AVI Global Trust PLC - AGT Annual Financial Report
Released 07:00 12-Nov-2019

RNS Number : 0384T
AVI Global Trust PLC
12 November 2019

AVI GLOBAL TRUST PLC

('AGT' or the 'Company')

LEI: 213800QUODCLWWRVI968

Annual Financial Report for the year ended 30 September 2019

A copy of the Company's Annual Report for the year ended 30 September 2019 will shortly be available to view and download from the Company's website, https://www.aviglobal.co.uk. Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

Copies of the Annual Report will be sent to shareholders shortly. Additional copies may be obtained from the Corporate Secretary, Link Company Matters Limited, on 01392 477500.

The Annual General Meeting ('AGM') of the Company will be held on 19 December 2019 at 11:00am at 11 Cavendish Square, London, W1G 0AN.

The Directors have proposed the payment of a final dividend of 14.50p per Ordinary Share which, if approved by shareholders at the forthcoming AGM, will be payable on 6 January 2020 to shareholders whose names appear on the register at the close of business on 6 December 2019 (ex-dividend 5 December 2019).

The following text is copied from the Annual Report and Accounts:

STRATEGIC REPORT

COMPANY PURPOSE

The Company is an investment trust. Its investment objective is to achieve capital growth through a focused portfolio of mainly listed investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value.

BUSINESS MODEL

Strategy

Our strategy is to seek out-of-favour companies whose assets are misunderstood by the market or under-researched, and which trade significantly below their intrinsic value. Often, we engage actively with management in order to provide suggestions for improvements that we believe could help narrow the discount or improve operations, thus releasing value for shareholders.

Investment Approach

As an investment trust, the Company's most important relationship is with the Investment Manager.

The Company's assets are managed by Asset Value Investors Limited ('AVI'). AVI aims to deliver superior returns and specialises in finding companies that for a number of reasons may be selling on anomalous valuations.

The Investment Manager has the flexibility to invest around the world and is not constrained by any fixed geographic or sector weightings. No more than 10% of the Company's investments may be in unlisted securities. AVI's investment philosophy is described in more detail below and the Company's Investment Policy is set out below.

KEY PERFORMANCE INDICATORS ('KPIs')

The Company uses KPIs as an effective measurement of the development, performance or position of the Company's business, in order to set and measure performance reliably. These are net asset value total return, discount to net asset value and ongoing charges.

DISCOUNT*

30 September 2019	30 September 2018
10.9%	8.5%

NAV TOTAL RETURNS TO 30 SEPTEMBER 2019*

1 Year	10 Years (Annualised)
2.1%	8.3%

ONGOING CHARGES RATIO*

2019	2018
0.85%	0.87%

OTHER KEY STATISTICS

NET ASSET VALUE PER SHARE*

30 September 2019	30 September 2018
852.61p	841.95p

NUMBER OF INVESTMENTS
43
(of which 18 are held in Japanese Special Situations)

TOP TEN INVESTMENTS REPRESENT
49.0%
of portfolio*

ESTIMATED PERCENTAGE ADDED TO NET ASSET VALUE PER SHARE FROM BUYBACKS

2019	2018
0.1%	0.4%

* For definitions, see Glossary below.

COMPANY PERFORMANCE

Financial Highlights
- Net asset value ('NAV') per share on a total return basis increased by 2.1%
- Final dividend increased 14.50p and total dividend increased by 26.9% to 16.50p
- Share price total return of -0.4%

Performance Summary

	30 September 2019	30 September 2018
Net asset value per share (total return) for the year[1]*	**2.1%**	10.0%
Share price total return for the year*	**-0.4%**	12.0%
Discount*		
Share Price Discount (difference between share price and net asset value)[2]	**-10.9%**	-8.5%

	Year to 30 September 2019	Year to 30 September 2018
Earnings and Dividends		
Investment income	**£26.21m**	£22.64m
Revenue earnings per share	**19.08p**	14.83p
Capital earnings per share	**2.82p**	58.72p
Total earnings per share	**21.90p**	73.55p
Ordinary dividends per share	**16.50p**	13.00p
Ongoing Charges Ratio*		
Management, marketing and other expenses (as a percentage of average shareholders' funds)	**0.85%**	0.87%
Comparator Benchmark†*		
MSCI All Country World ex-US Index (£ adjusted total return*)	**4.5%**	4.7%
2019 Year's Highs/Lows	High	Low
Net asset value per share	**878.26p**	738.71p
Net asset value per share (debt at fair value)	**867.39p**	731.27p
Share price (mid market)	**781.00p**	660.00p

[1] As per guidelines issued by the AIC, performance is calculated using net asset values per share inclusive of accrued income and debt marked to fair value.

[2] As per guidelines issued by the AIC, the discount is calculated using the net asset value per share inclusive of accrued income and debt marked to fair value.

Buybacks
During the year, the Company purchased 1,718,823 Ordinary Shares, all of which were placed into treasury, at a cost of £12.6m. On 11 September 2019, the Company cancelled 13,523,032 of the shares held in treasury.

*** Alternative Performance Measures**
For all Alternative Performance Measures included in this Strategic Report, please see definitions in the Glossary below.

† During the year, your Company switched to the net version of the MSCI All Country World ex-US Index, which accounts for withholding taxes incurred. If the gross version of the Index had been used, the comparative figures for the years ending 30 September 2019 and 30 September 2018 would have been 0.9% and 0.5% higher, respectively. Further detail can be found in the Chairman's Statement below.

CHAIRMAN'S STATEMENT

Overview of the Year
The financial year to September 2019 was a challenging period and our investments were buffeted by the effects of the US-China trade war, unrest in Hong Kong, slowing global economic growth and the fear of recession. Closer to home, the continuing uncertainty over Brexit has affected the economy and the stock market. The shares hit a low point on Christmas Eve before staging a substantial recovery in the first quarter of 2019. Overall, the recovery continued into the second half of our financial year, albeit again with some volatility, and we ended the financial year with the NAV total return showing a modest gain over 12 months.

Our managers were able to deliver a positive overall return over the year in difficult markets and despite some severe headwinds. The key message, which is described in more detail in the Investment Manager's Review, is that underlying value in the portfolio has increased noticeably while share prices overall have not kept pace. In particular, the strategic move into Japan in recent years has built a store of value, while in other parts of the world we have experienced some notable successes this year. Your Board spends a large part of its time reviewing investments with the Investment Manager and we remain encouraged by the continuing focus on fundamental value.

In this year's Annual Report, recognising that this is an important topic for many investors, we have expanded the description of our approach to Environmental, Social and Governance ('ESG') factors.

As a Board we strive to be transparent and we have decided that henceforth we will report performance compared with the version of our benchmark index which accounts for any tax which cannot be reclaimed. Shareholders should be aware that our Investment Manager's investment process is not influenced by the composition of the benchmark index as they focus on the prospects for individual companies and the value in the share price. The effect of the change is minor, and is explained further above.

Our Investment Manager is obliged under the current regulatory regime to produce a set of statistics and a Key Information Document ('KID'). Others have written extensively on the subject and our trade body, the AIC, issued a document on the subject of KIDs entitled "Burn Before Reading". We have a particular issue in that to the extent that the portfolio is invested in other investment companies, the Investment Manager is obliged to add the running costs of those companies when reporting our own running costs. In our view, this amounts to unequal treatment as, for example, we do not have to report head office costs of conglomerates or property companies. As a Board, we believe that the way costs are restated impacts the marketing of the Company and puts us at a disadvantage compared with many other investment companies. While we are naturally in favour of full transparency of costs, we do not believe that this was the outcome which the regulation was designed to produce.

Income and Dividend
Our revenues were very strong this year, particularly in the second half of the accounting year. As a consequence, we have been able to increase total dividends for the year by 26.9%.

The Board has elected to propose a final dividend of 14.5p per share for the year. If approved by shareholders at the Annual General Meeting, the total dividends for the accounting year including the interim dividend of 2.0p per share already paid will be 16.5p per share. It is the Board's intention to rebalance the dividend payments by increasing the next interim dividend and potentially reducing the next final dividend.

The Company has either maintained or increased its total annual dividends for the past 30 years, and expects to continue to do so in the future. As I have stated previously, the Company's primary objective is to seek returns which may come from any combination of increases in the value of underlying investments, a narrowing of discounts to underlying asset value and distributions by investee companies. We do not set an income target for our Investment Manager as this could unnecessarily constrain their freedom to act.

Debt Structure and Gearing
Your Board regularly reviews the funding structure of the Company and in recent years we introduced long-term Sterling and Euro debt at what we considered to be attractive interest rates. We also consider shorter-term debt to be more flexible and we announced in April 2019 that the Company had entered into an agreement with Scotiabank Europe PLC for a Japanese Yen 4.0bn revolving credit facility for a period of three years. The facility was equivalent to £27.7m on that date.

The facility was drawn down in full and funds were partly used in a refinancing exercise to repay the Company's £15m 81/8% Debenture Stock, with the balance deployed by the Investment Manager in further investments in Japanese equities. The Debenture Stock was due to mature in 2023 and the total cost of redeeming this debt early was £19.9m including accrued interest. While the cost of redemption initially reduced the NAV per share by 0.1% (or 0.8p per share) with debt at fair value, the refinancing exercise is expected to reduce the total annual interest by approximately £930,000 (or 0.8p per share), based on current short-term interest rates for the revolving credit facility.

Following the refinancing exercise, the Company's weighted average interest on all borrowings reduced to 2.9%, compared with 4.3% before the refinancing. Borrowing in Japanese Yen also provides a natural hedge against exchange rate fluctuations for our Japanese investments, as does borrowing in Euros when matched with European investments.

During the year, we also cancelled 13.5m shares held in treasury.

Discount
Your Board continues to believe that it is in the best interests of shareholders to use share buybacks with the intention of limiting any volatility in the discount. During the accounting year under review, some 1.7m shares were bought back, and this had a small beneficial effect on NAV per share for continuing shareholders. We intervened when the Board believed that the discount was unnaturally wide and intend to continue to follow this approach.

Board
The Board regularly discusses the skills and experience which Directors bring to the Company and we have a long-term plan for orderly succession which naturally evolves over time.

Steven Bates duly retired as a Director following the Annual General Meeting on 19 December 2018, having served for 12 years.

Graham Kitchen was appointed as a Director with effect from 1 January 2019. Graham was Global Head of Equities at Janus Henderson Investors until March 2018, having joined in 2005. Prior to that, he held senior positions in fund management at Threadneedle Investments and Invesco as a UK Fund Manager. Graham is a non-executive director of the Mercantile Investment Trust plc and of Invesco Perpetual Select Trust plc. He also provides investment advice to a small number of charities.

Company Name
The Board regularly reviews feedback both from existing shareholders and those who may buy shares in the future. After lengthy consideration of a number of alternatives, the Board decided to change the name of the Company to AVI Global Trust plc in May 2019.

Over its long history, the Company's name has made reference to the scope of its investment mandate, having launched in July 1889 as the Transvaal Mortgage, Loan & Finance Company Limited, and being renamed on three occasions since then as it has evolved. Over the past 30 years, the Company has developed a global reach and the new name, we believe, more accurately reflects where we invest and how the assets are managed. An investment trust's "customers" are, in effect, its shareholders, and this initiative was driven by a desire both to have a name which more accurately reflects what we do and better to appeal to new investors.

Outlook
The challenges which I set out above continue unabated. The macroeconomic situation remains difficult. The trade war between the US and China is affecting economic growth in both countries and, by extension, the rest of the world's economy and equity markets. Political tension remains high, not least in Europe. At the time of writing, the UK is dealing with an uncertain outcome of the Brexit process and now also an unscheduled general election. While most of your Company's assets are located overseas and so the direct effect of political uncertainty in the UK is limited largely to exchange rate volatility, we are acutely aware of the risks of investing in such a difficult environment.

It is important that the Investment Manager looks through the background turbulence and seeks to make money for our shareholders by finding and exploiting good value. As set out in the Investment Manager's Review, we have not been immune to circumstances this year, but the level of value in the portfolio does appear to us exceptional. This value ranges from discounted investments in many well-known companies to the particular opportunity which a changing approach to corporate governance in Japan presents. In addition, the Investment Manager has increased the level of cash in the portfolio, which is being carefully deployed into increasing stakes in existing investments and new opportunities. Your Board believes that the store of value in the portfolio provides both some security in challenging times and the opportunity for attractive returns over the longer term.

Susan Noble
Chairman
11 November 2019

KEY PERFORMANCE INDICATORS
The Company's Board of Directors meets regularly and at each meeting reviews performance against a number of key measures.

In selecting these measures, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company.

*NAV total return**

	1 Year	10 Years (Annualised)
Company	**2.1%**	**8.3%**

The Directors regard the Company's NAV total return as being the overall measure of value delivered to shareholders over the long term. Total return reflects both the net asset value growth of the Company and also dividends paid to shareholders. The Investment Manager's investment style is such that performance is likely to deviate materially from that of any broadly based equity index. The Board considers the most useful comparator to be the MSCI All Country World ex-US Index. As explained above, the Board has decided to use the net version of this Index, which accounts for withholding taxes. Over the past year, the benchmark has increased by 4.5% on a total return basis and over ten years it has increased by 7.2% on an annualised total return basis.

A full description of performance and the investment portfolio is contained in the Investment Review, below.

*Discount**

Year end	30 September 2019	30 September 2018
	10.9%	8.5%
High for the year	**11.2%**	11.7%
Low for the year	**7.2%**	6.8%

The Board believes that an important driver of an investment trust's discount or premium over the long term is investment performance. However, there can be volatility in the discount or premium. Therefore, the Board seeks shareholder approval each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium.

During the year under review, no new shares were issued and 1.7m shares were bought back and placed into treasury, adding an estimated 0.1% to net asset value per share to the benefit of continuing shareholders. The shares were bought back at a weighted average discount of 9.7%. On 11 September 2019, the Company cancelled 13,523,032 of the shares held in treasury.

*Ongoing charges**

Year ended 30 September 2019	Year ended 30 September 2018
0.85%	0.87%

The Board continues to be conscious of expenses and works hard and aims to maintain a sensible balance between good service and costs.

In reviewing charges, the Board's Management Engagement Committee reviews in detail each year the costs incurred and ongoing commercial arrangements with each of the Company's key suppliers. The majority of the ongoing charges ratio is the cost of the fees paid to the Investment Manager. This fee is reviewed annually and the Board believes that the cost is reasonable, given the Investment Manager's active approach to fund management and the resources required to provide the level of service.

For the year ended 30 September 2019, the ongoing charges ratio was 0.85%, down slightly from the previous year.

* For definitions, see Glossary below.

Principal Risks

When considering the total return of the investments, the Board must also take account of the risk which has been taken in order to achieve that return. There are many ways of measuring investment risk, and the Board takes the view that understanding and managing risk is much more important than setting any numerical target.

In running an investment trust we face different types of risk and some are more "acceptable" than others. The Board believes that shareholders should understand that, by investing in a portfolio of equity investments invested internationally and with some gearing, they accept that there may be some loss in value, particularly in the short term. That loss in value may come from market movements and/or from movements in the value of the particular investments in our portfolio. We aim to keep the risk of loss under this particular heading within sensible limits, as described below. On the contrary, we have no tolerance for the risk of loss due to theft or fraud.

The Board looks at risk from many different angles, an overview of which is set out below. The Directors carry out robust and regular assessments of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and did so during the year under review. The approach to monitoring and controlling risk is not rigid. The Board aims to think not only about the risks that it is aware of and has documented, but also of emerging and evolving risks. The Board does not believe that managing risk is solely the job of someone assigned to the task but that of everyone involved in the management of the Company: the Board, the Investment Manager, the Administrators and other service providers all have a role in thinking about risk and challenging perceptions. The objective of these assessments is not to be prescriptive, but to understand levels of risk and how they have changed over time. The purpose of this focus is to ensure that the returns earned are commensurate with the risks assumed.

The Board has assessed the risks which the Company faces under a number of headings. A summary of the key risks and mitigating actions are set out in the table below. Shareholders should be aware that no assessment of this nature can be guaranteed to predict all possible risks; the objective is to assess the risks and determine mitigating actions.

Risk Area	Risk Tolerance and Mitigating Actions
Loss of value in the portfolio The market or the Company's portfolio could suffer a prolonged downturn in performance. There will be periods when the investment strategy underperforms in comparison to its benchmark and its peer group and, potentially, when it results in a decline in value. The net asset value will be affected by general market conditions which in turn can be affected by extraneous events such as the US-China trade war, the protests in Hong Kong and Brexit.	The Board accepts that there is a risk of loss of value by investing in listed equities, particularly in the short term. The Board monitors performance at each Board meeting, and reviews the investment process thoroughly at least annually. The Investment Manager has a clear investment strategy, as set out below. Conventional wisdom holds that the most effective way of reducing risk is to hold a diversified portfolio of assets. The Company typically holds 25-35 core positions. It is important to note that, in line with its investment objective, the Company's holdings are mostly in stocks which are themselves owners of multiple underlying businesses. Thus, the portfolio is much more diversified on a look-through basis than if it were invested in companies with a single line of business. This diversification is evident at country, sector and currency levels. A key element of the Investment Manager's approach is to consider the way in which the portfolio is balanced and to ensure that it does not become overly dependent on one business area, country or investment theme. The Company, through the Investment Manager's compliance function and the Administrator's independent checks, has a robust system for ensuring compliance with the investment mandate.
Gearing The use of gearing makes investment returns more volatile and exacerbates the effect of any fall in portfolio value. There are covenants attached to the Loan Notes and bank debt; in extreme market conditions, these could be breached and require early repayment, which could be expensive.	The Board decided to take on borrowing because it believes that the Investment Manager will produce investment returns which are higher than the cost of debt over the medium to long term, and, therefore, that shareholders will benefit from gearing. In taking on debt, we recognise that higher levels of gearing produce higher risk. While gearing should enhance investment performance over the long term, it will exacerbate any decline in asset value in the short term. It is possible (but, on the basis of past returns, it is considered unlikely) that the investment returns will not match the borrowing cost over time, and therefore the gearing will be dilutive. The Board manages this risk by setting its gearing at a prudent level. The covenants are set at levels with substantial headroom. In common with other investment trusts, we also mark the value of debt to its estimated fair value, which makes the value ascribed to the debt subject to changes in interest rates and so makes our published NAV per share more volatile than would otherwise be the case. However, if we continue with the debt to maturity, it will be repaid at its par value, notwithstanding any changes in fair value over its life. The value of the Euro tranche of the Loan Notes and the Japanese Yen loan will fluctuate with currency movements and, if the exchange rate of those currencies relative to Sterling increases, then in isolation this will have the effect of reducing NAV per share. However, we also have assets denominated in Euros and Japanese Yen which will increase in value in Sterling terms if the exchange rates increase and so this should offset ("naturally hedge") the debt position.
Foreign exchange The portfolio has investments in a number of countries and there is a risk that the value of local currencies may decline in value relative to Sterling.	Foreign exchange risk is an integral part of a portfolio which is invested across a range of currencies. This risk is managed by the Investment Manager mainly by way of portfolio diversification, but the Investment Manager may, with Board approval, hedge currency risk.

