January 2023

**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

## HEADLINES

### A busy start to the year

We have added a number of new positions and boosted existing holdings.

Read more below

### Christian Dior

Christian Dior shares rose +16% in January.

Read more below

### Spectrum Brands Holdings

We provide an introduction to a new position.

Read more below

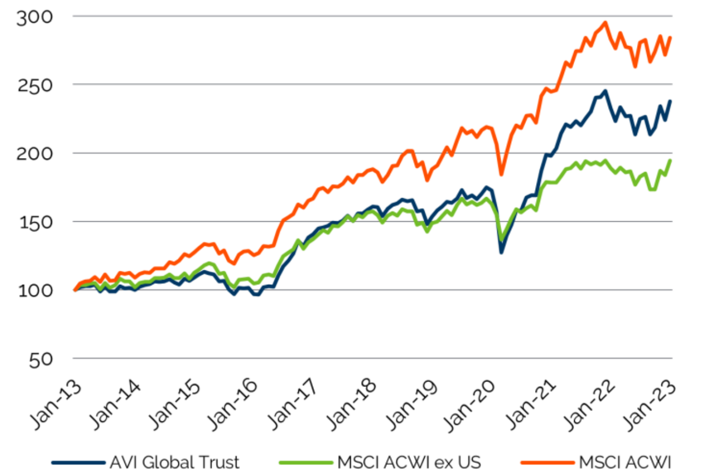
## THE FUND

(Figures to 31 January 2023)

| Share Price (pence) | NAV (pence) | Prem./Disc. |
|---|---|---|
| 199.4 | 220.1 | -9.4% |

| Total Return (£) | Month | CYTD | 1Y | 5Y | 10Y |
|---|---|---|---|---|---|
| AGT NAV | 6.0% | 6.0% | 2.2% | 47.7% | 137.6% |
| MSCI ACWI ex US | 5.6% | 5.6% | 2.8% | 23.6% | 94.3% |
| MSCI ACWI | 4.7% | 4.7% | 0.3% | 51.2% | 184.3% |

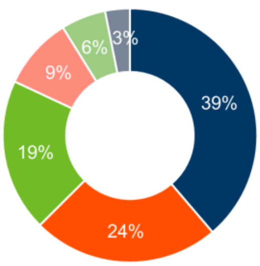
NAV Total Return (£)



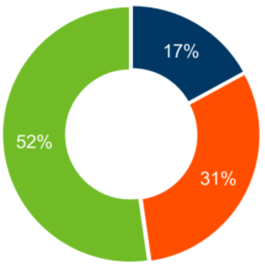

## PORTFOLIO

(Holdings to 31 January 2023)

### Look-Through Geographic Exposure (% of portfolio)




### Portfolio Exposure (% of portfolio)




### Top Ten Equity Holdings

| Holding | % |
|---|---|
| Oakley Capital Investments | 8.2 |
| Schibsted ASA 'B' | 7.6 |
| Aker ASA | 6.6 |
| EXOR | 6.4 |
| Pershing Square Holdings | 6.1 |
| KKR | 5.9 |
| Christian Dior | 5.9 |
| Brookfield Corporation | 5.3 |
| FEMSA | 4.9 |
| Apollo Global | 4.3 |
| TOTAL | 61.2 |

MANAGER'S COMMENT

**AVI Global Trust (AGT)'s NAV increased by +6.0% in January.**

Markets have been ebullient, with the MSCI AC World index up +6.5% (in local currency) following a weak December and painful 2022. Every man and his dog knows that there's lots to worry about – from continued monetary policy tightening, to deteriorating consumer balance sheets and risks to corporate earnings. This, however, is how markets operate: they climb the wall of worry and dumbfound consensus opinion.

The consensus worries might well be right, and certainly the risks appear finely balanced, but markets are forward looking and can move higher despite this. That is not to say we are out of the woods yet – we are not - simply that the macroeconomic and broader market outlook remains deeply unclear, with a number of crosscurrents. As such we try to not let it impact our investment decisions – which are formed from the bottom up.

