

July 2022

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

Christian Dior

Shares in CDI performed well as LVMH reported a strong set of results.

[Read more below](#)

FEMSA

We provide an update on FEMSA's recent share price weakness.

[Read more below](#)

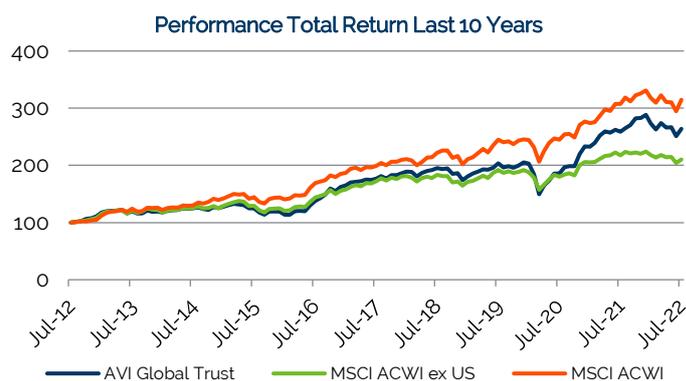
Trading activity

In July we started to build a number of smaller positions.

[Read more below](#)

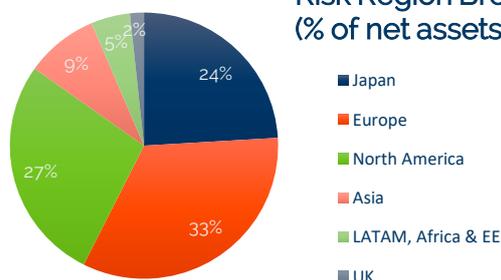
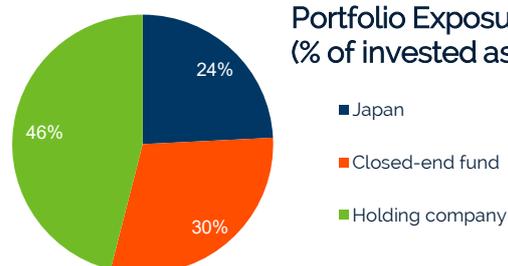
PERFORMANCE
(Figures to 31 July 2022)

Share Price (pence)	191.2
NAV (pence)	210.2
Premium / (Discount)	-9.0%



	Month	Fiscal Yr* to date	Calendar Yr to date
AGT NAV ¹	5.2%	-2.4%	-8.4%
MSCI ACWI Ex US ³	3.2%	-4.8%	-6.1%
MSCI ACWI ¹	6.8%	0.9%	-5.0%

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	%
Pershing Square Holdings	8.5
EXOR	6.9
Oakley Capital Investments	6.6
KKR	6.0
Third Point Investors Ltd/MF*	5.9
Aker ASA	5.8
Sony	5.2
Christian Dior	4.7
Wacom	3.5
Apollo Global Management	3.5
TOTAL	56.6

*Third Point includes combined holdings of Third Point Investors (3.1%) and Third Point Master Fund (2.8%)

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV increased by +5.2% in July.

Performance was broad-based as global markets rallied. The extent to which this is a relief rally or something more meaningful is yet to be seen. There are lots of reasons to think it is the former, but we remain open-minded.

Six companies - KKR, EXOR, Pershing Square Holdings, Oakley Capital Investments, Christian Dior and Apollo Global Management - all contributed between 55bps and 103bps. IAC, FEMSA and Third Point Investors were notable detractors.

Over the course of the month the portfolio weighted average discount narrowed slightly, from 34.1% to 33.2%.

Christian Dior ("CDI") was a meaningful contributor to returns during a period in which LVMH (100% of CDI NAV) reported a strong set of results for the first half of 2022. The shares and NAV returned +17% and +16% over the month, with a slight narrowing of the discount to 15%.

Even with a headwind of continued restrictions in China, the business is performing at a very high level. Sales were up +21% organically and operating profits increased by more than one third to €10.2bn - some +6% better than consensus analyst expectations. The all-important Fashion & Leather division - home to Louis Vuitton and Christian Dior - achieved a 41% operating margin, with profits well more than double their 2019 level. Management believe that a >40% margin is the "new normal" - with Christian Dior an increasingly integral part of this.