	The Company did not engage in any currency hedging during the year under review and has not done so in recent years. However, as described above, borrowing in foreign currencies provides a natural hedge against currency risk in situations where the Company holds investments denominated in the borrowed currency. As at 30 September 2019, the Company had EUR50m of borrowing and investments denominated in Euros whose value exceeded that of this borrowing. Furthermore, the Company had JPY4,000m of borrowing and investments denominated in Japanese Yen whose value exceeded that of this borrowing.
Liquidity of investments While the investment portfolio is made up predominantly of liquid investments, there is a possibility that individual investments may prove difficult to sell at short notice.	The Investment Manager takes account of liquidity when making investments and monitors the liquidity of holdings as part of its continuing management of the portfolio. The liquidity of holdings is monitored and reported at regular Board meetings. It is important to note that the potential for the return of capital from investee companies by means of special dividends and the partial or full redemption of shares is a key element of the Investment Manager's strategy, and so trading on a stock exchange is not the only source of liquidity in the portfolio.
Key staff Management of the Company's investment portfolio and other support functions rely on a small number of key staff.	The Investment Manager and key suppliers have staff retention policies and contingency plans. The Board's Management Engagement Committee reviews all of its key suppliers at least once per year.
Discount rating The shares of investment trusts frequently trade at a discount to their published net asset value. The value of the Company's shares will additionally be subject to the interaction of supply and demand, prevailing net asset values and the general perceptions of investors. The share price will accordingly be subject to unpredictable fluctuations and the Company cannot guarantee that the share price will appreciate in value. The Company may become unattractive to investors, leading to pressure on the share price and discount. This may be due to any of a variety of factors, including investment performance or regulatory change.	Any company's share price is affected by supply and demand for its shares and fluctuations in share price are a risk inherent in investing in the Company. In seeking to mitigate the discount, the Board looks at both supply and demand for the Company's shares. The Board seeks to manage the risk of any widening of the discount by regularly reviewing the level of discount at which the Company's shares trade. If necessary and appropriate, the Board may seek to limit any significant widening through measured buybacks of shares. The Investment Manager, supported by the Company, has a comprehensive marketing, investor relations and public relations programme which seeks to inform both existing and potential investors of the attractions of the Company and the investment approach.
Failed trades The portfolio has investments in a number of jurisdictions around the world and there is a risk of portfolio trades failing and/or of loss of assets.	The Board has zero tolerance to the loss of assets due to failed trades, theft or fraud. The Investment Manager and Administrator have comprehensive systems in place for executing and settling transactions and for ensuring that the assets are kept safe. The Company uses a leading global custodian bank to safeguard its assets and receives regular, comprehensive reports from the Custodian. In addition, the Depositary provides further independent oversight of the protection of the Company's assets.
Tax reclaims The portfolio has investments in a number of countries where systems for reclaiming tax are prolonged.	The Board has instructed the Company's suppliers to ensure that they take all reasonable steps to ensure that reclaims of tax are expedited. The Investment Manager has a process, overseen by the Audit Committee, to ensure that tax is reclaimed in an efficient and timely manner, working with the Custodian and, where appropriate, other agencies. In recent years, the Investment Manager, working closely with the Custodian, has been successful in substantially reducing the amount of overseas withholding tax which had been claimed but not yet received.
Outsourcing The Company outsources all of its key functions to third parties, in particular the Investment Manager, and any control failures or gaps in the systems and services provided by third parties could result in a financial loss or damage to the Company.	The Board insists that all of its suppliers (and, in particular, the Investment Manager, the Custodian, the Depositary and the Administrator) have effective control systems which are regularly reviewed. The Board assesses thoroughly the risks inherent in any change of supplier, including the internal controls of any new supplier.

The principal financial risks are examined in more detail in note 14 to the financial statements.

Environmental, Social and Governance ('ESG') Issues
Both the Board and AVI recognise that social, human rights, community, governance and environmental issues have an effect on its investee companies.

The Board supports AVI in its belief that good corporate governance will help to deliver sustainable long-term shareholder value. AVI is an investment management firm that invests on behalf of its clients and its primary duty is to produce returns for its clients. AVI seeks to exercise the rights and responsibilities attached to owning equity securities in line with its investment strategy. A key component of AVI's investment strategy is to understand and engage with the management of public companies. AVI's Stewardship Policy recognises that shareholder value can be enhanced and sustained through the good stewardship of executives and boards. It therefore follows that in pursuing shareholder value AVI will implement its investment strategy through proxy voting and active engagement with management and boards.

The Company is an investment trust and so its own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions-producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

The Company has no employees. The Directors are satisfied that, to the best of their knowledge, the Company's principal suppliers comply with the provisions of the UK Modern Slavery Act 2015.

The Directors do not have service contracts. There are five Directors, three male and two female. Further information on the Board's policy on recruitment of new Directors is contained in the full Annual Report.

AVI'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

Factor	Relevant Aspect	Boundaries or Tools for Implementation
Governance	Good governance has always been at the core	AVI's strategy includes an active approach to

	of AVI's investment approach. The two areas of focus are: • How managers and directors guide a business. • The set of rules that describe the company's governing mechanisms.	governance and accountability which includes the following: • Voting at AGMs. • Letters to boards requesting change. • A dialogue with management and boards about governance issues.
Social	We try to understand the social system that an investee company operates within. The areas of focus are: • How the stakeholder relationships co-exist. • Employment related matters in terms of incentives.	As a minority shareholder, AVI will advise and guide its portfolio companies. Areas of focus include: • Discussions on unequal relationships with different stakeholders. • How employees and management incentives are organised.
Environmental	As a responsible owner, AVI fully supports policies and actions implemented by its portfolio companies to support a sustainable environment.	Our influence is limited as AVI is not involved in the day to day activities of its portfolio companies. However, we look to understand a company's stewardship of the environment to ensure that there are no egregious practices.

AVI's engagement in any one of these aspects will vary depending on the type of portfolio company (i.e. family-backed holding company, closed-end fund, or asset-backed company).

AVI's full ESG Policy can be found at **www.aviglobal.co.uk**

Future Strategy
The Board and the Investment Manager have long believed in their focus on investment in high-quality undervalued assets and that, over time, this style of investment has been well rewarded.

The Company's overall future performance will, *inter alia*, be affected by: the Investment Manager's decisions; investee companies' earnings, corporate activity, dividends and asset values; and by stock market movements globally. Stock markets are themselves affected by a number of factors, including: economic conditions; central bank and other policymakers' decisions; political and regulatory issues; and currency movements.

The Company's performance relative to its peer group and benchmark will depend on the Investment Manager's ability to allocate the Company's assets effectively, and manage its liquidity or gearing appropriately. More specifically, the Company's performance will be affected by the movements in the share prices of its investee companies in comparison to their own net asset values.

The overall strategy remains unchanged.

Approval of Strategic Report
The Strategic Report has been approved by the Board and is signed on its behalf by:

Susan Noble
Chairman
11 November 2019

TEN LARGEST EQUITY INVESTMENTS

The top ten equity investments make up 49% of the portfolio*, with underlying businesses spread across a diverse range of sectors and regions.

All discounts are estimated by AVI at 30 September 2019, based on AVI's estimate of each company's net asset value.

* For definitions, see Glossary below.

1. **PERSHING SQUARE HOLDINGS**
   Nature of business: Closed-end Fund
   Valuation: £92.7m
   % of portfolio: 9.2%
   Discount: -27.3%

   A Euronext-listed closed-end fund managed by a high-profile activist manager. The fund owns a concentrated portfolio of quality US companies. Pershing trades on a 27% discount to NAV, which we regard as unsustainably wide for a portfolio of large-cap, liquid securities, particularly given the manager's activist strategy.

2. **OAKLEY CAPITAL INVESTMENTS**
   Nature of business: Closed-end Fund
   Valuation : £54.4m
   % of portfolio: 5.4%
   Discount : -29.3%

   A London-listed fund which invests in the private funds run by Oakley Capital, a UK-based private equity firm. Oakley owns a portfolio of fast-growing businesses in the consumer, education and TMT sectors. Its process focuses on complex deals (e.g. carve-outs), which avoids the auction process, sourced by a network of entrepreneurs who believe in the Oakley philosophy. We believe the discount will narrow as Oakley continues to generate NAV outperformance and adopts improved standards of corporate governance.

3. **THIRD POINT OFFSHORE INVESTORS**
   Nature of business: Closed-end Fund
   Valuation : £49.8m
   % of portfolio: 4.9%
   Discount : -17.9%

   A London-listed closed-end fund run by well-known activist Daniel Loeb. The fund invests in both long and short equity and credit, with a long equity bias. The fund trades on a discount of 18%, which we view as unsustainably wide given Loeb's reputation as an activist investor.

4. **SONY CORP**
   Nature of business: Asset-backed Company
   Valuation : £48.9m
   % of portfolio: 4.8%
   Discount : -36.3%

   A Japanese holding company with four "crown-jewel" businesses: Gaming, Music, Pictures and Images & Sensors. Despite these attractive businesses, Sony trades on a discount of 36% to our estimate of NAV. We believe this reflects the complexity of the conglomerate structure, which obscures the value on offer and creates misconceptions. There are several ways to unlock this value and tighten the discount to NAV.

5. **EXOR**
   Nature of business: Family-backed Holding Company
   Valuation: £46.1m
   % of portfolio: 4.5%
   Discount: -31.4%

   EXOR is an Italian-listed holding company run by the Agnelli family, which traces its roots back to the formation of FIAT in 1899. It has exposure to four main assets, three of which are listed: Fiat Chrysler Automobile, Ferrari and CNH Industrial, and one unlisted: PartnerRe. The Agnelli family has a strong history of value creation and, by aligning your capital with theirs, we believe there is a good prospect of achieving outsized returns.

6. **EUROCASTLE INVESTMENT**
Nature of business: Closed-end Fund
Valuation: £43.0m
% of portfolio: 4.2%
Discount: -9.7%

A Euronext-listed closed-end fund whose main assets include a portfolio of Italian non-performing loans ('NPLs') and doValue, an Italian third-party servicer of NPLs. We see multiple layers of value in Eurocastle Investment, including a 10% discount to NAV, a cheap valuation for doValue, and a conservative discount rate used to value the portfolio of NPLs.

7. **JARDINE STRATEGIC**
Nature of business: Family-backed Holding Company
Valuation: £41.4m
% of portfolio: 4.1%
Discount: -39.7%

An Asian holding company which holds interests in Jardine Matheson, Hongkong Land, Jardine Cycle & Carriage, Dairy Farm and Mandarin Oriental by way of a cross shareholding between Jardine Matheson and Jardine Strategic. The group structure, which is controlled by the Keswick family, provides broad exposure to Asian businesses at an attractive discount to the value of their listed underlying holdings.

8. **FONDUL PROPRIETATEA**
Nature of business: Closed-end Fund
Valuation: £40.9m
% of portfolio: 4.0%
Discount: -24.5%

A Bucharest- and London-listed closed-end fund originally set up to provide restitution to Romanian citizens whose property was seized by the Romanian Communist government. Fondul provides exposure to some of Romania's most attractive utility and infrastructure assets, including Hidroelectrica, ENEL's Romanian distribution subsidiaries, Bucharest Airport and OMV Petrom. The fund pays an 8% dividend yield and offers the potential for several corporate events to unlock value and help narrow the 24% discount.

9. **SYMPHONY INTERNATIONAL**
Nature of business: Closed-end Fund
Valuation: £39.8m
% of portfolio: 3.9%
Discount: -40.8%

A London-listed closed-end fund whose main assets include a stake in Minor International, a Thai group focused on hotels, restaurants and retail; a joint venture that owns a bank of land in Bangkok; and a stake in Christian Liaigre, a luxury furniture retailer. The 41% discount is extraordinarily wide for a London-listed closed-end fund and we believe several options exist to tighten it.

10. **TETRAGON FINANCIAL**
Nature of business: Closed-end Fund
Valuation: £39.6m
% of portfolio: 3.9%
Discount: -46.2%

A Euronext- and London-listed closed-end fund investing in a multi-asset portfolio with exposure to CLO equity, hedge funds and real estate. Tetragon wholly owns, or has substantial stakes in, the asset managers that manage its portfolio, and the ultimate IPO of this asset management business is likely to release some of the value found in the company's 46% discount to NAV.

INVESTMENT PORTFOLIO
AT 30 SEPTEMBER 2019

Company	Nature of business	% of investee company#	IRR (%, GBP)[1]	ROI (%, GBP)[2]	Cost £'000[3]	**Equity exposure[4] £'000**	Equity exposure % of portfolio#
Pershing Square Holdings (total)^	Closed-end Fund	2.7%	18.7%	37.8%+	70,667	**92,710**	9.2%
Pershing Square Holdings (equity position)	*Closed-end Fund*	*1.6%*	*n/a*	*27.1%+*	*40,108*	***55,333***	*5.5%*
Pershing Square Holdings (long swap position)#	*Closed-end Fund*	*1.1%*	*n/a*	*10.7%+*	*30,559*	***37,377***	*3.7%*
Oakley Capital Investments	Closed-end Fund	11.9%	26.1%	35.3%	41,217	**54,410**	5.4%
Third Point Offshore Investors	Closed-end Fund	9.2%	6.4%	12.8%	45,523	**49,842**	4.9%
Sony Corp	Asset-backed Company	0.1%	53.3%	11.6%	43,778	**48,897**	4.8%
EXOR	Family-backed Holding Company	0.4%	14.3%	35.0%	33,912	**46,072**	4.6%
Eurocastle Investment	Closed-end Fund	15.1%	25.3%	10.1%	42,156	**42,969**	4.2%
Jardine Strategic	Family-backed Holding Company	0.2%	-2.0%	-3.6%	47,736	**41,446**	4.1%
Fondul Proprietatea	Closed-end Fund	2.8%	20.1%	63.4%	28,299	**40,878**	4.0%
Symphony International Holdings	Closed-end Fund	15.7%	14.1%	64.1%	26,636	**39,800**	3.9%
Tetragon Financial	Closed-end Fund	2.8%	9.7%	26.2%	35,939	**39,551**	3.9%
Top ten investments					**415,863**	**496,575**	**49.0%**
JPEL Private Equity	Closed-end Fund	18.4%	23.4%	74.5%	20,472	**38,480**	3.8%
Swire Pacific 'B'	Family-backed Holding Company	2.1%	1.7%	4.3%	40,329	**36,909**	3.7%
Kinnevik 'B'	Family-backed Holding Company	0.6%	17.5%	8.6%	31,745	**34,181**	3.4%
Cosan Ltd	Family-backed Holding Company	2.1%	31.3%	56.2%	18,625	**33,734**	3.3%
Tokyo Broadcasting System	Asset-backed Company	1.4%	-1.7%	-3.2%	35,560	**32,028**	3.2%
Pargesa	Family-backed Holding Company	0.6%	12.0%	41.6%	20,418	**27,539**	2.7%
Wendel	Family-backed Holding Company	0.5%	15.6%	47.0%	20,877	**27,488**	2.7%
Riverstone Energy	Closed-end Fund	5.1%	-13.7%	-37.0%	38,369	**23,988**	2.4%
Investor AB 'A'	Family-backed Holding Company	0.1%	13.9%	109.2%	6,663	**22,171**	2.2%

Pasona Group*	Asset-backed Company	3.6%	18.9%	17.5%	15,476	**17,587**	1.7%
Top twenty investments					**664,397**	**790,680**	**78.1%**
Fujitec*	Asset-backed Company	1.7%	1.5%	1.6%	16,147	**15,937**	1.6%
Aker ASA	Family-backed Holding Company	0.5%	18.1%	145.2%	8,290	**15,924**	1.6%
Vietnam Phoenix Fund 'C'	Closed-end Fund	32.0%	14.3%	37.4%	16,060	**15,490**	1.5%
Godrej Industries	Family-backed Holding Company	0.9%	-32.4%	-15.6%	17,106	**14,378**	1.4%
GP Investments	Closed-end Fund	11.2%	-4.0%	-12.6%	16,162	**14,185**	1.4%
Kato Sangyo*	Asset-backed Company	1.4%	2.1%	3.8%	13,639	**13,823**	1.4%
Kanaden*	Asset-backed Company	4.8%	3.4%	4.9%	12,901	**13,108**	1.3%
SK Kaken	Asset-backed Company	1.2%	-6.5%	-6.3%	13,705	**12,705**	1.2%
Daiwa Industries*	Asset-backed Company	2.7%	-0.4%	-0.6%	12,126	**11,566**	1.1%
Toshiba Plant Systems*	Asset-backed Company	0.9%	9.4%	10.0%	10,364	**11,280**	1.1%
Top thirty investments					**800,897**	**929,076**	**91.7%**
Teikoku Sen-I*	Asset-backed Company	3.0%	-7.3%	-6.9%	12,040	**11,054**	1.1%
Toagosei*	Asset-backed Company	0.8%	18.7%	9.7%	9,161	**9,907**	1.0%
Digital Garage*	Asset-backed Company	0.8%	56.6%	23.7%	8,176	**9,845**	1.0%
Nishimatsuya Chain*	Asset-backed Company	1.9%	-8.8%	-16.3%	11,609	**9,343**	0.9%
Nuflare Technology*	Asset-backed Company	1.3%	62.0%	34.3%	6,684	**8,847**	0.9%
Tachi-S*	Asset-backed Company	2.5%	-13.5%	-22.4%	11,276	**8,547**	0.8%
Konishi*	Asset-backed Company	1.7%	-6.3%	-3.3%	8,163	**7,831**	0.8%
Sekisui Jushi*	Asset-backed Company	1.0%	15.4%	13.2%	6,432	**7,198**	0.7%
Better Capital (2009)	Closed-end Fund	2.1%	24.6%	47.7%	1,962	**2,982**	0.3%
Nakano Corporation*	Asset-backed Company	2.1%	-8.9%	-16.1%	3,199	**2,535**	0.2%
Top forty investments					**879,599**	**1,007,165**	**99.4%**
Mitsuboshi Belting*	Asset-backed Company	0.3%	-9.9%	-6.7%	1,691	**1,230**	0.1%
Ashmore Global Opportunities - GBP	Closed-end Fund	12.5%	3.5%	6.9%	846	**1,066**	0.1%
Nissan Shatai*	Asset-backed Company	0.1%	-2.9%	-4.1%	844	**740**	0.1%
Total long equity exposure					**882,980**	**1,010,201**	**99.7%**
Pershing Square Holdings Hedges°							
Total return swap# - long positions					Included in ^ above		
Total return swap# - short positions			n/a	-26.1%	(21,493)	**(29,034)**	-2.8%
Total net equity exposure					**861,487**	**981,167**	**96.9%**
Other net assets and liabilities						**31,703**	**3.1%**
Total assets less current liabilities						**1,012,870**	**100.0%**

* Constituent of Japanese Special Situations basket.

1 Internal Rate of Return. Calculated from inception of AVI Global's investment. Refer to Glossary below.

2 Return on investment. Calculated from inception of AVI Global's investment. Refer to Glossary below.

3 Cost (refer to Glossary below) plus notional cost of long and short swap positions.

4 Notional current equity value of investments and swaps.

^ Pershing Square Holdings' notional equity exposure includes investment in equity shares and long swap position. For further information, refer below.

\+ The ROI for Pershing Square Holdings does not include any contribution from the associated short total return swap positions.

° Value of Pershing Square Holdings hedged by shorting a pro rata amount of underlying holdings in Berkshire Hathaway, Chipotle Mexican Grill, Howard Hughes, Hilton Worldwide Holdings, Lowe's Companies, Restaurant Brands International and Starbucks.

\# For definitions, refer to Glossary below.

INVESTMENT MANAGER'S REVIEW

ABOUT ASSET VALUE INVESTORS

Our Edge

Asset Value Investors specialises in finding securities which have been overlooked or under-researched by other investors. Investments that for one reason or another are priced below their true value but can be made into profitable performers. AVI believes its strategy and investment style differentiate it from other managers in the market because of the following:

1. 34 years' experience of long-term outperformance following our distinctive investment style (annualised NAV total returns of 11.7% since 1985*).
2. AVI actively looks for the catalyst within a company which will narrow the discount.
3. AVI promotes active involvement to improve corporate governance and to unlock potential shareholder value.