In this regard, it has been a busy start to the year for us at AVI, with a number of new positions having been added to the portfolio, and several existing positions boosted. The opportunity set is rich and varied. We have added materially to Spectrum Brand Holdings (now 3.1% of NAV), on which we elaborate below. We also continued to add to Nihon Kohden, the Japanese medical equipment company (3.6%) and built a basket of Japanese regional banks (2.4%), the share prices of which are yet to reflect the changing Japanese monetary policy environment. As well as this, we have increased our positions in Oakley Capital (7.9%) and Schibsted (7.6%) such that they are now the two largest positions. As such, for the first time in over a year, we have deployed a more substantial portion of our borrowings, with net gearing standing at 5.8% at the end of January. Whilst recognising that the future will be volatile and unpredictable, we feel selectively optimistic.

## Christian Dior

Christian Dior ("CDI") was one of the strongest performers over the month, contributing +85bps to returns. The shares rose +16% - slightly behind the NAV (which rose +18%) - and as such the discount widened modestly from 13% to 15%.

The proximate cause for CDI's outperformance was China, with luxury goods companies key beneficiaries of the rapid re-opening of the economy and abandonment of zero-COVID policies. Industry analysts at Bain estimate that China's re-opening will see the global luxury industry grow at +6-8% in 2023, versus prior estimates of +3-5%. On a recent earnings call alongside LVMH's full year results – published at the end of January - Mr. Arnault struck a similarly optimistic tone, declaring "we have every reason to be confident, indeed optimistic on China", with "quite spectacular" signs of things to come from Macau, where Chinese tourists can now travel.

In terms of LVMH's Q4/FY results, the business remains in rude health with Q4 sales organic growth of +9% well ahead of consensus. On the other hand, operating profit and margins were weaker than expected with much higher than anticipated marketing expenditure. Whilst interpreted as a negative by some, we believe this speaks to both LVMH's strength and the why mega-brands are likely to continue outperforming, with significant scale advantages in an industry with high fixed costs. In the short-term mega-brands go through periods where they underearn as spending runs far above "inflation opex", but in the long run the brand equity is increased and growth extended. Smaller mono-brands simply cannot compete with this, with our estimates indicating that Louis Vuitton's incremental opex in 2022 is of a similar magnitude to a smaller mono-brand's entire budget. If it is artistic creativity and a certain *je ne sais quoi* that creates brand strength, it is investment in the brand that maintains it.

As such we see LVMH as well placed to keep compounding earnings and driving NAV growth. On top of this there is further upside if and when the family decide to simplify the group structure.

## Spectrum Brands Holdings

During the period we continued to boost our position in Spectrum Brands Holdings ("Spectrum Brands") – a US conglomerate where the protracted sale of its locks business to Assa Abloy has led the market to apply a punitively low value on its remaining businesses, the most attractive of which is a US pet chews business.

Over the last five years the company has taken considerable steps to simplify its strategy, selling non-core assets and focusing on its Pet Care and Homes & Gardens businesses. The most significant part of this process came in September 2021, with an agreement to sell their Hardware & Home Improvement division to Assa Abloy for an enterprise value of $4.3bn – which sent Spectrum Brands shares >$100.

However, shortly thereafter the Department of Justice ("DOJ") opposed the case on anti-trust grounds with the shares falling some ~60% from their highs, allowing us to initiate a toe-hold position at $44 in the Autumn of 2022. Frustratingly, before we had fully built the position, Assa Abloy announced material concessions in the form of planned divestures which have increased the likelihood of the deal passing, sending Spectrum Brands shares +27% in one day. We have subsequently fully built the position with the shares in the low $60s.

Our thesis is simple: in a scenario where the deal goes through the shares are still far too cheap (trading at an implied 7x EBITDA vs. peers at 10-13x), and in a scenario where the deal is blocked there was a long-list of other potential buyers and a break fee payable equating to 13% of Spectrum Brand's market cap.

