REPORT AVI Global Trust AGT

March 2023

Investment Objective: To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset

HEADLINES

Schibsted

Shares in Schibsted declined -15% over the month, making it the most significant detractor.

Read more below

Apollo

We provide an update on Apollo in the context of the sell-off in US financials.

Read more below

Aker

Aker suffered from a falling oil price, which has re-bounded in April.

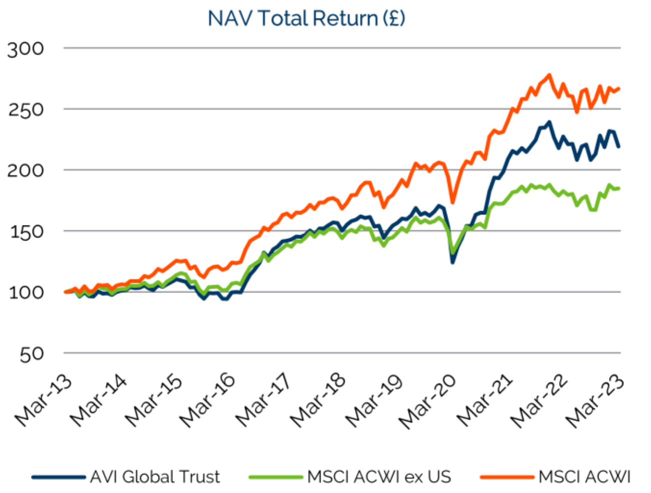
Read more below

THE FUND

(Figures to 31 March 2023)

Share Price (pence)	NAV (pence)	Prem./Disc.
186.8	208.4	-10.3%

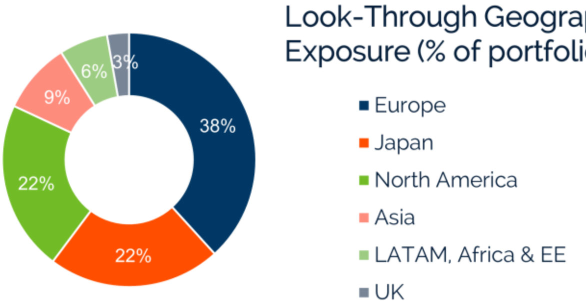
Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	-5.1%	0.3%	-3.6%	76.7%	46.2%	119.3%
MSCI ACWI ex US	0.3%	4.0%	1.1%	40.1%	28.2%	84.7%
MSCI ACWI	0.9%	4.4%	-1.4%	54.0%	58.6%	166.6%



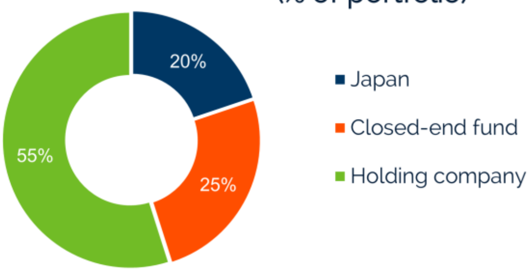
PORTFOLIO

(Holdings to 31 March 2023)

Look-Through Geographic Exposure (% of portfolio)



Portfolio Exposure (% of portfolio)



Top Ten Equity Holdings

Holding	%
Oakley Capital Investments	8.5
Schibsted ASA 'B'	6.7
Aker ASA	6.3
Pershing Square Holdings	6.1
KKR	5.9
EXOR	5.7
Christian Dior	5.6
FEMSA	5.6
Brookfield Corporation	4.9
Apollo Global Management	4.2
TOTAL	59.5

N.B. Brookfield Corporation is held via a long total return swap. A hedge is held against the position via a short total return swap on the SPDR S&P 500 ETF Trust. The weights shown reflect the notional exposure calculated from the shares underlying the swaps.

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV declined -5.1% in March.

Schibsted was the most significant detractor (-130bps), however Aker, KKR, Apollo, and Molten Ventures all detracted >48bps. At the other end of the portfolio, Symphony International, Christian Dior, and Wacom were the top contributors.

The collapse of Silicon Valley Bank and the ensuing market volatility has led to a general widening of discounts. Combined with disappointing short-term developments at Schibsted (discussed below), the portfolio weighted average discount widened from 33.5% to 37.2% over the month, acting as a headwind to performance. Sterling strength was also a drag, reducing returns by -120bps.