* Refer to Glossary below

The aim of AVI is to deliver superior investment returns. AVI specialises in investing in securities that for a number of reasons may be selling on anomalous valuations.

Our focus on buying high-quality businesses trading at wide discounts to their net asset value has served us well over the long term. There are periods of time, however, when our style is out of favour and the types of companies in which we invest are ignored by the broader market. This requires us to be patient and to remain true to our style, so that when other investors begin to appreciate the value in those companies, we are well placed to benefit. In the short term, this means that there could be some volatility in our returns. However, we are confident that we own high-quality businesses, which are trading on cheap valuations.

Members of the investment team at AVI invest their own money in funds which they manage. As at 30 September 2019, AVI's investment team owned 220,031 shares in AVI Global Trust plc.

OVERVIEW OF AVI'S INVESTMENT PHILOSOPHY

Introduction to the strategy

Asset Value Investors invests in overlooked and under-researched companies, which own quality assets, and trade at discounts to NAV. This philosophy leads us to invest in family-controlled holding companies, closed-end funds and special situations which, currently, we find in the theme of Japanese cash-rich operating companies.

Our research process involves conducting detailed fundamental research in order to: (a) understand the drivers of NAV growth; and (b) assess the catalysts for a narrowing discount. We often engage actively with management in order to provide suggestions for improvements that we believe could help narrow the discount or improve operations.

Family-backed holding companies

When we consider a holding company as an investment, we seek several characteristics. The first is a high-quality portfolio of listed and/or unlisted businesses with the potential for sustained, above-average, long-term growth. Many of the underlying companies that we have exposure to are world-famous brands, and include: Ferrari, Pernod Ricard, Adidas, EQT, AstraZeneca, Mandarin Oriental, Cathay Pacific, Bureau Veritas, Zalando and many more.

Secondly, we look for the presence of a controlling family or shareholder with a strong track record of capital allocation and returns in excess of broader equity markets. Long-term shareholders provide strategic vision; many of our holding companies have been family-controlled for generations. This combination of attractive, quality assets managed by long-term capital allocators creates the potential for superior NAV growth.

Finally, we invest at a discount to NAV, preferably with a catalyst in place to narrow the discount. This provides an additional source of returns. We estimate that historically about three-quarters of our returns from holding company investments have come from NAV growth and one-quarter from discount tightening.

Closed-end funds

The universe of listed closed-end funds is a rich and diverse one, with almost 300 investable funds in London alone, of which approximately 200 are trading at a discount.

Similar to holding companies, we look for certain qualities when we consider a closed-end fund investment. Most importantly, we look for portfolios of high-quality assets (both listed and unlisted) with good growth potential. Our portfolio of closed-end funds gives us exposure to many quality companies, such as Chipotle Mexican Grill, Starbucks, Hilton Worldwide, Time Out, North Sails, Nestlé and Minor International.

We also focus to a great extent on the discount to NAV at which the closed-end fund trades. In a nuanced distinction from holding companies, we usually insist on a high probability of the discount narrowing or vanishing entirely before we will consider making an investment. In accordance with this, our stakes in closed-end funds are larger, and we engage with management, boards and other shareholders to enact policies to help narrow discounts and boost shareholder returns. Historically, our portfolio of closed-end funds has generated half of its returns from discount narrowing.

Japanese cash-rich operating companies

This portion of the portfolio is currently invested in 18 Japanese operating companies which have, on average, 91% of their market value in cash and listed securities.

Japanese companies have a reputation for overcapitalised balance sheets, but we believe that the winds of change are blowing in Japan. The Japanese government has been championing efforts to improve corporate governance and enhance balance-sheet efficiency, and this programme is beginning to have an effect. Major pension funds have signed up to a new Stewardship Code, boards of directors are guided by the principles of an updated Corporate Governance Code, and there is an identifiable uptick in the presence of activist investors on Japanese share registers.

We can see evidence of this change in increasing payout ratios, buybacks, and more independent directors. We believe that this basket of stocks stands to benefit from this powerful trend, and that the market will assign a much higher multiple to these companies if it reassesses the probability of the excess cash and securities being returned to shareholders. We are active in pursuing this outcome, and engage continuously with the boards and management of our holdings to argue for a satisfactory outcome for all stakeholders.

The focus is on quality, cash-generative businesses with low valuations (our current portfolio trades on just 3x EV/EBIT). These are the sorts of businesses that one should be happy to own; as such, we can afford to take a long-term view on our holdings as we engage with boards and management to create value for all stakeholders.

Summary

Our strategy centres upon investing in companies which own diversified portfolios of high-quality assets. In each case, we have sought to invest in companies where the market has misunderstood or overlooked the value on offer, and where our analysis shows that there is a reasonable prospect of this being corrected.

The historic returns from this strategy have been strong and came from a combination of discount narrowing and NAV growth.

PERFORMANCE REVIEW

The past 12 months have been challenging for investors to navigate. We have had to endure the market correction of the last quarter of 2018, the US-China trade war, fears of a slowdown in global economic growth, unrest in Hong Kong and, here in the UK, the ongoing Brexit saga. To varying degrees, these have all had an impact on your Company's portfolio as well as broad market performance.

The +2.1% total return achieved over the past 12 months compares to a return of +4.5% in the Company's benchmark index, the MSCI All Country World ex-US Index (all in GBP). Returns amongst most developed markets have been relatively muted over the period: Europe, the UK and Japan managed low-single-digit total returns in GBP terms, whilst the S&P 500 returned almost 10% (total return, GBP) - respectable compared to the rest but lower than recent years.

The broad theme that has been playing on investors' minds over the period has been the growing uncertainty about the future growth of the world economy and hence the likely direction of company profits. In recent months, with the yield curve inversion in the US (i.e. long-term interest rates are now lower than short-term ones, indicating that the bond market thinks a recession is imminent), fears of an impending recession have been on the rise. The ongoing trade dispute between the US and China has increased the likelihood of a global recession and appears to already have had an impact on company performance in certain areas. Investors have become fixated on central bank policy, which has spun 180 degrees during the 12-month period. The growing conclusion is that zero/negative interest rates are here to stay. Investors seem unsure whether this will be enough to push already elevated valuations in certain areas of the market to ever-higher levels.

Japan has been an area that continues to be unloved by international investors and a market that has suffered from the negative sentiment pervading markets. It is seen as a play on global growth and particularly so for the small-cap universe. We remain optimistic about the opportunities in Japan. Indeed, your Company's exposure to Japan increased from 20% to 27% over the past 12 months. Notwithstanding this, the summer months have proven to be extremely challenging for the Japanese market. Valuations of many Japanese companies have fallen to distressed levels, with some having cash covering almost their entire market capitalisation.

In addition to a backdrop of slowing global growth, localised events have also had an impact on markets. The greatest of these have been the protests in Hong Kong over the summer, which raised the prospect of China interfering more in the territory's affairs. Your Company's exposure to Jardine Strategic and Swire Pacific was detrimental to returns over the summer, as their share prices suffered from the increased risk premium demanded for Hong Kong-exposed companies.

Sterling has continued to be volatile, with the broad trend over the past 12 months being one of weakness. Your Company has very little by way of direct exposure to the UK and very limited exposure to Sterling; thus, the weakness has made a positive contribution to returns over the past 12 months.

The upshot of these muted returns has been ever-more-attractive fundamental valuations. And this is what we would expect to occur at times when the future is most uncertain. In turn, this is the time when we can find the best opportunities to deliver strong long-term growth. The weighted average discount on your Company's portfolio stands at 33% today. This is remarkably wide. One year ago it was 30%. Over the past 20 years it has been as narrow as 12% and as wide as 39%. That the level observed today is close to that during the 2009 financial crisis is remarkable, and reflects the continued lack of interest in our areas of focus. Investors are missing out on very attractive opportunities.

The companies we are exposed to through under-researched holding structures, comprise a group of attractive, high-quality and well-known names, as can be seen above. We hold those companies at an average discount of 33% compared to what investors are paying for them directly. So, although the future path of global growth remains clouded - and we are by no means complacent about that fact - we believe that our portfolio is well positioned to withstand the uncertain future.

The combination of strong balance sheets, high-quality businesses and attractive fundamental valuations is a compelling mix. The uncertain future will undoubtedly create volatility - and it is our intention to take advantage of this. During the past 12 months, your Company's portfolio has seen some strongly performing investments, as well as some weak performances. Overall, we have been encouraged by the level of NAV growth in your portfolio, although particular pain has been felt at our holding in Riverstone Energy where the NAV has fallen sharply along with the US Exploration &Production sector. Riverstone Energy, has also suffered from a widening discount, as has our other oil-related holding, Aker, where the discount has widened from 14% to 26%. As previously mentioned, Jardine Strategic and Swire Pacific - the two Hong Kong-exposed investments - have also been detractors, with falling NAVs compounded by widening discounts.

On the other side of the equation, we have seen strong performance from Cosan Ltd, Pershing Square and Fondul Proprietatea, all of which registered excellent NAV growth in the past year.

We have taken some profits in stronger performers as they have become less cheap, and added to names where we believe weakness and volatility present an opportunity. We expect to continue to do this as the market grapples with the challenges lying ahead. In anticipation of this, utilisation of the debt facilities has declined over the past few months and, as at the time of writing, we have cash available for investment of £53m.

Below, we provide more detail key on investments and a number of other significant contributors and detractors to performance over the past 12 months.

Look-Through Country Exposure

	2019	2018
	%	%
United Kingdom	**1.0**	0.9
North America	**17.0**	24.3
Europe	**28.2**	27.8
Asia	**17.7**	17.9
Japan	**26.2**	18.6
Latin America, Africa & Emerging Europe	**9.9**	10.5

Based on location of companies' underlying assets, rather than country of listing.

Equity Portfolio Value By Market Capitalisation

	2019	2018
	%	%
<£1 billion	**46.1**	41.8
>£1 billion - <£5 billion	**28.5**	39.5
>£5 billion - <£10 billion	**6.1**	-
>£10 billion	**19.3**	18.7

Portfolio Value By Sector

	2019	2018
	%	%
Closed-end Funds	**45.3**	46.6
Family-backed Holding Companies	**29.6**	34.4
Asset-backed Companies	**25.1**	19.0

Source: Asset Value Investors

PORTFOLIO REVIEW

Contributors

COSAN LTD
Description: Family-backed Holding Company
% of porfolio[1]: 3.3%
Discount: -20.3%
% of investee company: 2.1%
Total return on position FY19 (local)[2]: 92.0%
Total return on position FY19 (GBP): 100.5%
Contribution (GBP)[3]: 3.25%
ROI since date of initial purchase[4]: 56.2%

Cosan Ltd ('CZZ') was, by some way, the largest contributor to performance over the year, adding 325bps to returns. Its share price appreciated by +121% vs the MSCI Brazil's +31%, in USD - a notable turnaround from last year when CZZ was our largest detractor.

CZZ has a complex structure. It has stakes in two listed holding companies, Cosan SA ('CSAN3') and Cosan Logistica ('RLOG'), which in turn own listed and unlisted assets. This complex structure deters other investors, and has led to discounts on discounts. When we first invested in CZZ in July 2017, we saw a group of high-quality assets, run by highly competent management, with huge upside from simplification of the group structure.

In last year's annual report, when commenting on the underperformance of CZZ, we wrote that "we remain convinced by the merits of our investment and look forward to continued buybacks, NAV growth and the ultimate prize - the simplification of the group structure". Since then, CZZ has purchased 9% of its own shares, achieved NAV growth of +86% and begun simplifying the holding structure by taking private Comgás, a listed subsidiary of CSAN3.

Given the risk-free accretion to NAV, we have long been proponents of buybacks. The accretion increases the wider the discount, and with CZZ trading on a 54% look-through discount at the start of the year, we were pleased to see management recognising the upside as well. CZZ conducted two tenders over the year, contributing approximately +9% to CZZ's look-through NAV.

CZZ's impressive +86% NAV growth was driven by both of its holdings - CSAN3 and RLOG - which returned +61% and +110% respectively. Returns at CSAN3 came from good results at Comgás (+15% EBITDA growth); outperformance of their fuel distribution business, Raízen Combustíveis, which achieved fuel growth of +7% versus peers' +1%; and the successful international expansion of their lubricant business driving +43% EBITDA growth. Returns at RLOG benefited from a narrowing of the discount from 29% to 11%, on increased likelihood of restructuring, and a +64% share price gain in Rumo, RLOG's sole holding.

CZZ has quite consistently communicated its intention to simplify the holding structure. Its aim is to see each underlying company with its own listing held directly by CZZ. We believe that the acquisition of Comgás minorities in March is the start of this process. By buying out the minorities, Comgás is now wholly owned by CSAN3 and management can focus on recapitalising the business and distributing cash to CSAN3 before eventually relisting and spinning out to CZZ.

Management's increased focus on simplification, coupled with buybacks and strong operating performance, saw CZZ's discount narrow from 33% to 20%, and the look-through discount from 54% to 42%. With the strong performance, we took the opportunity to sell down half of our position over the year. On a 42% look-through discount, there is still significant upside and we remain confident about the prospects of the investment.

FONDUL PROPRIETATEA
Description: Closed-end Fund
% of porfolio[1]: 4.0%
Discount: -24.5%
% of investee company: 2.8%
Total return on position FY19 (local)[2]: 20.2%
Total return on position FY19 (GBP): 26.1%
Contribution (GBP)[3]: 1.63%
ROI since date of initial purchase[4]: 63.4%

Fondul Proprietatea ('FP') had a turbulent year. In late December, the Romanian government introduced an Emergency Ordinance which, had it been successfully implemented, would have resulted in material value impairment for shareholders of FP. The initial package of measures included a tax on turnover for companies operating in the electricity and gas sectors, and a cap on electricity and gas prices. The measures would have affected many sectors to which FP has exposure and, while some of the measures appeared to contravene Romania's obligations under EU law, the market nonetheless responded negatively to the news. FP's discount widened materially, reaching in excess of 40% at the trough.

However, as 2019 progressed, the feared negative outcome appeared to recede further into the distance. By April, the Romanian parliament had significantly softened many of the envisaged measures. May's European elections saw strong performance from the Union to Save Romania ('USR') - a pro-business, pro-EU, pro-reform party. Since the elections, the Bucharest Stock Exchange has recovered by +18% and Fondul's share price is up +25%.

Overall, and despite the turbulent year, FP produced NAV returns of +13% which, together with a tightening of the discount from 32% to 24%, resulted in a share price total return of +28% (in USD terms). At the portfolio level, FP declared a dividend of RON0.09/USD1.08 - equivalent to an attractive dividend yield of 6% on NAV and 8% on the pre-distribution share price.

The potential for an IPO of key assets, including Hidroelectrica (38% of NAV) and Bucharest Airport (8%), remains plausible, providing catalysts to unlock value for shareholders. We believe that both companies are valued extremely conservatively in FP's NAV. With a high dividend yield composed of recurring ordinary and special dividends, high-quality and cheaply-held assets, a policy of returning all sale proceeds to shareholders and a 24% discount to NAV, we continue to believe that FP offers considerable value.

PERSHING SQUARE HOLDINGS
Description: Closed-end Fund
% of porfolio[1]: 9.2%
Discount: -27.3%
% of investee company: 2.7%
Total return on position FY19 (local)[2]: 20.6%
Total return on position FY19 (GBP): 24.2%
Contribution (GBP)[3]: 1.31%
ROI since date of initial purchase[4]: 37.8%

Pershing Square Holdings ('PSH') was the third-largest contributor to your Company's returns over the period, adding 131bps, driven by NAV growth of +33%. As a reminder, 40% of the PSH position is hedged (as at the financial year end) by shorting a pro rata amount of the underlying holdings; this provides the potential for equity-like returns from discount tightening (albeit this did not prove to be the case over the period) while not taking on equity market risk. The outright long position added 186bps to returns, and the hedged position reduced returns by -55bps as a result of the discount widening.

The majority of PSH's holdings produced strong returns, with positions in Chipotle (+85% total share price return), Starbucks (+60%), Restaurant Brands (+23%) and Hilton Worldwide (+16%) all being significant contributors. Only one stock, Lowe's Inc, produced negative returns (-2%).

PSH also holds stakes in Fannie Mae and Freddie Mac, option-style plays on housing market reform in the US. Over the year, those positions increased by +164% and +156% respectively as the US Treasury inched ever closer to overhauling the businesses and ending the government's claim over the companies' excess capital. (Note: these positions are not hedged given their non-equity-market risk profiles).

Despite the strong progress over the year, the share price discount to NAV widened out from 24% to 27%, which reduced share price returns slightly. PSH introduced some measures to combat the extraordinarily wide discount, including a quarterly dividend payment and a buyback programme for 3% of outstanding shares. While both of these measures are helpful at the margin, we believe that deeper structural solutions are needed to resolve the issue.

The discount, however, was not helped by the issuance of USD400m in debt with a 20-year maturity in August - a view which we made known to the Chairman of PSH by means of a public letter.

Our view, expressed in detail in the letter, was that the issue of such long-dated debt would act as a poison pill in constraining the ability of the company to tackle its very wide discount to NAV. While the eventual terms of the debt showed some concessions (e.g. caps after ten years on the make-whole premium due in the event of early repayment, offering some protection against further falls in interest rates), and hinted at a portion of the proceeds being used to refinance existing debt, these do not change our fundamentally negative view of the issue.

Taking a step back, it is highly debatable whether PSH should be refinancing its debt at all, let alone using very long-dated debt to do so. Given that the existing debt has been cited frequently in the past by the board and by the manager as an impediment to more aggressive share buybacks and/or tender offers, or other more structural solutions, there is a strong argument that it should be repaid in full at its maturity in 2022 and that the company should either be run on an unleveraged basis or levered using more flexible debt.

Aside from limiting the company's ability to manage its discount, the additional gearing increases the option value of the manager's performance fee (as performance fees can be viewed as a call option on NAV growth with the strike set at the high watermark, the more leveraged the company is, the more volatile its NAV will be, and the more valuable is that option). We have grave concerns that the board of PSH seems to have been blind to the consequences of, and conflicts surrounding, the recent debt issue.

We invested in PSH over two years ago, having conducted extensive due diligence on its portfolio and the manager's investment strategy, and have benefited from the strong NAV returns as performance has turned around. We continue to have a favourable view of the prospects for further share price appreciation from PSH's portfolio of high-quality free cash flow-generative companies with limited capital expenditure requirements, high returns on invested capital and clear idiosyncratic drivers for earnings growth. We now await a similar "turnaround" from the board, which bears responsibility for the discount suffered by shareholders.

JAPAN SPECIAL SITUATIONS*

The Japan Special Situations basket is a portfolio of 18 cash- and securities-rich Japanese operating companies. Driven by the Abe administration, pressure is mounting on Japanese companies to change their corporate governance practices and capital allocation policies. We believe that it is increasingly probable that these companies will begin to return excess capital to shareholders or put it to more productive use, with highly attractive risk-adjusted returns for shareholders.

It has been over two years since we launched the Japan Special Situations basket. This basket was created to exploit a niche opportunity that we saw in undervalued, overcapitalised, small-cap Japanese companies. These companies have generated an enormous amount of cash which they have not been able to invest fast enough, leading to a large accumulation of cash on the balance sheet. With the introduction of the Corporate Governance Code in 2015, companies have been returning this to shareholders, through increased payout ratios and record-high buybacks.

