UPDATE

AVI Global Trust

September 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

Introduction

In FY22 AGT achieved a NAV total return of -7.3%, which compares to a -9.6% return for the MSCI AC World ex-US index.

Read more below

Aker

We provide an update on Aker, which we have added to on weakness.

Read more below

Schibsted

Over the last few months we have built a new position in Schibsted.

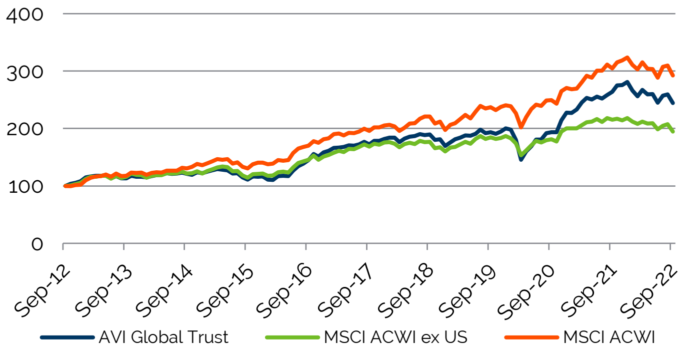
Read more below

PERFORMANCE

(Figures to 30 September 2022)

Share Price (pence)	179.0
NAV (pence)	199.8
Premium / (Discount)	-10.4%

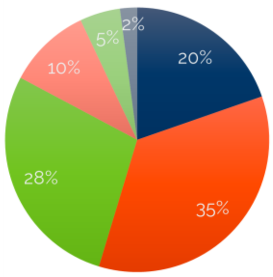
Performance Total Return Last 10 Years



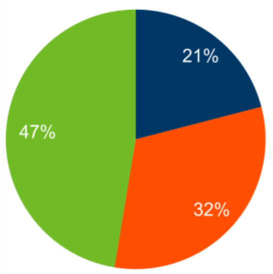
	Month	FY22	Calendar Yr to date
AGT NAV[1]	-5.6%	-7.3%	-13.0%
MSCI ACWI Ex US[3]	-6.2%	-9.6%	-10.8%
MSCI ACWI[1]	-5.7%	-4.2%	-9.8%

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	%
Pershing Square Holdings	9.0
EXOR	7.4
Aker ASA	7.2
Oakley Capital Investments	6.3
Third Point Investors Ltd / MF	5.8
KKR	5.5
Christian Dior	4.8
FEMSA	4.2
Godrej Industries	3.5
Apollo Global	3.4
TOTAL	57.1

'Third Point includes combined holdings of Third Point Investors (3.3%) and Third Point Master Fund (2.5%)

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV declined -5.6% in September.

It feels timely to remember the then-Chancellor Norman Lamont's description of Black Wednesday – which occurred 30 years ago last month – as "an extremely difficult and turbulent day".

Well, September was a difficult and turbulent month. The bear market rally of July has proved just that, as investors have re-awoken to the risks of a so-called "hard landing". In the UK, the new Chancellor's budget has proved anything but "mini", with extreme volatility in currency and gilt markets.

As bottom-up fundamental investors we remain focused on what we can control – the portfolio. Valuations are becoming increasingly attractive, with the portfolio weighted average discount moving from 34% to 38% over the last month. We remain nimble and able to take advantage of opportunities, one of which we describe below.

September marks the end of the of AGT's financial year. For FY22 AGT achieved a NAV total return of -7.3%, which compares to a -9.6% return for the MSCI AC World ex-US index, the comparator benchmark, and a -4.2% return for the broader MSCI AC World. The annual report is due to be published in early November, and the AGM will be held on the 20th of December.

Aker

Aker was the greatest detractor over the month, with both the shares and the NAV declining -10% in local currency terms (with the discount unchanged at 24%). The depreciation of the NOK against the Pound was a further headwind.

Having held Aker since 2008 we have written about the company extensively in previous newsletters and annual reports. In recent times much of this focus has been on Aker BP, which accounts for 60% of NAV, and the attractive long-term prospects for a well-managed low-cost- low-emission oil and gas company, with long-production growth runway in a world starved of capex.

We last wrote about this in May, since then Aker, Aker BP and the oil price have declined -21%, -22% and -23%, respectively. Fears of recessions in Europe and the US, and a slowing of the Chinse economy, have led to significant concerns about the demand outlook for oil. Meanwhile on the supply side Russian production has remained stubbornly high in the face of sanctions, and we have witnessed record drawings of US Strategic Petroleum Reserves. This led to a material set-back in oil prices. However, the long-term thesis of insufficient capital investment and production growth remain intact. It has been clear for some time that there is very limited spare capacity to absorb supply shocks, and that this would become more pronounced from October when US SPR draws were due to slow. In the past few days OPEC+ have announcement of a 2 million barrel production cut - an unprecedented step in one of the tightest markets in history. A few days ago one strategist wrote "*OPEC takes on the Fed*". Today the same strategist writes "*OPEC+ takes on the West (very bullish)*". We concur.