So where are we now? The ball is currently in the DOJ's court, with an announcement as to whether they will pursue litigation or accept Assa Abloy's remedies, due imminently. Failing an agreement at this stage, the case will move to trial in April, with a scheduled June completion.

Our base case is that this proceeds to court and that the deal ultimately gets approved. If approved, net proceeds of $3.5bn equate to 126% and 61% of Spectrum Brand's market cap and enterprise value, allowing the company to de-lever and return capital to shareholders through buybacks. Our estimates suggest they will have enough capital to buyback 45% of their outstanding shares at these levels, with current authorisation for 28%. A multiple of 10x EBITDA – in-line with closest peer Central Garden & Pet Company – yields a share price of $90 and +32% upside from here.

# STATISTICS

## Contributors / Detractors (in GBP)

| Largest Contributors | 1-month contribution bps | % Weight |
|---|---|---|
| KKR | 94 | 5.9 |
| Christian Dior | 85 | 5.9 |
| Schibsted ASA | 84 | 7.6 |
| Oakley Capital Investments | 62 | 8.2 |
| Brookfield/Short SPY | 53 | 5.3 |

| Largest Detractors | 1-month contribution bps | % Weight |
|---|---|---|
| Aker ASA | -27 | 6.6 |
| Symphony International Holdings | -17 | 2.7 |
| Third Point Investors/MF | -14 | 4.2 |
| D'Ieteren | -7 | 2.3 |
| VEF | -6 | 0.4 |

## Fund Facts

| | |
|---|---|
| Investment Manager Tenure | 38 Years |
| Net Assets | £1,066.7m |
| Investment Manager | Asset Value Investors Limited |
| AGT Shares owned by the Manager** | 1,972,675 |
| Shareholder Services | Link Asset Services |
| Management Fee** | 0.7% up to £1bn of assets, 0.6% > £1bn |
| Website | www.agt.co.uk |
| Ticker Code | AGT.LN |
| ISIN | GB00BLH3CY60 |

| Total Returns (£%) | 1m | 1y | 3y | 5y | 10y |
|---|---|---|---|---|---|
| Share Price TR[2] | 5.5 | -0.1 | 38.0 | 49.3 | 139.6 |
| Net Asset Value TR[1] | 6.0 | 2.2 | 37.6 | 47.7 | 137.6 |
| MSCI ACWI ex US TR[3] | 5.6 | 2.8 | 19.2 | 23.6 | 94.3 |
| MSCI ACWI TR[1] | 4.7 | 0.3 | 30.5 | 51.2 | 184.3 |
| **FY Total Returns (£%)** | **2023** | **2022** | **2021** | **2020** | **2019** |
| Price[1] | 12.6 | -9.4 | 41.4 | 1.1 | 0.0 |
| Net Asset Value[1] | 11.3 | -7.3 | 36.2 | 0.0 | 2.1 |
| MSCI ACWI ex US[3] | 12.0 | -9.6 | 18.8 | -1.8 | 4.5 |
| MSCI ACWI[1] | 6.7 | -4.2 | 22.2 | 5.3 | 7.3 |

| Capital Structure | |
|---|---|
| Ordinary Shares | 530,169,082 |
| 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 2023 | ¥8,000,000,000 |
| LIBOR + 0.75% Revolving Credit Facility | ¥4,000,000,000 |
| **Gross Assets/Gearing** | |
| Gross Assets | £1,204.1m. |
| Debt at fair value (gross) | £137.4m. |
| Gearing (net)[4] | 5.8% |

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.
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.
** Shares owned by AVI Ltd & AVI Employees

All return figures in GBP.

**Investment Manager – Joe Bauernfreund**

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The share price can be found in The Financial Times.
ISIN: GB00BLH3CY60 Trading as: AGT:LN

*Information may be found on the following websites:*
*www.aviglobal.co.uk*
*www.assetvalueinvestors.com*