Despite the positive actions of many companies, Japanese stocks have lagged over the past year. The MSCI Japan Small Cap has fallen -1% against the S&P 500, which rose +10%, and the MSCI Europe, which gained +5% (in GBP).

The fractious US-China trade war and the view from foreign investors that Japan is a never-changing, expensive proxy for global growth, has continued to take its toll. The mismatch to how we see fundamentals and how foreigners view the market creates exciting opportunities for us.

Despite this, the basket is still ahead of the MSCI Japan Small Cap Index, returning +18% since inception versus the index's +11%, and, most importantly, valuations have become cheaper. The EV/EBIT of the basket has fallen from 3.7 at the start of the financial year to 3.1 at the end, and, similarly, the percentage of the market cap that the basket has covered by net cash and investment securities has increased from 75% to 91%. Lower valuations give greater upside to our fair values. Coupled with the progress we are seeing on the corporate governance front, we are excited about the prospects of this basket, which is why it remains our largest weight.

* For definitions. see Glossary below.

OAKLEY CAPITAL INVESTMENTS
Description: Closed-end Fund
% of porfolio[1]: 5.4%
Discount: -29.3%
% of investee company: 11.9%
Total return on position FY19 (local)[2]: 17.5%
Total return on position FY19 (GBP): 17.5%
Contribution (GBP)[3]: 0.88%
ROI since date of initial purchase[4]: 35.3%

Oakley Capital Investments ('OCI') is a London-listed fund investing in, and making co-investments alongside, the private funds run by Oakley Capital - a private equity firm set up by Peter Dubens, a well-regarded UK entrepreneur, with over EUR1.5bn under management.

Oakley Capital has a distinctive approach to private equity investing, as it focuses on complex deals (such as carve-outs) sourced by its network of entrepreneurs who believe in the Oakley philosophy. This method allows Oakley to avoid the auction process - where competitive bids push up asset prices - and assemble a portfolio of businesses growing EBITDA at 31% annually, held at an EV/EBITDA multiple of just 12x, which we consider to be modest in light of the aforementioned earnings growth and the multiples at which comparable listed peers trade. Oakley focuses on niche areas where it has expertise, such as consumer, TMT and education.

The portfolio consists of 17 companies spread across those three sectors. Major holdings include Inspired (a global network of K-12 schools), Time Out (a media brand in the roll-out phase of a food-market concept), WebPros (a US and European provider of web-hosting services and software), Career Partner (a German private university) and Schülerhilfe (a provider of after-school tutoring in German-speaking countries).

The past year has been a busy one for Oakley Capital and OCI. Oakley Capital successfully marketed its Fund IV, which raised almost EUR1.5bn from institutional and private investors; OCI itself made a commitment of EUR400m to Fund IV, accounting for 27% of the total. Fund IV made its first investment in May of this year into Seagull & Videotel, providers of e-learning solutions to the maritime sector, and subsequently invested in Seven Miles, a German seller of digital and physical gift vouchers to both consumers and B2B clients.

In addition to this, Fund III (2016 vintage) made three new investments into Ekon (a Spanish provider of ERP software), Rastreator & Acierto (Spanish price comparison websites) and Alessi (an Italian provider of luxury household goods). The Alessi investment will be Fund III's last, with the remainder of committed capital used to finance further investments into the existing holdings.

Fund II also saw a major transaction occur, with Warburg Pincus buying a significant stake in Inspired, which resulted in a 72% uplift to the carrying value. OCI retains exposure to Inspired both through Fund II and through a co-investment.

In August, OCI completed its admission to the Specialist Fund Segment ('SFS') of the London Stock Exchange, which we view as an improvement over the previous Alternative Investment Market ('AIM') listing, where corporate governance protections are weaker. When we consider previous corporate governance improvements - including a share buyback (albeit small), repeated public commitments not to issue shares at a discount, an energised marketing campaign and improved transparency in financial reporting - it is clear that OCI has made great strides in improving its governance standards, notwithstanding there remains considerable room for further advances.

Despite the strong growth in NAV (+28% total return) and corporate governance improvements over the year, OCI's discount widened from 24% to 29%, resulting in a share price total return of +19%. While we accept that OCI has a lingering reputation for violating shareholder rights, we believe that the current discount is an excessive punishment for past transgressions that are now receding into the rear-view mirror. With an attractive portfolio of fast-growing stocks acquired at reasonable multiples, a unique approach of avoiding auctions and leveraging its network of entrepreneurs, and a wide discount to NAV, we think that OCI remains as compelling an investment as when we first invested in it 18 months ago.

THIRD POINT OFFSHORE INVESTORS
Description: Closed-end Fund
% of porfolio[1]: 4.9%
Discount: -17.9%
% of investee company: 9.2%
Total return on position FY19 (local)[2]: 7.9%
Total return on position FY19 (GBP): 14.1%
Contribution (GBP)[3]: 0.71%
ROI since date of initial purchase[4]: 12.8%

Third Point Offshore Investors ('TPOU') added 71bps to your Company's returns over the financial year, driven by a +3% growth in the NAV and a tightening of the discount from 22% to 18%, resulting in total share price returns of +8%. A +6% strengthening of USD relative to GBP provided a further tailwind for returns. Underlying performance on the long side was good, with the top seven positions (accounting for 50% of NAV) increasing by an average of +15%.

In large part due to our engagement with the company's board and manager, TPOU has introduced various measures to tackle the persistently wide discount at which its shares have traded. These include a move to a Premium Listing, a buyback programme, the cancellation of TPOU shares held by the Master Fund, a reduction in the management fee from 2% to 1.25% and the appointment of a new chairman.

In a Corporate Update published in late September 2019, the board announced an aggressive USD200m buyback programme to take place over the next three years. This sum is equivalent to 30% of the market cap just prior to the announcement. Significantly, the chairman commented that shareholders will be consulted on "alternative approaches" should the programme not have the desired effect.

We continue to view TPOU as an attractive opportunity for your Company's portfolio.

SONY CORP
Description: Asset-backed Company
% of portfolio[1]: 4.8%
Discount: -36.3%
% of investee company: 0.1%
Total return on position FY19 (local)[2]: 9.5%
Total return on position FY19 (GBP): 11.9%
Contribution (GBP)[3]: 0.57%
ROI since date of initial purchase[4]: 11.6%

Despite only being held since the middle of June, Sony was the sixth-largest contributor, adding 57bps to performance as its share price rose by +10% from our average purchase price.

Sony is known to consumers as an electronics company, but today that division accounts for a relatively small portion of overall profits. In reality, Sony owns a myriad of businesses, within which there are four "crown jewels" - Gaming, Music, Pictures and Semiconductors (image sensors) - which account for 68% of sales and over 100% of operating profits (ex-financial services). Operating profits for these four businesses have grown at an annual compound rate of 24% over the last four years. Despite the attractiveness of the underlying businesses, the market prices Sony on a 37% discount to our sum-of-the-parts NAV.

We believe that this discount is driven by the complexity of the conglomerate structure, which drives a series of hard-to-dispel misconceptions, such as: the Gaming business is cyclical and dependent on the "console cycle"; the Semiconductor business is exposed to growth in smartphones; and the Mobile Communication division will continue to generate losses indefinitely. However, our research indicates that these conceptions are incorrect. The Gaming business is moving to a subscription-based recurring-revenue model; the Semiconductor division manufactures genuinely differentiated products and will benefit from the increasing use of cameras in smartphones and automobiles; and, with a focus on cost cutting, the mobile business will turn a profit. We also note that the recent proposed Universal Music Group ('UMG')/Tencent transaction values UMG at 22x 2019 estimated EV/EBITDA; to our minds, this confirms the high value placed on unique content assets by strategic buyers and the read-across for Sony Music is, in our view, very positive.

We are encouraged by the presence of activist investor Third Point, whose London-listed vehicle is a top ten holding of your Company, on the register. We agree with Third Point's arguments that there are several levers that management could pull to realise Sony's value, including: (a) a spin-off of Sony's semiconductor business; (b) disposal of the listed stakes in Sony Financial, M3 and Spotify (16% of Sony's market cap), which would have the benefit of both freeing up capital for growth and deconsolidating Sony Financial; and (c) the deployment of a moderate amount of gearing to conduct further buybacks.

Whilst Sony's board stated in a formal reply to Third Point's letter that they would not consider a spin-off of their semiconductor business for the time being, we are nonetheless encouraged by their receptiveness to their campaign, and note that, as suggested by Third Point, Sony sold its listed stake in Olympus for USD760m. In our opinion, this reflects an investing environment in Japan which is increasingly welcoming of shareholders engaging constructively with companies. Furthermore, we believe that this type of large-cap activism could have a trickle-down effect towards the smaller segments of the market as investors become increasingly aware of, and interested in, the opportunities available in Japan.

Looking to the future, we are excited by the underlying strength of Sony's businesses and their potential for growth. Coupled with a highly attractive 36% discount and multiple levers for value creation, we continue to see this as a highly attractive investment.

EUROCASTLE INVESTMENT
Description: Closed-end Fund
% of porfolio[1]: 4.2%
Discount: -9.7%
% of investee company: 15.1%
Total return on position FY19 (local)[2]: 8.0%
Total return on position FY19 (GBP): 10.1%
Contribution (GBP)[3]: 0.55%
ROI since date of initial purchase[4]: 10.1%

We initiated a position in Eurocastle Investment ('ECT') in March, at an average buy-in discount of 22%. Since then, ECT has contributed 55bps to returns and was your Company's seventh-largest contributor. Positive returns came despite a -10% fall in the NAV over the period, as a narrowing in the discount from 25% to 10% provided a counterweight to the decline in NAV.

ECT's largest listed holding, doValue (51% of NAV), an Italian third-party servicer of non-performing loans ('NPLs') with EUR137bn of assets under management ('AUM'), has produced a negative return since March, with its share price down by -23%. We consider doValue to be a much misunderstood stock, with its share price highly correlated to Italian financials despite its lack of any significant balance sheet investments. We view doValue as more akin to a fund manager, earning "base" and "performance" fees on amounts collected from corporate debtors, with historic collections demonstrating resilience across economic cycles.

doValue's revenues for the first half of 2019 grew by +7%, and net income by +27%. We believe that doValue's acquisition of Altamira Asset Management in January is a transformational and highly accretive deal which is underappreciated by the market, providing an additional EUR56bn in AUM acquired at just 4x

EV/EBITDA. Importantly, Altamira, with its market-leading positions in Spain, Portugal and Cyprus, diversifies doValue outside of Italy to the whole of southern Europe and gives it further opportunities for growth. Trading on a mid-to-high teens free cash flow yield, we see significant upside for the shares from here.

In August, ECT sold down 25% of its holding in doValue, with the proceeds used to fund a tender offer at NAV.

We see multiple layers of value at ECT: aside from doValue's undervaluation, the NPL investments held on ECT's balance sheet are valued at a blended 13% discount rate, and ECT itself trades on a 10% discount to NAV.

TETRAGON FINANCIAL
Description: Closed-end Fund
% of porfolio[1]: 3.9%
Discount: -46.2%
% of investee company: 2.8%
Total return on position FY19 (local)[2]: 2.8%
Total return on position FY19 (GBP): 8.5%
Contribution (GBP)[3]: 0.45%
ROI since date of initial purchase[4]: 26.2%

Tetragon Financial ('TFG') added 45bps to your Company's returns over the financial year. The NAV grew by +14% on a total return basis, but was tempered by a widening of the discount from 39% to 46%, which reduced shareholder returns to +3% (in USD). A +6% strengthening in the GBP/USD exchange rate provided a further boost to returns.

Over the period, returns were significantly aided by a transformative transaction within TFG's asset management business, TFGAM. GreenOak - a real estate investment firm with USD11bn AUM, in which TFGAM owned a 23% stake - announced that it would be merging with Bentall Kennedy, a global real estate investor owned by SunLife with USD36bn AUM. Under the terms of the deal, TFG retained a 13% stake in the Bentall-GreenOaks combined entity, and received a cash payout, which was used to fund a NAV-accretive tender offer.

We calculate that the deal was struck at a +92% uplift to GreenOaks carrying value, which provided a +5% boost to TFG's NAV (pre-performance fees). This transaction was TFG's first (partial) exit from the managers that it owns within its TFGAM subsidiary, and highlights the conservative valuations at which TFG marks its holdings.

Trading on a 46% discount and sporting a 6% dividend yield, TFG is attractively priced, although we acknowledge that corporate governance concerns and the lack of shareholder voting rights are a significant factor weighing on the discount. Further realisations from the TFG AM business and/or an IPO may provide a catalyst for some of the trapped value to be unlocked.

GP INVESTMENTS
Description: Closed-end Fund
% of porfolio[1]: 1.4%
Discount: -43.8%
% of investee company: 11.2%
Total return on position FY19 (local)[2]: 28.5%
Total return on position FY19 (GBP): 29.5%
Contribution (GBP)[3]: 0.35%
ROI since date of initial purchase[4]: -12.6%

GP Investments ('GPIV'), a Brazilian private equity company, had a strong year, with its share price increasing +30% in BRL terms. The majority of the returns came from a tightening of the discount from 56% to 44%, with the NAV increasing by +1% over the period.

GPIV's strong performance reflects a general resurgence in the fortunes of Brazilian equity markets, with the Bovespa Index rising by +32% over the year. The election of the authoritarian Jair Bolsonaro, the "Trump of the Tropics", has encouraged investors with his promises of reforming excessive government spending, especially state pensions.

Centauro (26% of NAV) - the largest retailer of sporting goods in Latin America - IPO'd in April and, following a shaky start, has seen its share price increase by +74%. The IPO proceeds were earmarked to fund a renovation of the existing store network. The group has multiple avenues to pursue for growth, including an expansion of the existing store network from 190 stores currently to a potential 300-400, an increased online presence and the roll-out of its '5G' store format, which will involve creating 'smart' stores that can measure customer activity and enhance the shopping experience. Despite the strong share price increase, Centauro trades on 14x times estimated 2020 EV/EBITDA, which we believe represents good value for a company with multiple, credible avenues for growth.

At the portfolio level, GPIV made further progress in paying off expensive debt (10% interest rate), with gross debt of USD107m as at June 2019 (compared to USD131m this time last year). The fund is now in a net cash position, with 2% net cash as a percentage of NAV, which compares with -4% the year prior. At a 44% discount to NAV and with a portfolio of attractive, fast-growing assets, we continue to view GPIV as a compelling holding.

KINNEVIK 'B'
Description: Family-backed Holding Company
% of porfolio[1]: 3.4%
Discount: -22.0%
% of investee company: 0.6%
Total return on position FY19 (local)[2]: 12.4%
Total return on position FY19 (GBP): 8.6%
Contribution (GBP)[3]: 0.30%
ROI since date of initial purchase[4]: 8.6%

In early 2019 we rebuilt a position in Kinnevik, the Swedish holding company. Your Company has invested in Kinnevik at many points in recent decades, attracted to the Stenbeck family's long-term mentality, dynamic focus on growth and successful track record of value creation. The impetus for reinvesting was twofold: in 2018, Kinnevik's discount widened from as narrow as 10% to 18%, and shares in its largest holding, Zalando (the e-commerce company), had nearly halved as the market reacted poorly to a short-term blip in growth, creating an interesting prospective NAV growth dynamic. Whilst the NAV has grown by 22%, the discount has widened further and consequently we have added to the position.

Since the initiation of our position, shares in Zalando have rallied by +54% (in EUR terms). The company held a Capital Markets Day in February at which it reported strong growth for the fourth quarter of 2018, easing concerns. They provided an update on their evolution as a platform business and the positive implications that this has for medium-term profitability. Looking ahead, as shoppers continue to migrate to online, we believe the growth runway to be immense.

Since its establishment in 1936, Kinnevik has continually reinvented itself, from iron, paperwork and woodworking industries, to telecoms and then, over the last decade, to digital consumer businesses. In 2019, Kinnevik accelerated the rate of change once again, transforming itself into a fully-fledged growth and venture capital investor. To do this, Kinnevik will distribute its stake in Millicom (20% of NAV) to shareholders, a yield of 24% and equivalent to eight years' ordinary dividends. This seems highly sensible: not only is it a rare opportunity to receive such a large portion of NAV back at a zero discount, but it shrinks Kinnevik's portfolio to a more suitable size for growth and venture investing. As well as this, Kinnevik has sold approximately 17% of its stake in Zalando, which will help to reduce debt, freeing up the capacity to pursue further new unlisted growth investments.

Disruption is in Kinnevik's DNA and, indeed, the market is taking some time to digest Kinnevik's bold new vision, as indicated by its 22% discount. We have used this uncertainty to add to the position at what we consider to be attractive valuations. As investors come to appreciate Kinnevik's unique and specialised offering of liquid low-effective-fee venture capital investing, it seems probable that the discount will narrow. This, coupled with continued strong NAV growth, should provide attractive future returns for your Company.

Detractors

SWIRE PACIFIC 'B'
Description: Family-backed Holding Company
% of porfolio[1]: 3.7%
Discount: -46.8%
% of investee company: 2.1%
Total return on position FY19 (local)[2]: -12.5%
Total return on position FY19 (GBP): -7.7%

Contribution (GBP)[3]: -0.34%
ROI since date of initial purchase[4]: 4.3%

Swire Pacific was your Company's fifth-largest detractor, reducing NAV by -34bps, as unrest in Hong Kong had an impact on two major components of Swire Pacific: Swire Properties (73% of NAV) and Cathay Pacific (11%).

The performance of Swire Pacific 'B' shares can be split into two distinct periods. Pre- and post- the Hong Kong demonstrations, with the first recognised protest held on 9 June. Up until this point of the financial year, Swire Pacific performed well, with the 'B' share price up by +10% on an increasing NAV (+13%), with a widening of the discount from 43% to 44%. Swire Properties was benefiting from its asset rotation policy, funding the next phase of developments, plus the de-centralisation story in Hong Kong was a boon for their Island East portfolio. Cathay Pacific, two years into their transformation programme, posted improving 2018 results, with the belief that they would continue to benefit from the roll-off of fuel hedges and improving operations.

However, since the demonstrations started, the performance of Swire Pacific and its underlying holdings has more than wiped out the gains from the opening eight months of the financial year. The 'B' shares' discount has widened to 47% on a falling NAV, down 11% over the financial year, a swing of -24% since the start of the demonstrations.

Cathay Pacific has been in the headlines with staff involved in demonstrations while its three most senior management, Chairman, CEO and COO, have been replaced. Air China has a 30% stake in Cathay Pacific and the Civil Aviation Administration of China were critical of Cathay's commitment to safety and security, which were probably factors in the changes. This appears to have appeased the Civil Aviation Administration of China. While appeasing the Chinese authorities reduces some pressure in the short term, companies are having to tread a fine line between being seen to side with China or the protestors. While Cathay Pacific has suffered from the specific issues mentioned above, the unrest has also led to a dramatic fall in visitor numbers to Hong Kong. Cathay Pacific reported passengers flying into Hong Kong fell by -38% in August, as overall tourist numbers fell to nearly half of the level that they were expected to be, while cargo volumes have also declined on the back of slowing global trade. Although the current situation is painful for Cathay Pacific, we believe that when the current issues are resolved, visitor numbers will bounce back quickly, with Cathay Pacific being a beneficiary of this as it is the flag carrier for Hong Kong.