A long and deep recession would obviously alter the equation, but the case for higher prices seems convincing. This bodes well for Aker BP. Meanwhile a refocusing on energy security in Europe, and the long-term role of renewables, is an important mega trend for Aker Horizons (9% of NAV). Combined with Aker's 24% discount, the outlook appears attractive. We added to the position in Aker over the last month.

Schibsted

Over the last few months we have built a new position in Schibsted, a £3bn market cap Norwegian listed holding company offering exposure to high quality online classified ads businesses at a discounted valuation, with multiple potential corporate events to unlock value.

The origins of the company date back to Christian Schibsted establishing a publishing company in 1839, however the more modern history is defined by his great-grandson, Tinius Nagell-Erichsen, who built the business into a media conglomerate in the latter half of the 20th century, taking the business public in 1992.

From the turn of the millennium Schibsted have built and bought a collection of online classified ads businesses, which today account for 93% of portfolio value. This is spread across Schibsted's unlisted Nordic assets (54% of portfolio), and a stake in Adevinta (39% of portfolio) which they listed in 2019 as a vehicle to house their international classified ads businesses and pursue sector consolidation (which it has done via the acquisition of eBay's classified ads business for $9.2bn in 2020).

Such businesses exhibit winner takes most dynamics, with strong network effects whereby listing inventory and user traffic mutually reinforce one another. The dominant #1 player in a category becomes the reference point for individuals or businesses looking to buy and sell in that vertical. This integral position translates into high levels of pricing power and excellent financial profiles, with healthy organic growth rates, EBITDA margins of 40-60% and high free cash flow conversion.

Attune to these attractions we had monitored Schibsted from afar for a number of years. However, it took a more than 60% decline in the shares from the summer of 2021 to June 2022 to pique our interest. Both Schibsted and Adevinta have been caught in a perfect storm of earnings downgrades and multiple compression. On top of this, at the Schibsted level, investors have increasingly questioned capital allocation and the group structure.

Schibsted B shares – which we own – trade at a 45% discount to our estimated NAV. Ex-Adevinta the Stub trades at 5x forward EBITDA, with EBITDA expected to grow +14% p.a. 2022-24. This equates to an EV-EBITDA-Growth multiple of 0.4x, versus global classified peers at 1.4x and legacy media peers at 1.0x. Some discount is warranted given the group's conglomerate structure, but the current level appears unduly wide.

Management are acutely aware of Schibsted's undervaluation, and have bought shares in the open market, as has the controlling Tinius Trust. We believe a resolution of their stake in Adevinta is key to unlocking value and that the status quo will not persist in the medium term. An in-specie distribution of Adevinta to shareholders, or the sale of Schibsted's stake, most likely to a private equity buyer as part of a take-private transaction, are in our view potential outcomes that would unlock value. As well as this, there is potential further upside from a collapse of the A-B share class structure, and near-term non-core asset sales (such as Lendo).

Schibsted exhibits many of the traits we look for: high quality assets, discounted valuations, and potential events to unlock value. Prospective returns appear attractive.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% of NAV
EXOR	64	7.4
FEMSA	16	4.2
Fujitec	8	2.1
SK Kaken	5	1.3
Cannae Holdings	0	1.1

Largest Detractors	1-month contribution bps	% of NAV
Aker ASA	-113	7.2
Schibsted ASA	-77	3.3
Sony Group	-66	2.9
KKR	-65	5.5
Wacom	-57	3.3

	% 1 mo	% 1 yr	% 3 yr	% 5 yr	% 10 yr
Share Price TR[2]	-4.1	-10.8	27.6	42.3	154.8
Net Asset Value TR[1]	-5.6	-7.3	26.3	41.9	144.6
MSCI ACWI ex US TR[3]	-6.2	-9.6	5.4	15.4	94.5
MSCI ACWI TR[1]	-5.7	-4.2	23.3	49.4	192.1
Fiscal Yr Net Returns (%)	**2022**	**2021**	**2020**	**2019**	**2018**
Price[1]	-10.8	40.3	2.0	-0.4	12.0
Net Asset Value[1]	-7.3	36.2	0.0	2.1	10.0
MSCI ACWI ex US[3]	-9.6	18.8	-1.8	4.5	4.7
MSCI ACWI[1]	-4.2	22.2	5.3	7.3	12.9

Capital Structure	
Ordinary Shares	537,052,524
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)	£111m
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.

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