We have noted in the past that we expect "mega-brands" to outperform given the considerable scale advantages in luxury. Recent results seem to re-affirm this. We also note the recent proposal for Tods, the Italian-listed luxury shoemaker, to be taken private by the founder. Tods has more than tripled sales over the last twenty plus years as a public company, but profits have barely budged - highlighting how hard it is for small luxury goods companies to compete. Our expectation is that winners will continue to win, and that LVMH will continue to drive attractive returns.

Shares in LVMH are down -6% year to date, yet operational performance and the reporting of three sets of strong results have forced consensus expectations higher, with EBIT estimates for this year and the next two years increasing +16% / +14% / +18% year to date. The multiple has thereby compressed, with LVMH trading at an EV/EBIT multiple of 17.1x, back below its long-term average.

At 15% CDI's discount is slightly wider than where it started the year. Our expectation is that over time the Arnault family will collapse the structure, having taken numerous steps to simplify their group holding companies in recent years. As such we view the fair discount as zero. In the meantime, time is our friend as we expect the NAV to keep compounding at an attractive rate.

FEMSA:

FEMSA was a detractor as the shares declined -8% during a month in which the company launched a tender offer to acquire Swiss convenience store and food service operator Valora, for \$1.2bn in cash (3% of NAV). The market reacted negatively - with the shares down -12% in the three days following the announcement.

We share the markets' concerns and view the proposed acquisition as a frustrating unforced error, which complicates the equity story and as such the probable discount / stub multiple at which FEMSA will trade. From a returns perspective it also seems highly dubious that this is a better use of capital than buying back shares.

With that said, investing is an expectations game – not an academic exercise of absolutist judgements – and expectations are currently very low. In our view, the above concerns are more than reflected in the share price, with the stub trading under 6x forward EBITDA, a new low and a record (~60%) discount to Walmex.

Operational performance – which in the long-run should translate to shareholder returns – remains strong. Indeed, results at the end of July showed the Proximity Division (Oxxo) to be growing sales +18% organically, with +34% growth in operating profit as margins reached a new high for the second quarter (10.2%). Coupled with the upcoming completion of the strategic review, and the possibility of strategic or equity partnerships for Spin, their digital wallet, there are a number of potential catalysts to reset the narrative and drive the shares higher.

We modestly added to the position in July.

Trading activity:

Having reduced gearing during the second half of 2021 we have considerable firepower to invest in new and existing ideas. So far this year we have been cautious and patient in our approach, although in July we started to build a number of smaller positions.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% of NAV
KKR	103	6.0
EXOR	77	6.8
Pershing Square Holdings	75	8.5
Oakley Capital Investments	73	6.6
Christian Dior	60	4.7

Largest Detractors	1-month contribution bps	% of NAV
IAC/InterActiveCorp	-34	2.9
FEMSA	-30	3.5
Third Point Investors	-27	3.1
Swire Pacific Ltd 'B'	-24	-
Fondul Proprietatea	-14	0.5

	% 1 mo	% 1 yr	% 3 yr	% 5 yr	% 10 yr
Share Price TR ²	5.3	0.3	29.2	49.0	168.8
Net Asset Value TR ¹	5.2	2.1	29.8	49.3	164.0
MSCI ACWI ex US TR ³	3.2	-3.2	9.7	22.2	110.5
MSCI ACWI TR ¹	6.8	2.3	28.6	58.2	214.6
Fiscal Yr Net Returns (%)	2022	2021	2020	2019	2018
Price ¹	-4.7	40.3	2.0	-0.4	12.0
Net Asset Value ¹	-2.4	36.2	0.0	2.1	10.0
MSCI ACWI ex US ³	-4.8	18.8	-1.8	4.5	4.7
MSCI ACWI ¹	0.9	22.2	5.3	7.3	12.9

Capital Structure	
Ordinary Shares	546,285,117
Shares held in Treasury	45,600,956
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
1.38% Senior Unsecured Note 2032	¥8,000,000,000
Gross Assets/Gearing	
Gross Assets	£1.1bn
Debt at fair value (gross)	£126m
Gearing (net) ⁴	-0.8%

- 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.

All return figures in GBP. 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.

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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

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.