Swire Properties has been at the epicentre of the recent demonstrations, with its large Pacific Place mixed-use scheme located beside Admiralty, where the protests originally took place. Indeed, demonstrations led the centre to lose some trading time to closures. As mentioned earlier, tourist numbers are down significantly, reducing spend in their retail assets, but also impacting hotel occupancy, with Swire managing and leasing several hotels in Hong Kong. The extent of these problems will be revealed in results for the third quarter. Despite this, performance of their office portfolio continues, with CLSA renewing their lease at Pacific Place at levels rumoured to be above where we value the property. Other lease discussions for offices continue as normal as they benefit from the move away from Central to cheaper business districts, such as Island East, where Swire Properties has significant exposure.

The 'B' shares, which your Company owns, still ascribe an efficient-market-hypothesis-busting negative valuation to the ex-Swire Properties businesses. While this situation has now persisted for well over a year, it seems unlikely that the Swire family will let this persist indefinitely, with almost half of their economic holding in Swire Pacific being through the 'B' shares.

JARDINE STRATEGIC
Description: Family-backed Holding Company
% of porfolio[1]: 4.1%
Discount: -39.7%
% of investee company: 0.2%
Total return on position FY19 (local)[2]: -13.8%
Total return on position FY19 (GBP): -9.5%
Contribution (GBP)[3]: -0.54%
ROI since date of initial purchase[4]: -3.6%

Jardine Strategic was our fourth worst performer, reducing NAV by -54bps over the year as the share price fell by -18%. The share price decline outstripped the -11% decline in NAV, and we saw the discount widen to 40%. Jardine is facing a multitude of headwinds, similar to Swire Pacific, but not all down to the demonstrations in Hong Kong. With 23% of NAV in Hongkong Land, it was an obvious detractor from performance (reducing NAV by c.8% since the protests started), as falling tourist numbers impacted retail sales along with a slowdown in Central Hong Kong rental growth as Chinese demand waned (this was likely occurring before the current demonstrations). We have also seen weakness from Jardine Cycle & Carriage (23% of NAV), Astra (82% of Cycle & Carriage's NAV) and Mandarin Oriental (5% of NAV). Similarly to Swire Pacific, performance was satisfactory until the demonstrations in Hong Kong started but deteriorated after, partly due to Hong Kong but also as a result of global growth concerns.

Jardine Cycle & Carriage and Astra are suffering from a South East Asian slowdown as commodity prices impact numerous divisions directly (mining and heavy equipment) but also second derivatives of these economies such as auto sales. While Astra has improved market share, auto sales in Indonesia have been weak, while increased competition has impacted margins.

Mandarin Oriental is an interesting case. Performance has been terrible, with the share price down by -24% this calendar year. With nearly 50% of earnings and NAV coming from the Excelsior hotel in Hong Kong, we see earnings pressure as the Excelsior closed in March, although this was flagged well in advance to the market. However, on a NAV basis, we see reason to be optimistic given the potential for outsized gains when the development of the Excelsior site into a commercial property is completed. Valuing a potential development at a 7% capitalisation rate means that this property alone would be worth more than the current market capitalisation of Mandarin Oriental, giving some sense of how cheap it is at present.

Short-term numbers coming through are suggesting that Hong Kong tourist numbers are down by as much as 50% and hotel occupancy down from a normalised 80% to c.50%. We are likely to see pain in reporting numbers of Hong Kong-focused stocks (Hongkong Land and Dairy Farm), while margin pressure on Jardine Cycle & Carriage's auto exposure is unlikely to ease in the short term until new models are released. However, the Jardine Group is now rich with cash, with Jardine Strategic sitting on USD1.5bn and Jardine Matheson USD1.3bn after the sale of Jardine Lloyd Thomson earlier this year. This gives them the firepower to take advantage of any weakness in their underlying holdings. With Jardine Strategic trading at the wider end of its discount range (40%) and their holdings in the main trading at discounts to their long-term multiples, we believe that much bad news has been priced in and will watch carefully to see where the company decides to deploy its cash reserves.

TOKYO BROADCASTING SYSTEM
Description: Asset-backed Company
% of porfolio[1]: 3.2%
Discount: -48.6%
% of investee company: 1.4%
Total return on position FY19 (local)[2]: -21.9%
Total return on position FY19 (GBP): -14.3%
Contribution (GBP)[3]: -0.72%
ROI since date of initial purchase[4]: -3.2%

Tokyo Broadcasting Systems ('TBS') was our third largest detractor this year, reducing returns by 72bps. TBS' share price fell by -26% which, coupled with NAV growth of +2%, resulted in a substantial widening of the discount from 30% to 49%. Key holdings Tokyo Electron (25% of NAV) and Recruit Holdings (19%) had mixed fortunes, returning +36% and -13% respectively.

TBS announced its full year results in mid-May. Management gave a weak outlook for the 2020 profitability due to reorganisation costs and the beginning of 4K broadcasting, announced a dividend payout ratio of only 23% (well below the company's stated 30% policy), and gave no further strategy for reducing cross-shareholdings. Investors had previously been hopeful for the prospects of a strategic change in policy, following a Citibank research note in February which explicitly mentioned the possibility of a large-scale sale of securities and greater shareholder returns through buybacks and dividends. The market reaction was distinctly negative, with the stock falling by -15% on the day of the announcement.

Further disappointment came when TBS declined to take part in either Tokyo Electron's buyback or a block offering of Recruit shares. We were disappointed by this as both represented opportunities to reduce the extraordinarily large allocation in TBS' NAV.

Against this, there are some grounds for optimism: in March, TBS sold down around 8% of one of its largest holdings, Tokyo Electron, introduced stock-based compensation for directors and saw a 3% reduction in key allegiant shareholder stakes.

Despite a difficult year, we believe that the investment case for TBS remains strong. It has excess cash, listed securities and prime Tokyo real estate which cover its market capitalisation almost two times over. TBS is, in effect, an asset manager with a small broadcasting business. Whilst thus far TBS has been ambiguous in its intentions for these assets, we believe that if it were to announce a clearly defined strategic policy to reduce its over-capitalised balance sheet, the market would reward the company with a much higher share price. We remain in regular dialogue with TBS's board of directors in order to produce a satisfactory outcome for all stakeholders. We added to our position on share price weakness during the year.

AKER ASA
Description: Family-backed Holding Company

% of porfolio[1]: 1.6%
Discount: -26.4%
% of investee company: 0.5%
Total return on position FY19 (local)[2]: -19.0%
Total return on position FY19 (GBP): -22.3%
Contribution (GBP)[3]: -0.78%
ROI since date of initial purchase[4]: 145.2%

Last year's top contributor, Aker, was a significant detractor from your Company's performance this year. Over the period, Aker's shares declined by -32% on a total return basis, as NAV weakness was compounded by the discount widening from 14% to 26%.

NAV performance was disappointing, returning -20%. Shares in Aker BP, the Norwegian oil exploration and production company that accounts for 72% of Aker's NAV, returned -25%; there was also weakness at other listed holdings, most notably Aker Solutions (5% of NAV), which declined by -57%. Your investment in Aker has never been predicated on a directional view on oil, but over shorter periods fluctuations in the oil price can buffet or burnish Aker. In the case of financial year 2019, it was the former: Brent crude oil prices declined by -27%, much to the detriment of Aker's NAV. Over the longer term, Aker's NAV performance has outperformed the return from an investment in oil, and indeed global equity markets. It is this - as well as their active approach to deal making and value creation - that attracts us to Aker.

Whilst the oil price clouded the outcome, there were still some positive developments on the NAV front. Both operational and financial performance remain strong at Aker BP, which held a Capital Markets Day in January, projecting a greater-than-40% reduction in operating expenditure per barrel by 2023, and materially increasing their dividend forecast, with dividends expected to grow by 2.6x in the same period. During the year, there were also positive developments at Aker Energy (10% of NAV), a Ghanaian offshore oil and gas venture established in 2018, in which Aker holds a 49% stake. The venture is typical of Aker, finding growth opportunities and suitable partners in the long-term pursuit of value.

Turning to the discount side of the equation, Aker suffered from a substantial de-rating in its discount from 14% to 26%, which alone reduced shareholder returns by -15%. This was something which we had prepared for, exiting over 70% of the position in the first nine months of calendar year 2018 on lower discounts. Following weakness, the position was subsequently rebuilt this year at a weighted-average 24% discount. We remain attracted to the long-term prospects of NAV growth and discount narrowing.

RIVERSTONE ENERGY
Description: Closed-end Fund
% of porfolio[1]: 2.4%
Discount: -42.0%
% of investee company: 5.1%
Total return on position FY19 (local)[2]: -53.6%
Total return on position FY19 (GBP): -53.6%
Contribution (GBP)[3]: -2.93%
ROI since date of initial purchase[4]: -37.0%

Riverstone Energy ('RSE') was by far our largest detractor for the year (-293bps) with a share price fall of -54%. A sharp decline in the NAV (-36%) was compounded by a near-doubling of the discount to 42%.

Over the year, the price of West Texas Intermediate oil declined by -26%, with geo-political concerns outweighed by continued strong production levels. Sentiment to the US Oil & Gas sector is at all-time negative levels, with energy's share of the S&P 500 at just 5% (down from a peak of 13% in 2008). Multiple compression in publicly traded peers (the S&P E&P Index trades at 5x EV/EBITDA vs 12x less than three years ago) has translated into write-downs for RSE's private investments.

More specific pain has been felt at Canadian holding Hammerhead Resources, RSE's largest investment, due to government caps placed on production for companies such as Hammerhead that operate in Western Alberta. A shortage of pipelines and other infrastructure has depressed oil prices (when oil cannot be transported out of the Basin, this depresses local oil prices) within the Basin and led to the government action.

Overall, RSE's holdings were valued at a MOIC (multiple of investment cost) of 0.9x at June 2019 - this compares to a MOIC of 1.4x during the third quarter of 2018.

RSE's woes were further compounded by a -79% decline in the share price of its sole listed holding, Centennial Resources ('CDEV', 7% of NAV). CDEV was hit by the decline in oil prices over the period, which was compounded by guidance from management that it would be reducing production estimates by more than expected in response to the oil price slide. While this move is sensible insofar as it leaves oil in the ground when it is priced too low, it also means that CDEV is unlikely to break even until at least 2022; previously, management had projected break-even profitability in 2020.

There were some points of positive news over the past year, including the realisation of two assets - Sierra and Meritage Midstream - accounting for 7% of NAV, and an announcement with the June 2019 results that the board continues to *"evaluate options with the goal of reducing the discount",* and that it has been *"holding discussions* […] *regarding potential changes to the terms of the investment management agreement."*

The RSE investment has been a difficult one for your Company to date, with weak NAV growth since the position was initiated in 2015, and discount widening impairing shareholder returns. While we would not want to pre-judge the announcement of the board's measures to reduce the discount, we believe that structural solutions will be required to narrow the discount sustainably and we continue to engage with the board and management of RSE in order to achieve a satisfactory outcome for all parties.

1 For definitions, see Glossary below.

2 Weighted returns adjusted for buys and sells over the year.

3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.

4 Figure quoted in GBP terms. Refer to Glossary for further details

TOP 20 LOOK-THROUGH COMPANIES

AVI Global Trust plc invests in holding companies and closed-end funds that in turn invest in listed and unlisted companies. We show below the top 20 holdings on a "look-through basis", i.e. the underlying companies to which we have exposure. For example, AVI Global Trust owns a stake in Swire Pacific, a Hong Kong-listed family-controlled holding company, that accounts for 3.7% of AVI Global Trust's portfolio (3.94% of its NAV). Swire Pacific's largest holding is Swire Properties, a Hong Kong property developer, which accounts for c73% of its own NAV. This translates to an effective exposure of AVI Global Trust to Swire Properties of 2.9% of AVI Global Trust's NAV. The table below is an indication of the degree of diversification of the portfolio.

Look-through companies	Parent company	Underlying look-through weight	Look-through holding sector
Swire Properties	Swire Pacific Ltd 'B'	2.9%	Real Estate Operating Companies
doValue	Eurocastle	2.3%	Specialised Finance
Minor International	Symphony	2.3%	Hotels, Resorts and Cruise Lines
Sony Playstation	Sony Corp	1.8%	Interactive Home Entertainment
Fujitec	Fujitec	1.7%	Industrial Machinery
Hidroelectrica SA	Fondul Proprietatea GDRs	1.7%	Electric Utilities
Benefit One	Pasona	1.6%	Human Resource and Employment Services
Partner RE	EXOR	1.6%	Reinsurance
Kato Sangyo	Kato Sangyo	1.5%	Food Distributors
Ferrari	EXOR	1.4%	Automobile Manufacturers
Kanaden	Kanaden	1.4%	Trading Companies and Distributors
Cosan Logistica	Cosan Ltd	1.4%	Railroads
SK Kaken	SK Kaken	1.3%	Specialty Cleaning
TFG Asset Management	Tetragon Financial	1.3%	Asset Management and Custody Banks
Bureau Veritas	Wendel	1.2%	Research and Consulting Services
Fiat Chrysler Autos	EXOR	1.2%	Automobile Manufacturers
Daiwa Industries	Daiwa Industries	1.2%	Industrial Machinery

Aker BP	Aker	1.2%	Oil and Gas Exploration and Production
Toshiba Plant	Toshiba Plant	1.2%	Construction and Engineering
Sony Music	Sony Corp	1.2%	Movies and Entertainment

EXOR: how the look-through analysis works

EXOR is an Italian-listed holding company in which AVI Global Trust's portfolio has an investment. Although EXOR is just one company, it provides your Company's portfolio with exposure to many different geographies and sectors by virtue of the fact that EXOR itself holds a diversified portfolio of companies.

Company name	% of EXOR's portfolio	Geography	Sector
Fiat Chrysler Autos	23%	Global	Automobile Manufacturers
Ferrari	27%	Global	Automobile Manufacturers
CNH Industrial	15%	Global	Agriculture and Farm Machinery
Juventus	4%	Italy	Movies and Entertainment
Partner RE	30%	Global	Reinsurance
The Economist	1%	Global	Publishing

Outlook

Since the year end, markets have continued to be volatile as most of the challenges and issues that surfaced during the year continue to be unresolved. This has meant that discounts in general have remained wide as many of our stocks are overlooked and thus mispriced.

Japan has been a bright spot from a low base, having been a major laggard for most of the year. But it is a useful reminder of how markets can bounce back from extremely oversold levels. There have been other positives within the closed-end fund portfolio, where corporate catalysts at JPEL Private Equity highlight how idiosyncratic events can generate returns from discount elimination.

Your Company's portfolio is rich with potential. Discounts are close to distressed levels and we, along with the management teams of our portfolio companies, are continually looking for ways to create value. Whilst the broad macroeconomic and political environment is extremely uncertain, we are excited by the fundamentally attractive investment opportunities we are seeing across our investment universe.

All of us at Asset Value Investors thank shareholders for their continued support.

Joe Bauernfreund
Chief Executive Officer
Asset Value Investors Limited
11 November 2019

DIRECTORS

Susan Noble - Independent Non-Executive Chairman
Nigel Rich CBE, FCA - Independent Non-Executive Director
Calum Thomson FCA - Independent Non-Executive Director. Chairman of the Audit Committee
Anja Balfour - Independent Non-Executive Director
Graham Kitchen - Independent Non-Executive Director

All Directors are non-executive and independent of the Investment Manager.

EXTRACTS FROM THE REPORT OF THE DIRECTORS

Investment Objective, Policy and Restrictions

The objective of the Company is to achieve capital growth through a focused portfolio of investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value.

Investments are principally in companies listed on recognised stock exchanges in the UK and/or overseas, which may include investment holding companies, investment trusts and other companies, the share prices of which are assessed to be below their estimated net asset value or intrinsic worth.

Although listed assets make up the bulk of the portfolio, the Company may also invest in unlisted assets with the prior approval of the Board.

The Company generally invests on a long-only basis but may hedge exposures through the use of derivative instruments and may also hedge its foreign currency exposures.

There are no geographic limits on exposure, as the Company invests wherever it considers that there are opportunities for capital growth. Risk is spread by investing in a number of holdings, many of which themselves are diversified companies.

The Company will not invest in any holding that would represent more than 15% of the value of its total investments at the time of investment.

Potential investments falling within the scope of the Company's investment objective will differ over the course of market cycles. The number of holdings in the portfolio will vary depending upon circumstances and opportunities within equity markets at any particular time.

The Company may gear its assets through borrowings which may vary substantially over time according to market conditions but which will not exceed twice the nominal capital and reserves of the Company.

Gearing Levels

The Company's Investment Policy, as disclosed above, permits a significant level of gearing, as do the Company's Articles of Association and the limits set under AIFMD (see the Company's website https://www.aviglobal.co.uk).

Under normal market conditions, it is expected that the portfolio will be fully invested, although net gearing levels may fluctuate depending on the value of the Company's assets and short-term movements in liquidity.

The Company's debt as a percentage of total equity as at 30 September 2019 was 11.1%. Long-term debt comprised three tranches of Loan Notes, £30m, €30m and €20m, and shorter-term debt a JPY4.0bn unsecured revolving credit facility.

The £15m of Debenture Stock was redeemed on 3 June 2019 at £129.224 per £100 in principal amount of Stock and accrued interest.

Results and Dividends

Company profit for the year was £24,303,000, which included a profit of £21,169,000 attributable to revenue (2018: profit of £83,981,000, which included a profit of £16,933,000 attributable to revenue). The profit for the year attributable to revenue has been applied as follows:

	£'000
Current year revenue available for dividends	21,169
Interim dividend of 2.0p per Ordinary Share paid on 28 June 2019	2,218
Recommended final dividend payable on 6 January 2020 to shareholders on the register as at 6 December 2019 (ex-dividend 5 December 2019):	
- Final dividend of 14.5p per Ordinary Share	15,855*
	18,073

* Based on shares in circulation on 8 November 2019.

Management Arrangements

AVI is the Company's appointed AIFM, and is engaged under the terms of an Investment Management Agreement ('IMA') dated 17 July 2014. The IMA is terminable by one year's notice from either party, other than for "cause".

The Investment Manager is entitled to a management fee of 0.70% of the net assets of the Company, calculated quarterly by reference to the net assets at the preceding quarter end and paid monthly.

J.P. Morgan Europe Limited was appointed as Depositary under an agreement with the Company and AVI dated 2 July 2014, and is paid a fee on a sliding scale between 0.5 basis points and 4 basis points based on the assets of the Company. The Depositary Agreement is terminable on 90 calendar days' notice from either party.

JPMorgan Chase Bank, National Association, London Branch, has been appointed as the Company's Custodian under an agreement dated 2 July 2014. The agreement will continue for so long as the Depositary Agreement is in effect and will terminate automatically upon termination of the Depositary Agreement, unless the parties agree otherwise.

Link Company Matters Limited was appointed as corporate Company Secretary on 1 April 2014. The current annual fee is £69,696, which is subject to an annual RPI increase. The Agreement may be terminated by either party on six months' written notice.

With the Board's consent, AVI has sub-contracted certain fund administration services to Link Asset Services. The cost of these sub-contracted services is borne by AVI from its own resources and not by the Company.

Going Concern
The Directors have carefully reviewed the current financial resources and the projected expenses of the Company for the next 12 months. On the basis of that review and as the majority of net assets are securities which are traded on recognised stock exchanges, the Directors are satisfied that the Company's resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Viability
The Directors consider viability as part of their continuing programme of monitoring risk. The Directors believe five years to be a reasonable time horizon to consider the continuing viability of the Company, reflecting a balance between a longer-term investment horizon and the inherent shorter-term uncertainties within equity markets, although they do have due regard to viability over the longer term and particularly to key points outside this time frame, such as the due dates for the repayment of long-term debt. The Company is an investment trust whose portfolio is invested in readily realisable listed securities and with some short-term cash deposits. The following facts support the Directors' view of the viability of the Company:

- In the year under review, expenses (including finance costs and taxation) were adequately covered by investment income.
- The Company has a liquid investment portfolio.
- The Company has long-term debt of £30m and €30m which both fall due for repayment in 2036 and €20m which falls due for repayment in 2037. This debt was covered over 12 times as at the end of September 2019 by the Company's total assets. The Directors are of the view that, subject to unforeseen circumstances, the Company will have sufficient resources to meet the costs of annual interest and eventual repayment of principal on this debt.
- The Company has short-term debt of JPY1.465bn via an unsecured revolving credit facility.
- The Company has a large margin of safety over the covenants on its debt.

