over the month, primarily due to discount tightening. Post the month-end, OCI's share price has risen a further +9%. OCI reports on a biannual basis, meaning that the latest NAV was released in December 2020. We expect, given strong performance from private equity generally, and given the earnings growth generated by the portfolio specifically, that the June 2021 NAV will be higher; in other words, the discount to the "real" NAV is likely wider than headline figures (~11%) suggest.

At the start of June, OCI announced new investments in ICP Education (£27m investment, 4% of NAV) and Afterbuy/DreamRobot (£6m, 1%). ICP Education is a provider of high-quality nurseries to families in affluent parts of the UK, operating 44 nurseries serving 6,000 children. 98% of the nurseries have a "good" or "outstanding" rating with Ofsted, and our own scuttlebutt indicates an average score of 9.7 (out of 10) on the review website daynurseries.co.uk. Oakley estimates that there are 15,000 nurseries in the UK generating revenues of £6.7 billion, and growing at 4-5% annually as a result of increased female participation in the workforce and increasing awareness of the importance of early childhood education. The business model is resilient in recessions, and nurseries have some degree of control over pricing as parents are likely to prioritise location and quality of care. ICP will drive growth through a combination of organic sales growth, and a buy-and-build strategy in what is a highly fragmented market.

Afterbuy/DreamRobot are two separate companies in Germany, which will subsequently be combined into a single company, "ECOMMERCE ONE". Both companies provide a suite of SaaS solutions for small- and mid-sized merchants who sell their products through web shops and online marketplaces such as Amazon and eBay. The software allows users to manage processes such as multi-channel product listing, data collection, stock management, and provides an overview/control centre to monitor sales and transactions. This has all the attributes of a highly attractive technology investment: mission critical software, subscription-based revenues (often a small percentage of a merchant's overall costs), sold to a diverse customer base, leading to high levels of stable, recurring revenue and attractive margins. The growth strategy will be driven by more commerce moving online; up- and cross-selling to customers; and a buy-and-build strategy.

We continue to believe that Oakley's acquisition formula – often complex, generally entrepreneur-sourced deals in companies operating in sectors benefitting from secular tailwinds – is a winning one, and the position remains a core holding for AGT.

Japan Special Situations Share Price: -3% NAV: -1% Discount: 40%

The Japan Special Situations basket detracted -74bps from returns, driven by a decline in share prices and a weaker yen.

The annual AGM season promises to be interesting this year. To date, 18 companies have received shareholder proposals, three of which have come from AVI. We had originally targeted seven companies but withdrew proposals from four following announcements of improvements, including buybacks, board structure changes, and stock-based compensation schemes. This was encouraging, and highlighted the power of behind-the-scenes activism to effect change. For the three companies on which we have gone public – Tokyo Radiator, SK Kaken, and NS Solutions[1] – we remain confident that pressure from shareholders, both at the AGM and thereafter, will lead to management and directors making the needed improvements.

Any Other Business

We have fully exited the position in Kinnevik, as the shares traded at a large premium to NAV following the distribution of Zalando to shareholders.

Having re-initiated a position in January 2019, over the lifetime of its investment, AGT earned an IRR of +58% and an ROI of +70% (in GBP). Kinnevik was a classic AGT investment: high quality undervalued assets, managed by skilled and long-term orientated operators, trading at what was a very wide discount to NAV. AGT was aggressive in doubling down on its position during the COVID-19 sell-off at a ~30% discount to NAV, with these incremental purchases more than doubling our position. At the right valuation we would love to own Kinnevik once again.

Gearing has been reduced to 3% following the exit of the Kinnevik position, as well as the trimming/exit of other positions in the portfolio.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	Percent of NAV
Oakley Capital	38	6.8
Christian Dior	32	4.6
Symphony International Holdings	26	2.2
Fondul Proprietatea	23	4.6
Nintendo	19	3.8

Largest Detractors	1-month contribution bps	Percent of NAV
Japan Special Situations**	-76	14.6
Softbank Group	-49	2.1
Naspers	-26	2.0
Swire Pacific Ltd 'B'	-20	2.4
IAC/InterActive	-19	1.1

	% 1 mo	% 1 yr	% 3 yr	% 5 yr	% 10 yr
Share Price TR[2]	-2.9	53.0	39.6	133.8	132.8
Net Asset Value TR[1]	-0.9	48.3	35.1	114.3	133.0
MSCI ACWI ex US TR[3]	0.5	24.2	21.0	71.6	95.2
MSCI ACWI TR[1]	-1.1	23.4	38.2	98.7	189.1
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	11,441,330
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	£1.2bn.
Debt at fair value (gross)	£145m.
Gearing (net)[4]	2.8%

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, Bank of Kyoto, Hazama Ando, Keisei Electric Railway.
# 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