The Company's viability depends on the global economy and markets continuing to function. The Directors also consider the possibility of a wide-ranging collapse in corporate earnings and/or the market value of listed securities. To the latter point, it should be borne in mind that a significant proportion of the Company's expenses are in *ad valorem* investment management fees, which would reduce if the market value of the Company's assets were to fall.

In order to maintain viability, the Company has a robust risk control framework which, following guidelines from the FRC, has the objectives of reducing the likelihood and impact of: poor judgement in decision-making; risk-taking that exceeds the levels agreed by the Board; human error; or control processes being deliberately circumvented.

Taking the above into account, and the potential impact of the principal risks as set out above, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of approval of this Annual Report.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS').

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit and loss for that period.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether the financial statements have been prepared in compliance with IFRS, subject to any material departures disclosed and explained therein;
- provide additional disclosures where compliance with the specific requirements of IFRS are considered to be insufficient to enable users to understand the impact of particular transactions, events and conditions on the financial position and performance;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with relevant laws and regulations, and for ensuring that the Annual Report includes information required by the Disclosure Rules of the FCA.

The financial statements of the Company are published on the Company's website at https://www.aviglobal.co.uk. The Directors are responsible for ensuring the maintenance and integrity of the information relating to the Company published on this website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Declaration
The Directors listed above, being the persons responsible, hereby confirm to the best of their knowledge:

- that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

- the Strategic Report and the Investment Manager's Review include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces

In the opinion of the Board, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy.

Approval

The Report of the Directors has been approved by the Board.

By Order of the Board

Link Company Matters Limited
Corporate Secretary
11 November 2019

CAPITAL STRUCTURE AS AT 30 SEPTEMBER 2019

The Company's capital structure comprises Ordinary Shares and Loan Notes.

Ordinary Shares
At 30 September 2019, there were 116,003,133 (2018: 129,526,165) Ordinary Shares of 10p each in issue, of which 5,877,465 (2018: 17,681,674) were held in treasury and therefore the total voting rights attaching to Ordinary Shares in issue were 110,125,668.

Income entitlement
The profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed shall be distributed by way of interim, final and (where applicable) special dividends among the holders of Ordinary Shares, subject to the payment of interest to the holders of Loan Notes.

Capital entitlement
After meeting the liabilities of the Company and the amounts due to Loan Note holders on a winding-up, the surplus assets shall be paid to the holders of Ordinary Shares and distributed among such holders rateably according to the amounts paid up or credited as paid up on their shares.

Voting entitlement
Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary Share held.

The Notice of Meeting and Form of Proxy stipulate the deadlines for the valid exercise of voting rights and, other than with regard to Directors not being permitted to vote their shares on matters in which they have an interest, there are no restrictions on the voting rights of Ordinary Shares.

Transfers
There are no restrictions on the transfer of the Company's shares other than a) transfers by Directors and Persons Discharging Managerial Responsibilities and their connected persons during closed periods under the Market Abuse Regulation or which may constitute insider dealing, b) transfers to more than four joint transferees and c) transfers of shares which are not fully paid up or on which the Company has a lien provided that such would not prohibit dealings taking place on an open and proper basis.

The Company is not aware of any agreements between shareholders or any agreements or arrangements with shareholders which would change in the event of a change of control of the Company.

Loan Notes
At 30 September 2019, there were in issue fixed rate 20 year unsecured private placement notes (the 'Loan Notes'). The Loan Notes were issued in the following tranches:

- on 15 January 2016: 4.184% Series A Sterling Unsecured Loan Notes 2036
- on 15 January 2016: 3.249% Series B Euro Unsecured Loan Notes 2036
- on 1 November 2017: 2.93% Euro Senior Unsecured Loan Notes 2037

Income entitlement
Interest is payable half-yearly in each case at rates of 4.184% per annum on the £30m Sterling Loan Notes, 3.249% per annum on the €30m Euro Loan Notes and 2.93% per annum on the €20m Euro Senior Loan Notes.

Capital entitlement
The Loan Note holders are entitled to repayment of principal and outstanding interest on the redemption date or, if earlier, on the occurrence of an event of default. The redemption dates are:-

- 15 January 2036 for the 4.184% Series A Sterling Unsecured Loan Notes 2036
- 15 January 2036 for the 3.249% Series B Euro Unsecured Loan Notes 2036
- 1 November 2037 for the 2.93% Euro Senior Unsecured Loan Notes 2037

The Loan Notes are unsecured. If the Company is liquidated, the Loan Notes are redeemable by the Company at a price which is the higher of par and:

- for the 4.184% Series A Sterling Unsecured Loan Notes 2036, the price at which the Gross Redemption Yield on the date of redemption is equivalent to the yield on a reference UK government bond
- for the 3.249% Series B Euro Unsecured Loan Notes 2036 and for the 2.93% Euro Senior Unsecured Loan Notes 2037, the price at which the Gross Redemption Yield on the date of redemption is equivalent to the yield on a reference German government bond,

in each case together with interest accrued up to and including the date of redemption.

Had the Company been liquidated on 30 September 2019, the redemption premium would have amounted to £27.4m over and above the fair values.

The estimated fair values of the Loan Notes as at 30 September 2019 were Series A: £35.6m and Series B: £32.8m and Euro Senior: £21.3m, being £5.7m, £6.3m and £3.8m respectively above the amortised values excluding interest.

Voting entitlement
The holders of the Loan Notes have no right to attend or to vote at general meetings of the Company.

NON-STATUTORY ACCOUNTS

The financial information set out below does not constitute the Company's statutory accounts for the year ended 30 September 2019 but is derived from those accounts. Statutory accounts for the year ended 30 September 2019 will be delivered to the Registrar of Companies in due course. The Auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The text of the Auditors' report can be found in the Company's full Annual Report and Accounts on the Company's website at https://www.aviglobal.co.uk.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2019

	Notes	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000	2018 Revenue return £'000	2018 Capital return £'000	2018 Total £'000
Income							
Investment income	2	**26,209**	**-**	**26,209**	22,638	-	22,638
Gains on financial assets and financial liabilities held at fair value	8	**-**	**15,916**	**15,916**	-	75,456	75,456
Exchange losses on currency balances		**-**	**(1,572)**	**(1,572)**	-	(632)	(632)
		26,209	**14,344**	**40,553**	22,638	74,824	97,462
Expenses							
Investment management fee	3	**(1,887)**	**(4,404)**	**(6,291)**	(1,930)	(4,504)	(6,434)
Other expenses (including irrecoverable VAT)	3	**(1,403)**	**(66)**	**(1,469)**	(1,666)	-	(1,666)
Profit before finance costs and taxation		**22,919**	**9,874**	**32,793**	19,042	70,320	89,362
Finance costs	4	**(1,087)**	**(7,028)**	**(8,115)**	(1,145)	(2,697)	(3,842)
Exchange gains/(losses) on loan revaluation	4	**-**	**288**	**288**	-	(575)	(575)

Profit before taxation		**21,832**	**3,134**	**24,966**	17,897	67,048	84,945
Taxation	5	**(663)**	**-**	**(663)**	(964)	-	(964)
Profit for the year		**21,169**	**3,134**	**24,303**	16,933	67,048	83,981
Earnings per Ordinary Share	7	**19.08p**	**2.82p**	**21.90p**	14.83p	58.72p	73.55p

The total column of this statement is the Income Statement of the Company prepared in accordance with IFRS, as adopted by the European Union. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ('AIC SORP').

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

There is no other comprehensive income, and therefore the profit for the year after tax is also the total comprehensive income.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

	Ordinary share capital	Capital redemption reserve	Share premium	Capital reserve*	Merger reserve	Revenue reserve**	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
For the year ended 30 September 2019							
Balance as at 30 September 2018	**12,953**	**5,982**	**28,078**	**816,890**	**41,406**	**36,371**	**941,680**
Ordinary Shares bought back and held in treasury	**-**	**-**	**-**	**(12,603)**	**-**	**-**	**(12,603)**
Cancellation of shares held in treasury	**(1,353)**	**1,353**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**3,134**	**-**	**21,169**	**24,303**
Ordinary dividends paid (see note 6)	**-**	**-**	**-**	**-**	**-**	**(14,439)**	**(14,439)**
Balance as at 30 September 2019	**11,600**	**7,335**	**28,078**	**807,421**	**41,406**	**43,101**	**938,941**
For the year ended 30 September 2018							
Balance as at 30 September 2017	12,953	5,982	28,078	781,555	41,406	33,255	903,229
Ordinary Shares bought back and held in treasury	-	-	-	(31,713)	-	-	(31,713)
Total comprehensive income for the year	-	-	-	67,048	-	16,933	83,981
Ordinary dividends paid (see note 6)	-	-	-	-	-	(13,817)	(13,817)
Balance as at 30 September 2018	12,953	5,982	28,078	816,890	41,406	36,371	941,680

* Within the balance of the capital reserve, £692,232,000 relates to realised gains (2018: £657,077,000) which under the Articles of Association is distributable by way of dividend. The remaining £115,189,000 relates to unrealised gains and losses on financial instruments (2018: £159,813,000) and is non-distributable.
** Revenue reserve is fully distributable by way of dividend.

The Company, subsequent to the approval by the Shareholders at the December 2017 AGM, has the ability to distribute unrestricted available capital reserves.

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

as at 30 September 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	**972,824**	990,265
		972,824	990,265
Current assets			
Total return swap assets	15	**4,784**	-
Other receivables	9	**6,418**	6,550
Cash and cash equivalents		**64,725**	36,251
		75,927	42,801
Total assets		**1,048,751**	1,033,066
Current liabilities			
Total return swap liabilities	10,15	**(3,979)**	-
Revolving credit facility	10	**(30,037)**	-
Other payables	10	**(1,865)**	(2,225)
		(35,881)	(2,225)
Total assets less current liabilities		**1,012,870**	1,030,841
Non-current liabilities			
4.184% Series A Sterling Unsecured Loan Notes 2036	11	**(29,892)**	(29,885)
3.249% Series B Euro Unsecured Loan Notes 2036	11	**(26,466)**	(26,633)
2.93% Euro Senior Unsecured Loan Notes 2037	11	**(17,571)**	(17,679)
8⅛% Debenture Stock 2023	11	**-**	(14,964)
		(73,929)	(89,161)
Net assets		**938,941**	941,680

Equity attributable to equity Shareholders

Ordinary share capital		**11,600**	12,953
Capital redemption reserve		**7,335**	5,982
Share premium		**28,078**	28,078
Capital reserve		**807,421**	816,890
Merger reserve		**41,406**	41,406
Revenue reserve		**43,101**	36,371
Total equity		**938,941**	941,680
Net asset value per Ordinary Share - basic	13	**852.61p**	841.95p
Number of shares in issue excluding Treasury Shares	12	**110,125,668**	111,844,491

The financial statements were approved and authorised for issue by the Board of AVI Global Trust plc on 11 November 2019 and were signed on its behalf by:

Susan Noble
Chairman

The accompanying notes are an integral part of these financial statements.

Registered in England & Wales No. 28203

STATEMENT OF CASH FLOWS
for the year ended 30 September 2019

	2019 £'000	2018 £'000
Reconciliation of profit before taxation to net cash inflow from operating activities		
Profit before taxation	**24,966**	84,945
Gains on investments held at fair value through profit or loss	**(15,916)**	(75,456)
Redemption premium of Debenture Stock	**4,436**	-
Increase in other receivables	**(389)**	(1,114)
Increase in other payables	**452**	240
Taxation received/(paid)	**2,168**	(1,649)
Amortisation of Debenture and loan issue expenses	**55**	26
Net cash inflow from operating activities	**15,772**	6,992
Investing activities		
Purchases of investments	**(256,192)**	(349,572)
Sales of investments	**286,018**	381,615
Cash inflow from investing activities	**29,826**	32,043
Financing activities		
Dividends paid	**(14,439)**	(13,817)
Payments for Ordinary Shares bought back and placed in treasury*	**(13,001)**	(32,427)
Repayment of Debenture Stock	**(19,436)**	-
Issue of loans net of costs	**-**	17,384
Draw down of revolving credit facility	**27,775**	-
Exchange loss on Loan Notes and revolving credit facility	**1,974**	575
Cash outflow from financing activities	**(17,127)**	(28,285)
Increase in cash and cash equivalents	**28,471**	10,750
Reconciliation of net cash flow movement in funds:**		
Cash and cash equivalents at beginning of year	**36,251**	25,496
Exchange rate movements	**3**	5
Increase in cash and cash equivalents	**28,471**	10,750
Increase in net cash	**28,474**	10,755
Cash and cash equivalents at end of year	**64,725**	36,251

* During the year, 13,523,032 (2018: nil) Ordinary Shares were cancelled from treasury.
** Includes movements in money market funds.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information and accounting policies

AVI Global Trust plc is a company incorporated and registered in England and Wales. The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010 and its investment approach is detailed in the Strategic Report.

The financial statements of the Company have been prepared in accordance with IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), and as applied in accordance with the provisions of the Companies Act 2006. The annual financial statements have also been prepared in accordance with the AIC SORP for the financial statements of investment trust companies and venture capital trusts, except to any extent where it is not consistent with the requirements of IFRS.

Basis of preparation
The functional currency of the Company is Pounds Sterling because this is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in Pounds Sterling rounded to the nearest thousand, except where otherwise indicated.

Going concern
The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of 12 months from the date these financial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, debt and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Segmental reporting
The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business. The Company primarily invests in companies listed in the UK and other recognised international exchanges.

Accounting developments
In the current period, the Company has applied a number of amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The Company has also applied, with associated amendments, for the first time the following standards:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

The assessment of the impact of the adoption of these standards is set out below.

IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets, and replaces the multiple classification and measurement models in IAS 39.

The financial instruments are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Company consistent with prior periods. The adoption of IFRS 9 did not result in any change to the classification or measurement of financial instruments in either the current or prior periods.

The other receivables and prepayments are accounted for at amortised cost, meeting the criteria for classification in IFRS 9, hence there has been no change in the accounting for these assets. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses as in the case of IAS 39 applicable to all financial assets.

IFRS 15 specifies how and when revenue is recognised and enhances disclosures. Given the nature of the Company's revenue streams from financial instruments, the provisions of this standard did not have a material impact. There are no changes in the methodology of accounting for investment income and other income is recognised when the amounts fall due, both consistent with prior periods.

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases by lessors and lessees and will be adopted from 1 October 2019.

The adoption of these standards has not had any material impact on these or prior years' financial statements.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. There are no significant judgements or estimates in these financial statements.

Investments
The Company's business is investing in financial assets with a view to capital growth. This portfolio of financial assets is managed and its performance evaluated on a fair value basis in accordance with the documented investment strategy and information is provided internally on that basis to the Company's Board of Directors.

The investments held by the Company are designated 'at fair value through profit or loss'. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as 'Gains or losses on investments held at fair value through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments. When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is either the bid price or closing price for Stock Exchange Electronic Trading Service - quotes and crosses ('SETSqx'). The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been accumulated is recognised in profit or loss.

Fair values for unquoted investments, or for investments for which the market is inactive, are established by using various valuation techniques in accordance with the International Private Equity and Venture Capital (the 'IPEV') guidelines. These may include recent arm's length market transactions, the current fair value of another instrument that is substantially the same, discounted cash flow analysis, option pricing models and reference to similar quoted companies. Where there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is utilised. Where no reliable fair value can be estimated for such instruments, they are carried at cost, subject to any provision for impairment. These are constantly monitored for value and impairment. The values and impairment, if any, are approved by the Board.

All investments for which a fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy levels in note 14. A transfer between levels may result from the date of an event or a change in circumstances.

Foreign currency
Transactions denominated in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing on the date of the transaction. Items which are denominated in foreign currencies are translated at the rates prevailing on the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the capital reserve or the revenue account depending on whether the gain or loss is capital or revenue in nature.

Cash and cash equivalents
Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments and money market funds, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

Other receivables and payables
Trade receivables, trade payables and short-term borrowings are measured at amortised cost and balances revalued for exchange rate movements.

Revolving credit facility
The revolving credit facility is recognised at amortised cost and revalued for exchange rate movements.

Income
Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis. Dividends from overseas companies are shown gross of any withholding taxes which are disclosed separately in the Statement of Comprehensive Income.

Special dividends are taken to the revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case-by-case basis.

When the Company has elected to receive scrip dividends in the form of additional shares rather than in cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

All other income is accounted on a time-apportioned accruals basis and is recognised in the Statement of Comprehensive Income.

Expenses and finance costs
All expenses are accounted on an accruals basis. On the basis of the Board's expected long-term split of total returns in the form of capital and revenue returns of 70% and 30% respectively, the Company charges 70% of its management fee and finance costs to capital.

Expenses incurred directly in relation to arranging debt finance are amortised over the term of the finance.

Expenses incurred in buybacks of shares to be held in treasury are charged to the capital reserve through the Statement of Changes in Equity.

Taxation
The charge for taxation is based on the net revenue for the year and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the 'marginal' basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

Dividends payable to shareholders
Dividends to shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

Non-current liabilities: Loan Notes
The non-current liabilities are valued at amortised cost. Costs in relation to arranging the debt finance have been capitalised and are amortised over the term of the finance. Hence, amortised cost is the par value less the amortised costs of issue.

The Euro Loan Notes are shown at amortised cost with the exchange difference on the principal amounts to be repaid reflected. Any gain or loss arising from changes in the exchange rate between Euro and Sterling is included in the capital reserves and shown in the capital column of the Statement of Comprehensive Income.

Further details of the non-current liabilities are set out in notes 11 and 14.

Capital redemption reserve
The capital redemption reserve represents non-distributable reserves that arise from the purchase and cancellation of shares.

Share premium
The share premium account represents the accumulated premium paid for shares issued in previous periods above their nominal value less issue expenses. This is a reserve forming part of the non-distributable reserves. The following items are taken to this reserve:

- costs associated with the issue of equity; and
- premium on the issue of shares.

Capital reserve
The following are taken to the capital reserve through the capital column in the Statement of Comprehensive Income:

Capital reserve - other, forming part of the distribution reserves:
- gains and losses on the disposal of investments;
- amortisation of issue expenses of Loan Notes;
- costs of share buybacks;
- costs of Debenture Stock redemption;
- exchange differences of a capital nature; and
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Capital reserve - investment holding gains, not distributable:
- increase and decrease in the valuation of investments held at the year end.

Merger reserve
The merger reserve represents the share premium on shares issued on the acquisition of Selective Assets Trust plc on 13 October 1995 and is not distributable.

Revenue reserve
The revenue reserve represents the surplus of accumulated profits and is distributable by way of dividends.

2. Income

	2019 £'000	2018 £'000
Income from investments		
Listed investments	**25,983**	22,296
Total return swap dividends*	**(92)**	-
	25,891	22,296
Other income		
Deposit interest	**479**	127
Total return swap interest*	**(435)**	-
Interest on French withholding tax received	**25**	54
Exchange gains on receipt of income**	**249**	161
	318	342
Total income	**26,209**	22,638

* Net income (paid)/received on underlying holdings in total return swaps.
** Exchange movements arise from ex-dividend date to payment date.

3. Investment management fee and other expenses

	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000	2018 Revenue return £'000	2018 Capital return £'000	2018 Total £'000
Management fee	**1,887**	**4,404**	**6,291**	1,930	4,504	6,434
Other expenses						
Directors' emoluments - fees	**157**	**-**	**157**	146	-	146
Auditor's remuneration - audit	**28**	**-**	**28**	25	-	25
Auditor's remuneration - interim review and debenture review services	**7**	**-**	**7**	8	-	8
Marketing	**310**	**-**	**310**	421	-	421
Research costs*	**-**	**-**	**-**	93	-	93
Printing and postage costs	**63**	**-**	**63**	15	-	15
Registrar fees	**86**	**-**	**86**	88	-	88
Custodian fees	**144**	**-**	**144**	138	-	138
Depositary fees	**121**	**-**	**121**	144	-	144

Advisory and professional fees	**208**	**66†**	**274**	298	-	298
Costs associated with dividend receipts	**95**	**-**	**95**	83	-	83
Irrecoverable VAT	**84**	**-**	**84**	107	-	107
Regulatory fees	**68**	**-**	**68**	65	-	65
Directors' insurances and other expenses	**32**	**-**	**32**	35	-	35
	1,403	**66**	**1,469**	1,666	-	1,666

* Contribution to Investment Manager's research budget.

† Capitalised costs associated with the total return swap.

For the year ended 30 September 2019, the fee calculated in accordance with the IMA amounted to 0.7% (2018: 0.7%) of the net asset value calculated on a quarterly basis.

Details of the IMA and fees paid to the Investment Manager are set out in the Report of the Directors.

4. Finance costs

	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000	2018 Revenue return £'000	2018 Capital return £'000	2018 Total £'000
Loan, debenture and revolving credit facility interest						
8⅛% Debenture Stock 2023*	**246**	**573**	**819**	366	854	1,220
4.184% Series A Sterling Unsecured Loan Notes 2036	**376**	**879**	**1,255**	376	879	1,255
3.249% Series B Euro Unsecured Loan Notes 2036	**263**	**613**	**876**	259	604	863
2.93% Euro Senior Unsecured Loan Notes 2037	**152**	**354**	**506**	144	334	478
JPY revolving credit facility**	**37**	**87**	**124**	-	-	-
	1,074	**2,506**	**3,580**	1,145	2,671	3,816
Amortisation						
8⅛% Debenture Stock 2023*	**-**	**36**	**36**	-	7	7
4.184% Series A Sterling Unsecured Loan Notes 2036	**-**	**7**	**7**	-	7	7
3.249% Series B Euro Unsecured Loan Notes 2036	**-**	**5**	**5**	-	5	5
2.93% Euro Senior Unsecured Loan Notes 2037	**-**	**7**	**7**	-	7	7
JPY revolving credit facility**	**13**	**31**	**44**	-	-	-
	13	**86**	**99**	-	26	26
Early redemption						
8⅛% Debenture Stock 2023*	**-**	**4,436**	**4,436**	-	-	-
Total	**1,087**	**7,028**	**8,115**	1,145	2,697	3,842
Exchange gains/(losses) on Loan Notes***	**-**	**288**	**288**	-	(575)	(575)

* The 8⅛% Debenture Stock 2023 was redeemed on 3 June 2019

** The JPY4.0bn unsecured revolving credit facility was entered into on 4 April 2019 and was fully drawn down on 10 April 2019 with interest payable at a rate equal to LIBOR plus 0.75%.

*** Revaluation of Euro Loan Notes.

5. Taxation

	Year ended 30 September 2019			Year ended 30 September 2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Analysis of charge for the year						
Overseas tax not recoverable*	**1,096**	**-**	**1,096**	964	-	964
Overseas tax recovered - previously expensed**	**(433)**	**-**	**(433)**	-	-	-
Tax cost for the year	**663**	**-**	**663**	964	-	964

* Tax deducted on payment of overseas dividends by local tax authorities.

** Receipts from the recovery of French withholding tax from prior years.

The tax assessed for the year is the standard rate of corporation tax in the United Kingdom of 19%. The differences are explained below:

	Year ended 30 September 2019			Year ended 30 September 2018		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
Return on ordinary activities after interest payable but before appropriations	**21,832**	**3,134**	**24,966**	17,897	67,048	84,945
Theoretical tax at UK corporation tax rate of 19% (2018: 19%)	**4,148**	**596**	**4,744**	3,400	12,739	16,139
Effects of the non-taxable items:						
- Tax-exempt overseas investment income	**(4,967)**	**-**	**(4,967)**	(4,267)	-	(4,267)
- (Losses)/gains on investments, exchange gains	**-**	**(1,925)**	**(1,925)**	-	(14,107)	(14,107)

on capital items and movement of fair value or derivative financial instruments						
- Excess management expenses carried forward	**513**	**1,329**	**1,842**	551	1,368	1,919
- Corporate interest restriction	**306**	**-**	**306**	316	-	316
- Overseas tax not recoverable	**1,096**	**-**	**1,096**	964	-	964
- Overseas tax recovered previously expensed	**(433)**	**-**	**(433)**	-	-	-
Tax credit for the year	**663**	**-**	**663**	964	-	964

At 30 September 2019, the Company had unrelieved management expenses of £78,686,000 (30 September 2018: £68,933,000) that are available to offset future taxable revenue. A deferred tax asset of £13,376,000 has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company.

6. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 30 September 2018 of 11.00p (2017: 10.00p) per Ordinary Share	**12,221**	11,557
Interim dividend for the year ended 30 September 2019 of 2.00p (2018: 2.00p) per Ordinary Share	**2,218**	2,260
	14,439	13,817

Set out below are the interim and final dividends paid or proposed on Ordinary Shares in respect of the financial year, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered.

	2019 £'000	2018 £'000
Interim dividend for the year ended 30 September 2019 of 2.00p (2018: 2.00p) per Ordinary Share	**2,218**	2,260
Proposed final dividend for the year ended 30 September 2019 of 14.50p (2018: 11.00p) per Ordinary Share	**15,855***	12,259
	18,073	14,519

* Based on shares in circulation on 8 November 2019.

7. Earnings per Ordinary Share

The earnings per Ordinary Share is based on Company net profit after tax of £24,303,000 (2018: £83,981,000) and on 110,956,131 (2018: 114,182,431) Ordinary Shares, being the weighted average number of Ordinary Shares in issue (excluding shares in treasury) during the year.

The earnings per Ordinary Share detailed above can be further analysed between revenue and capital as follows:

Basic and diluted	Revenue	Capital	2019 Total	Revenue	Capital	2018 Total
Profit for the year (£'000)	**21,169**	**3,134**	**24,303**	16,933	67,048	83,981
Weighted average number of Ordinary Shares			**110,956,131**			114,182,431
Earnings per Ordinary Share	**19.08p**	**2.82p**	**21.90p**	14.83p	58.72p	73.55p

There are no dilutive instruments issued by the Company (2018: none).

8. Investments held at fair value through profit or loss

	30 September 2019 £'000	30 September 2018 £'000
Financial assets held at fair value		
Opening book cost	**826,405**	774,915
Opening investment holding gains	**163,860**	175,596
Opening fair value	**990,265**	950,511
Movement in the year:		
Purchases at cost:		
Equities	**255,779**	345,819
Sales/Close - proceeds:		
Equities and total return swaps	**(288,331)**	(381,521)
- realised gains on equity sales and close of total return swaps	**58,568**	87,192
Decrease in investment holding gains	**(42,652)**	(11,736)
Closing fair value	**973,629**	990,265
Closing book cost	**852,421**	826,405
Closing investment holding gains	**121,208**	163,860
Closing fair value	**973,629**	990,265
Financial assets held at fair value		
Equities	**972,824**	990,265
Total return swaps	**805**	-
	973,629	990,265

	Year ended 30 September	Year ended 30 September

	2019 £'000	2018 £'000
Transaction costs		
Cost on acquisition	**241**	571
Cost on disposals	**276**	384
	517	955
Analysis of capital gains		
Gains on sales/close out of financial assets based on historical cost	**58,568**	87,192
Movement in investment holding gains for the year	**(42,652)**	(11,736)
Net gains on financial assets and financial liabilities held at fair value	**15,916**	75,456

9. Other receivables

	2019 £'000	2018 £'000
Amounts due from brokers	**2,711**	401
Overseas tax recoverable	**655**	3,486
Prepayments and accrued income	**3,036**	2,647
VAT recoverable	**16**	16
	6,418	6,550

Overseas tax recoverable relates to withholding tax in a number of countries, some of which is past due, but is in the process of being reclaimed by the Custodian through local tax authorities and which the Company expects to receive in due course.

No other receivables are past due or impaired.

10. Current liabilities

	2019 £'000	2018 £'000
Total return swap liabilities	**3,979**	-
Revolving credit facility	**30,037**	-
Other payables		
Purchases for future settlement	**48**	462
Amounts owed for share buybacks	**4**	400
Management fees	**542**	-
Interest payable	**787**	668
Other payables	**484**	695
Total other payables	**1,865**	2,225
Total current liabilities	**35,881**	2,225

Revolving credit facility
On 29 April 2019, the Company entered into an agreement with Scotiabank Europe Plc for a JPY4.0bn (£27,700,000) unsecured revolving credit facility (the 'facility') for a period of three years.

The facility was fully drawn down and JPY4.0bn (£28,047,000) was received on 9 May 2019 and used to repay the Debenture Stock. The refinancing exercise is expected to reduce annual interest costs by approximately £930,000 (or 0.8p per share), based on current short-term interest rates for the facility.

The facility bears interest at the rate of 0.75% over LIBOR on any drawn balance. Undrawn balances below JPY2.0bn are charged at 0.35% and any undrawn portion above this is charged at 0.30%. Under the terms of the facility, the net assets shall not be less than £300m and the adjusted net asset coverage to borrowings shall not be less than 4:1.

The facility is shown at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserves and shown in the capital column of the Statement of Comprehensive Income. Interest costs are charged to capital and revenue in accordance with the Company's accounting policies.

11. Non-current liabilities

	2019 £'000	2018 £'000
8⅛% Debenture Stock 2023	**-**	14,964
4.184% Series A Sterling Unsecured Loan Notes 2036	**29,892**	29,885
3.249% Series B Euro Unsecured Loan Notes 2036	**26,466**	26,633
2.93% Euro Senior Unsecured Loan Notes 2037	**17,571**	17,679
Total	**73,929**	89,161

The amortised costs of issue expenses are set out in note 4.

The fair values of the Loan Notes are set out in note 14.

The Company issued two Loan Notes on 15 January 2016:

£30,000,000 4.184% Series A Sterling Unsecured Loan Notes due 15 January 2036
€30,000,000 3.249% Series B Euro Unsecured Loan Notes due 15 January 2036

The Company issued further Loan Notes on 1 November 2017:

€20,000,000 2.93% Euro Senior Unsecured Loan Notes due 1 November 2037

On 3 June 2019, the Company redeemed all the outstanding Debenture Stock.

Under the terms of the Loan Notes, the net assets of the Company shall not be less than £300,000,000 and total indebtedness shall not exceed 40% of net assets.

Further information on the Loan Notes is set out above.

12. Called-up share capital

	Ordinary Shares of 10p each	
	Number of shares	Nominal value £'000
Allotted, called up and fully paid:	**116,003,133**	**11,600**
Treasury Shares:		
Balance at beginning of year	**17,681,674**	
Buyback of Ordinary Shares into treasury	**1,718,823**	
Cancellation of Ordinary Shares held in tresury	**(13,523,032)**	
Balance at end of year	**5,877,465**	
Total Ordinary Share capital excluding Treasury Shares	**110,125,668**	

During the year, 1,718,823 (2018: 4,309,052) Ordinary Shares with a nominal value of £172,000 (2018: £431,000) and representing 1.48% of the issued share capital, were bought back and placed in treasury for an aggregate consideration of £12,603,000 (2018: £31,713,000). No Ordinary Shares were bought back for cancellation (2018: nil). 13,523,032 Ordinary Shares were cancelled from treasury during the year (2018: nil).

The allotted, called up and fully paid shares at 30 September 2019 consisted of 116,003,133 Ordinary Shares.

13. Net asset value

The net asset value per share and the net asset value attributable to the Ordinary Shares at the year end are calculated in accordance with their entitlements in the Articles of Association and were as follows:

	Net asset value per share attributable	
	2019	2018
Ordinary Shares (basic)	**852.61p**	841.95p

	Net asset value attributable	
	2019 £'000	2018 £'000
Ordinary Shares (basic)	**938,941**	941,680

Basic net asset value per Ordinary Share is based on net assets and on 110,125,668 Ordinary Shares (2018: 111,844,491), being the number of Ordinary Shares in issue excluding Treasury Shares at the year end.

At the year end, the net asset value per Ordinary Share adjusted to include the Loan Notes at fair value was 838.29p (2018: 834.58p).

14. Financial instruments and capital disclosures

Investment objective and policy
The investment objective of the Company is 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.

The Company's investment objective and policy are detailed above.

The Company's financial instruments comprise equity and fixed-interest investments, cash balances, receivables, payables and borrowings. The Company makes use of borrowings to achieve improved performance in rising markets. The risk of borrowings may be reduced by raising the level of cash balances or fixed-interest investments held.

Risks
The risks identified arising from the financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk and credit and counterparty risk. The Company may also enter into derivative transactions to manage risk.

The Board and Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed below.

Market risk
Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss which the Company might suffer through holding market positions by way of price movements, interest rate movements and exchange rate movements. The Investment Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

Market price risk
Market price risk (i.e. changes in market prices other than those arising from currency risk or interest rate risk) may affect the value of investments.

The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with the objective of maximising overall returns to shareholders. If the fair value of the Company's investments at the year end increased or decreased by 10%, then it would have had an impact on the Company's capital return and equity of £97,282,000 (2018: £99,027,000).

Foreign currency
The value of the Company's assets and the total return earned by the Company's shareholders can be significantly affected by foreign exchange rate movements as most of the Company's assets are denominated in currencies other than Pounds Sterling, the currency in which the Company's financial statements are prepared. Income denominated in foreign currencies is converted to Pounds Sterling upon receipt.

A 5% rise or decline of Sterling against foreign currency denominated (i.e. non Pounds Sterling) assets and liabilities held at the year end would have increased/decreased the net asset value by £41,813,000 (2018: £40,918,000).

The currency exposure is as follows:

Currency risk	GBP	EUR	USD	SEK	JPY	NOK	CHF	HKD	Other	Total

	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 September 2019										
Other receivables	**698**	**167**	**2,813**	**-**	**1,378**	**213**	**275**	**874**	**-**	**6,418**
Cash and cash equivalents	**50,725**	**-**	**14,000**	**-**	**-**	**-**	**-**	**-**	**-**	**64,725**
Other payables	**(1,294)**	**(399)**	**-**	**-**	**(172)**	**-**	**-**	**-**	**-**	**(1,865)**
Total return swaps	**-**	**-**	**805**	**-**	**-**	**-**	**-**	**-**	**-**	**805**
4.184% Series A Sterling Unsecured Loan Notes 2036	**(29,892)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(29,892)**
3.249% Series B Euro Unsecured Loan Notes 2036	**-**	**(26,466)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(26,466)**
2.93% Euro Senior Unsecured Loan Notes 2037	**-**	**(17,571)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(17,571)**
Revolving credit facility	**-**	**-**	**-**	**-**	**(30,037)**	**-**	**-**	**-**	**-**	**(30,037)**
Currency exposure on net monetary items	**20,237**	**(44,269)**	**17,618**	**-**	**(28,831)**	**213**	**275**	**874**	**-**	**(33,883)**
Investments held at fair value through profit or loss - equities	**82,446**	**116,529**	**354,554**	**56,352**	**254,008**	**15,924**	**27,539**	**36,909**	**28,563**	**972,824**
Total net currency exposure	**102,683**	**72,260**	**372,172**	**56,352**	**225,177**	**16,137**	**27,814**	**37,783**	**28,563**	**938,941**

This exposure is representative at the Balance Sheet date and may not be representative of the year as a whole. The balances are of the holding investment and may not represent the actual exposure of the subsequent underlying investment.

	GBP	EUR	USD	SEK	JPY	NOK	CHF	HKD	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 September 2018										
Other receivables	651	701	145	-	1,517	2,138	647	751	-	6,550
Cash and cash equivalents	36,251	-	-	-	-	-	-	-	-	36,251
Other payables	(1,360)	(403)	-	-	(462)	-	-	-	-	(2,225)
8⅛% Debenture Stock 2023	(14,964)	-	-	-	-	-	-	-	-	(14,964)
4.184% Series A Sterling Unsecured Loan Notes 2036	(29,885)	-	-	-	-	-	-	-	-	(29,885)
3.249% Series B Euro Unsecured Loan Notes 2036	-	(26,633)	-	-	-	-	-	-	-	(26,633)
2.93% Euro Senior Unsecured Loan Notes 2037	-	(17,679)	-	-	-	-	-	-	-	(17,679)
Currency exposure on net monetary items	(9,307)	(44,014)	145	-	1,055	2,138	647	751	-	(48,585)
Investments held at fair value through profit or loss - equities	132,625	106,899	405,170	32,474	184,647	22,902	52,725	43,298	9,525	990,265
Total net currency exposure	123,318	62,885	405,315	32,474	185,702	25,040	53,372	44,049	9,525	941,680

Interest rate risk
Interest rate movements may affect:

- the fair value of investments in fixed-interest rate securities;
- the level of income receivable on cash deposits;
- the interest payable on variable rate borrowings; and
- the fair value of the Company's long-term debt.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The Loan Notes issued by the Company pay a fixed rate of interest and are carried in the Company's Balance Sheet at amortised cost rather than at fair value. Hence, movements in interest rates will not affect net asset values, as reported under the Company's accounting policies, but may have an impact on the Company's share price and discount/premium. The fair value of the debt and its effect on the Company's assets is set out below.

The exposure at 30 September of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	At 30 September 2019 £'000	At 30 September 2018 £'000
Exposure to floating interest rates:		
Cash and cash equivalents	**64,725**	36,251
JPY revolving credit facility	**(30,037)**	-

If the above level of cash was maintained for a year, a 1% increase in interest rates would increase the revenue return and net assets by £347,000 (2018: £363,000). Management proactively manages cash balances. If there was a fall of 1% in interest rates, it would potentially impact the Company by turning positive interest to negative interest. The total effect would be a revenue reduction/cost increase of £347,000 (2018: £363,000).

	At 30 September 2019		At 30 September 2018	
	Book cost £'000	Fair value £'000	Book cost £'000	Fair value £'000
8⅛% Debenture Stock 2023	**-**	**-**	14,964	18,975
4.184% Series A Sterling Unsecured Loan Notes 2036	**29,892**	**35,596**	29,885	32,493
3.249% Series B Euro Unsecured Loan Notes 2036	**26,466**	**32,756**	26,633	28,021
2.93% Euro Senior Unsecured Loan Notes 2037	**17,571**	**21,348**	17,679	17,920
Total	**73,929**	**89,700**	89,161	97,409

The impact of holding the Loan Notes at fair value would be to reduce the Company's net assets by £15,771,000.

The fair value of the Company's Loan Notes at the year end was £89,700,000 (2018: £97,409,000). The interest rates of the non-current liabilities (Loan Notes) are fixed. A 1% increase in market interest rates would be expected to decrease the fair value of the non-current liabilities by approximately £10.9m (2018: £10.3m), all other factors being equal. A 1% decrease would increase the fair values by £4.1m (2018: £12.1m).

Liquidity risk
The Company's assets mainly comprise readily realisable securities which can be easily sold to meet funding commitments, if necessary. Unlisted investments, if any, in the portfolio are subject to liquidity risk. The risk is taken into account by the Directors when arriving at their valuation of these items.

Liquidity risk is mitigated by the fact that the Company has £64,725,000 (2018: £36,251,000) cash at bank, the assets are readily realisable and further short-term flexibility is available through the use of bank borrowings. The Company is a closed-end fund, assets do not need to be liquidated to meet redemptions, and sufficient liquidity is maintained to meet obligations as they fall due.

The remaining contractual payments on the Company's financial liabilities at 30 September, based on the earliest date at which payment can be required and current exchange rates at the Balance Sheet date, were as follows:

	In 1 year or less	In more than 1 year but not more than 2 years	In more than 2 years but not more than 3 years	In more than 3 years but not more than 10 years	Total
	£'000	£'000	£'000	£'000	£'000
At 30 September 2019					
4.184% Series A Sterling Unsecured Loan Notes 2036	**(1,255)**	**(1,255)**	**(1,255)**	**(8,786)**	**(12,551)**
3.249% Series B Euro Unsecured Loan Notes 2036	**(863)**	**(863)**	**(863)**	**(6,038)**	**(8,627)**
2.93% Euro Senior Unsecured Loan Notes 2037	**(519)**	**(519)**	**(519)**	**(3,630)**	**(5,187)**
Revolving credit facility	**(30,037)**	**-**	**-**	**-**	**(30,037)**
Total return swap liabilities	**(3,979)**	**-**	**-**	**-**	**(3,979)**
Other payables	**(1,865)**	**-**	**-**	**-**	**(1,865)**
	(38,518)	**(2,637)**	**(2,637)**	**(18,454)**	**(62,246)**

	In 1 year or less	In more than 1 year but not more than 2 years	In more than 2 years but not more than 3 years	In more than 3 years but not more than 10 years	Total
	£'000	£'000	£'000	£'000	£'000
At 30 September 2018					
8⅛% Debenture Stock 2023*	(1,219)	(1,219)	(1,219)	(17,133)	(20,790)
4.184% Series A Sterling Unsecured Loan Notes 2036	(1,255)	(1,255)	(1,255)	(8,786)	(12,551)
3.249% Series B Euro Unsecured Loan Notes 2036	(868)	(868)	(868)	(6,076)	(8,680)
2.93% Euro Senior Unsecured Loan Notes 2037	(522)	(522)	(522)	(3,654)	(5,220)
Other payables	(2,225)	-	-	-	(2,225)
	(6,089)	(3,864)	(3,864)	(35,649)	(49,466)

* Comprises the remaining interest payments to 2023, together with the principal to be repaid in 2023.

Credit risk
Credit risk is mitigated by diversifying the counterparties through which the Investment Manager conducts investment transactions. The credit standing of all counterparties is reviewed periodically, with limits set on amounts due from any one counterparty.

The total credit exposure represents the carrying value of fixed-income investments, cash and receivable balances and totals £75,927,000 (2018: £42,801,000).

Fair values of financial assets and financial liabilities
Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 - valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 - valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The tables below set out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 30 September 2019

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equity investments	**957,334**	**15,490**	**-**	**972,824**
Total return swap assets	**-**	**4,784**	**-**	**4,784**
	957,334	**20,274**	**-**	**977,608**

Financial assets at fair value through profit or loss at 30 September 2018

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Equity investments	964,491	25,774	-	990,265

The valuation of Level 2 equity investments is determined using the average of independent broker traded prices available in the market. The valuation techniques used by the Company are explained in the accounting policies note above.

The fair value of the total return swaps is derived by using the market price of the underlying instruments and exchange rates and therefore would be categorised as Level 2.

Financial liabilities
Valuation of Loan Notes
The Company's Loan Notes are measured at amortised cost, with the fair values set out below. Other financial assets and liabilities of the Company are carried in the Balance Sheet at an approximation to their fair value.

	At 30 September 2019		At 30 September 2018	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
4.184% Series A Sterling Unsecured Loan Notes 2036	**(29,892)**	**(35,596)**	(29,885)	(32,493)
3.249% Series B Euro Unsecured Loan Notes 2036	**(26,466)**	**(32,756)**	(26,633)	(28,021)
2.93% Euro Senior Unsecured Loan Notes 2037	**(17,571)**	**(21,348)**	(17,679)	(17,920)
8⅛% Debenture Stock 2023	**-**	**-**	(14,964)	(18,975)
Total	**(73,929)**	**(89,700)**	(89,161)	(97,409)

There is no publicly available price for the Company's Loan Notes. Their fair market value has been derived by calculating the relative premium (or discount) of the loan versus the publicly available market price of relevant reference market instruments and exchange rates. As this price is derived by a model, using observable inputs, it would be categorised as Level 2 under the fair value hierarchy. The fair value of the total return swaps is derived using the market price of the underlying instruments and exchange rates and therefore would be categorised as Level 2.

The financial liabilities in the table below are shown at fair value, being the amount at which the liability may be transferred in an orderly transaction between market participants. The costs of early redemption of the Loan Notes are set in the Glossary.

Financial liabilities at 30 September 2019

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Loan Notes	**-**	**(89,700)**	**-**	**(89,700)**
Total return swap liabilities	**-**	**(3,979)**	**-**	**(3,979)**
	-	**(93,679)**	**-**	**(93,679)**

Financial liabilities at 30 September 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Debenture Stock	(18,975)	-	-	(18,975)
Loan Notes	-	(78,434)	-	(78,434)
	(18,975)	(78,434)	-	(97,409)

Capital management policies and procedures
The structure of the Company's capital is described in note 1 and details of the Company's reserves are shown in the Statement of Changes in Equity.

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- 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, through an appropriate balance of equity capital and debt; and
- to maximise the return to shareholders while maintaining a capital base to allow the Company to operate effectively and meet obligations as they fall due.

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Company's capital on an ongoing basis. These reviews include:

- the level of gearing, which takes account of the Company's position and the Investment Manager's views on the market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from last year.

The Company is subject to externally imposed capital requirements:

a) as a public company, the Company is required to have a minimum share capital of £50,000; and
b) in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006, the Company, as an investment company:

    i) is only able to make a dividend distribution to the extent that the assets of the Company are equal to at least one and a half times its liabilities after the dividend payment has been made; and
    ii) is required to make a dividend distribution each year such that it does not retain more than 15% of the income that it derives from shares and securities.

These requirements are unchanged since last year and the Company has complied with them at all times.

15. Derivatives

The Company may use a variety of derivative contracts, including total return swaps to enable it to gain long and short exposure to individual securities. Derivatives are valued by reference to the underlying market value of the corresponding security.

	At 30 September 2019 £'000	At 30 September 2018 £'000
Total return swaps		
Current assets	**4,784**	-
Current liabilities	**(3,979)**	-
Net value of derivatives	**805**	-

The gross positive exposure on total return swaps as at 30 September 2019 was £37,377,000 (30 September 2018: £nil) and the total negative exposure of total return swaps was £29,034,000 (30 September 2018: £nil). The liabilities are secured against assets held with Jefferies Hoare Govett (the "prime broker"). The collateral held as at 30 September 2019 was £14,000,000 (30 September 2018: £nil), which is included in cash and cash equivalents in the Balance Sheet.

16. Contingencies, guarantees and financial commitments

At 30 September 2019, the Company had £nil financial commitments (2018: £nil).

At 30 September 2019, the Company had £nil contingent liability in respect of any investments carrying an obligation for future subscription or underwriting commitments (2018: £nil).

17. Related party transactions and transactions with the Investment Manager

Fees paid to the Company's Directors are disclosed in the Report on Remuneration Implementation in the full Annual Report. At the year end, £nil was outstanding due to Directors (2018: £nil).

The transaction pursuant to the IMA with AVI is set out in the Report of the Directors. Management fees for the year amounted to £6,291,000 (2018: £6,434,000).

As at the year end, the following amounts were outstanding in respect of management fees: £542,000 (2018: £nil).

18. Post balance sheet events

Since the year end, the Company has bought back 781,973 Ordinary Shares with a nominal value of £78,197 at a total cost of £5,820,000, which have been placed in treasury.

GLOSSARY

AIFM
The AIFM, or Alternative Investment Fund Manager, is Asset Value Investors, which manages the portfolio on behalf of AGT shareholders. The current approach to investment used by Asset Value Investors was adopted in June 1985.

NAV total return since inception of strategy in June 1985 (annualised)

Closing NAV per share (p) - 30 September 2019	**838.29**	a
Dividends paid out (p)	**171.00**	b
Benefits from re-investing dividends (p)	**305.72**	c
Adjusted NAV per share (p)	**1,315.01**	**d = a + b + c**
Opening NAV per share (p) - June 1985	**29.72**	e
Annualised NAV total return (%)	**11.7%**	**((d/e) ^ (1/34.25)) - 1**

Alternative Performance Measure ('APM')
An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework. In selecting these Alternative Performance Measures, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company.

Comparator Benchmark
The Company's Comparator Benchmark is the MSCI All Country World ex-US Total Return Index, expressed in Sterling terms. The benchmark is an index which measures the performance of global equity markets, both developed and emerging. The weighting of index constituents is based on their market capitalisation.

Dividends paid by index constituents are assumed to be reinvested in the relevant securities at the prevailing market price. The Investment Manager's investment decisions are not influenced by whether a particular company's shares are, or are not, included in the benchmark. The benchmark is used only as a yard stick to compare investment performance.

Cost
The book cost of each investment is the total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.

Currency

GBP	EUR	USD	SEK	JPY	NOK	CHF	HKD	BRL	RON
Pounds Sterling	Euro	US Dollar	Swedish Krona	Japanese Yen	Norwegian Krone	Swiss Franc	Hong Kong Dollar	Brazilian Real	Romanian Lei

Discount/Premium (APM)
If the share price is lower than the NAV per share, it is said to be trading at a discount. The size of the Company's discount is calculated by subtracting the share price of 747.00p (2018: 764.00p) from the NAV per share (with debt at fair value) of 838.29p (2018: 834.58p) and is usually expressed as a percentage of the NAV per share, 10.9% (2018: 8.5%). If the share price is higher than the NAV per share, this situation is called a premium.

Earnings before Interest and Tax ('EBIT')
A standard measure of operating profits and, therefore, the profits that are available to be distributed to both debt and equity investors. It is often compared with Enterprise Value in the 'EV/EBIT Ratio', similar to the price-to-earnings ratio.

Earnings before Interest, Tax, Depreciation and Amortisation ('EBITDA')
A proxy for the cash flow generated by a business - it is most commonly used for businesses that do not (yet) generate operating or shareholder profits.

Enterprise Value ('EV')
Enterprise value is the sum of a company's market value plus debt less cash.

Free Cash Flow Yield ('FCF')
Free cash flow is the amount of cash profits that a business generates, adjusted for the minimum level of capital expenditure required to maintain the company in a steady state. It measures how much a business could pay out to equity investors without impairing the core business. When free cash flow is divided by the market value, we obtain the free cash flow yield.

Gearing (APM)
Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

The gearing of 11.1% (2018: 9.5%) represents borrowings of £103,966,000 (2018: £89,161,000) expressed as a percentage of shareholders' funds of £938,941,000 (2018: £941,680,000).

The current values of the Loan Notes and revolving credit facility consist of the following:

	30 September 2019				
	2036 GBP loan £'000	2036 EUR Loan £'000	2037 EUR Loan £'000	JPY revolving credit facility £'000	Total £'000
Value of issue	**30,000**	**22,962**	**17,526**	**27,775**	**98,263**
Unamortised issue costs	**(108)**	**(83)**	**(127)**	**-**	**(318)**
Exchange movement	**-**	**3,587**	**172**	**2,262**	**6,021**
Amortised book cost	**29,892**	**26,466**	**17,571**	**30,037**	**103,966**
Fair value	**35,596**	**32,756**	**21,348**	**30,037**	**119,737**
Redemption value	**45,577**	**42,959**	**28,599**	**30,037**	**147,172**

	30 September 2018				
	Debenture £'000	2036 GBP loan £'000	2036 EUR Loan £'000	2037 EUR Loan £'000	Total £'000
Value of issue	15,000	30,000	22,962	17,526	85,488
Unamortised issue costs	(36)	(115)	(88)	(135)	(374)
Exchange movement	-	-	3,759	288	4,047
Amortised book cost	14,964	29,885	26,633	17,679	89,161
Fair value	18,875	32,493	28,021	17,920	97,409
Redemption value	19,812	40,432	32,974	21,506	114,724

The fair values of the Loan Notes are calculated using net present values of future cash flows and the yields, taking account of exchange rates. The redemption value includes the penalty payable on early redemption.

Internal Rate of Return ('IRR')
The IRR is the annualised rate of return earned by an investment, adjusted for dividends, purchases and sales, since the holding was first purchased.

Japan Special Situations Basket
A basket of Japanese operating companies which have large amounts of net cash and securities (surplus to operating requirements) on the balance sheet. There are currently 18stocks in the basket. For further information, see the case study above.

Net Asset Value ('NAV')
The NAV is shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all the Company's assets, at a current market value, having deducted all liabilities and prior charges at their par value (or at their asset value). The total NAV per share is calculated by dividing shareholders' funds of £938,941,000 (2018: £941,680,000) by the number of Ordinary Shares in issue excluding Treasury Shares of 110,125,668 (2018: 111,844,491) at the year end.

Net Financial Value ('NFV')
The NFV is cash *plus* investment securities *plus* treasury shares *less* total debt *less* net pension liabilities. It measures the amount of net surplus cash and securities that a company carries on its balance sheet.

Ongoing Charges Ratio (APM)
As recommended by the AIC in its guidance, the Company's ongoing charges are its annualised expenses (excluding finance costs and certain non-recurring items) of £7,693,000 (2018: £8,100,000) (being investment management fees of £6,291,000 (2018: £6,434,000) and other expenses of £1,403,000 (2018: £1,666,000) (see note 3)) expressed as a percentage of the average month-end net assets of £903,924,000 (2018: £934,893,00) during the year, as disclosed to the London Stock Exchange.

% of investee company
AGT's economic exposure to each investee company, as estimated by AVI.

Portfolio
Portfolio is defined as being Total Assets less Current Liabilities. For the year ended September 2019, this is £1,012,870 (year ended September 2018: £1,030,841).

Return on Investment ('ROI')
The ROI is the total profits earned to date on an investment divided by the total cost of the investment.

Shares Bought Back and Held in Treasury
The Company may repurchase its own shares and these are then held in treasury, reducing the freely traded shares ranking for dividends and enhancing returns and earnings per Ordinary Share to the remaining shareholders. When the Company repurchases its shares, it does so at a total cost below the prevailing NAV per share.

The estimated percentage added to NAV per share from buybacks of 0.1% (2018: 0.4%) is derived from the repurchase of shares in the market at a discount to the prevailing NAV at the point of repurchase. The shares were bought back at a weighted average discount of 9.7% (2018: 10.1%).

	30 September 2019	30 September 2018	
Weighted average discount of buybacks	**9.7%**	10.1%	a
Percentage of shares bought back	**1.3%**	3.7%	b
NAV accretion from buyback	**0.1%**	0.4%	(a*b)/(1-b)

Total Assets
Total assets include investments, cash, current assets and all other assets. An asset is an economic resource, being anything tangible or intangible that can be owned or controlled to produce positive economic value. The total assets less all liabilities will be equivalent to total shareholders' funds.

Total Return (APM)
Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. The total return measures the combined effect of any dividends paid, together with the rise or fall in the share price or NAV. This is calculated by the movement in the NAV or share price plus dividend income reinvested by the Company at the prevailing NAV or share price.

NAV Total Return (APM)
NAV total return is calculated by assuming that dividends paid out are re-invested into the NAV on the ex-dividend date. This is accounted for in the "benefits from re-investing dividends" line. The NAV used here includes debt marked to fair value and is inclusive of accumulated income.

Where an "annualised" figure is quoted, this means that the performance figure quoted is not a standard one-year figure, and therefore has been converted into an annual return figure in order to ease comparability. For example, if AGT's NAV increased by +100% over a ten-year period, this would become an annualised NAV return of 7.2%.

NAV total return over 1 year	30 September 2019	30 September 2018	
Closing NAV per share (p)	**838.29**	834.58	a
Dividends paid out (p)	**13.00**	12.00	b
Benefits from re-investing dividends (p)	**1.09**	0.68	c
Adjusted NAV per share (p)	**852.38**	847.26	d=a+b+c
Opening NAV per share (p)	**834.58**	769.91	e
NAV total return (%)	**2.1%**	10.0%	=(d/e)-1

NAV total return over 10 years (annualised)		
Closing NAV per share (p) - 30 September 2019	**838.29**	a
Dividends paid out (p)	**113.15**	b
Benefits from re-investing dividends (p)	**61.36**	c
Adjusted NAV per share (p)	**1,012.80**	**d = a + b + c**
Opening NAV per share (p) - September 2009	**455.16**	e
Annualised NAV total return (%)	**8.3%**	**((d/e) ^ (1/10)) - 1**

Share Price Total Return (APM)
Share price total return is calculated by assuming that dividends paid out are re-invested into new shares on the ex-dividend date. This is accounted for in the "benefits from re-investing dividends" line.

Share price total return over 1 year	30 September 2019	30 September 2018	
Closing price per share (p)	**747.00**	764.00	a
Dividends paid out (p)	**13.00**	12.00	b
Benefits from re-investing dividends (p)	**0.82**	0.89	c
Adjusted price per share (p)	**760.82**	776.89	d=a+b+c
Opening price per share (p)	**764.00**	693.50	e

Share price total return (%)	**-0.4%**	12.0%	=(d/e)-1

Total Return Swap
A total return swap is a financial contract between two parties, whereby each party agrees to 'swap' a series of payments. The Company has entered into total return swaps with Jefferies International ('Jefferies') that can be divided into two categories. The first gives the Company effective exposure to 2,395,870 shares in Pershing Square Holdings ('PSH') in return for the Company making a series of floating rate interest payments to Jefferies. The second gives the Company "short" exposure to a number of PSH's investee companies (Berkshire Hathaway, Chipotle Mexican Grill, Howard Hughes, Hilton Worldwide Holdings, Lowe's Companies, Restaurant Brands International and Starbucks) in return for the Company receiving a series of floating rate interest payments from Jefferies.

A "short" position or "shorting" refers to simultaneously borrowing shares in a listed company and selling them - "shorting" is carried out to either reflect a negative view on a company, with profits coming from buying the shares back at a lower price, or - as in this example - to hedge another investment. By "shorting" PSH's underlying investments, the Company's exposure on this portion of its investment in PSH is mainly limited to movements in PSH's discount to NAV and not to share price changes in these underlying investments.

Note that separately from this hedged investment, the Company owns a larger position (3,546,807 shares) in PSH on an unhedged basis.

Weight
Weight is defined as being each position's value as a percentage of total assets less current liabilities.

Weighted-average Discount (APM)
The weighted-average discount is calculated as being the sum of the products of each holding's weight in AGT's portfolio times its discount. AVI calculates an estimated sum-of-the-parts NAV per share for each holding in AGT's portfolio. This NAV is compared with the share price of the holding in order to calculate a discount.

NATIONAL STORAGE MECHANISM
A copy of the Annual Report and Accounts will be submitted shortly to the National Storage Mechanism ('NSM') and will be available for inspection at the NSM, which is situated at: www.morningstar.co.uk/uk/nsm

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