Schibsted

Schibsted was the most material detractor over the month, reducing returns by -130bps. The shares declined -15%, driven exclusively by a widening of the discount from 35% to 45%. This was compounded by a -3% weakening of the NOK versus GBP.

During the month the company held an investor day in Oslo, which we attended. The day was (almost) entirely focused on Schibsted's unlisted Nordic Marketplace assets and the shift to a vertical operating model. We came away impressed with the strategic vision and growth potential.

However, this was entirely lost as two separate issues drove the share price -11% on the day. **1)** Management poorly communicated a not-that-surprising and not-that-material guidance cut for Q1 as results in the New Media division have deteriorated; **2)** A lack of clarity on their stake in Adevinta, where comments made by the controlling shareholder on the day of the CMD have dampened expectations of a near-term distribution.

Following the setback, Schibsted B shares trade at a 45% discount to NAV, with the stub trading at an implied 6.6x EV/EBITDA multiple and an implied discount on the unlisted assets of 69%. This is a fraction of the multiple the market awards global classified marketplaces, which are rewarded for their pricing power, organic growth prospects, and wide margins. Some level of discount is warranted given the conglomerate group structure and the more cyclical nature of the News Media division; however, the current discount is unduly wide, reflecting structural not fundamental issues.

We believe the status-quo poses risks to long-term value creation and continue to engage privately with all key stakeholders. We will provide further updates when we are in a position to do so. We added to the position over the month.

Apollo Global

Despite AGT's portfolio having minimal exposure to banks (direct exposure of less than 3% of NAV via our Japanese regional bank basket; additional indirect exposure of less than 1%), the events of the last month have proved painful for our NAV.

Hardest-hit was top ten holding Apollo Global (APO), the US alternative asset manager (AAM). At one point during the month, APO's share price had declined by -23% before recouping some of those losses to finish down -11%. This was within the context of an average -6% share price return for the AAM peer group. A non-immaterial portion of this decline can likely be explained by programmatic sector-wide trades of "Financials" stocks. That said, one can understand that AAMs with insurance operations where asset/liability matching is a key risk should be under more scrutiny than peers running a pure-play asset management business.

That some AAMs with no insurance exposure were down more than those with suggests the selling was somewhat indiscriminate.

But a closer look at APO's insurance business is merited.

Following its 1-Jan-22 merger with Athene Insurance, APO has by far the greatest amount of insurance liabilities on its balance sheet of all the AAMs. While classified as an insurance company, Athene is more usefully analysed as a spread-lending business. Its most common transaction involves a retail customer purchasing a deferred annuity for a one-off lump sum paid up front. In return, Athene promises to make a bullet repayment in eight to ten years' time that represents a fixed yearly percentage return on the original investment with some additional potential for capped upside based on equity market performance. No tax is payable by the customer until the end of the period, meaning returns compound at a greater rate than they otherwise would.

Athene invests the funds received in a portfolio of securities (94% in fixed income, of which 96% is investment grade) and makes a return on the difference between the yield it generates on those assets and the return it pays out to the policyholder. Athene seeks to earn a return premium from complexity and illiquidity rather than from taking additional credit risk, and its return-on-equity has averaged 16% over the last four years (in line with its target of mid-to-high-teens).

As interest rates rose, SVB suffered massive deposit flight from its undiversified customer base. This exposed the company's reckless duration mismatch with its capital base facing erosion from the recognition of hitherto-unrealised losses on its long duration investments in treasuries and MBS. Crucially, unlike SVB, Athene's liabilities are well protected from disintermediation (i.e., policyholders withdrawing to seek higher returns elsewhere as rates rise). Firstly, 30% of its liabilities (predominantly institutional products) are entirely non-surrenderable, while a further 52% are structured with penalties for early withdrawal.

That leaves just 18% of Athene's liabilities that could be withdrawn without any surrender charge. Given Athene's strict liability-matching investment approach, these liabilities are backed by the shortest duration assets (floating rate securities). Indeed, the withdrawal of this group of policies could be a net benefit to Athene given it would release capital which could be redeployed to support the sale of better-protected products with lower liquidity needs and lower capital requirements. Analysis of historic consumer behaviour also confirms the sticky nature of annuities with even the most troubled institutions experiencing only modest upticks in withdrawals in 2008/09 during the GFC.

Given Athene's fortress-like balance sheet, substantial excess capital, and Apollo's opportunistic/contrarian investment style, we would expect the company to be a net beneficiary of volatility. We added to Apollo at the March lows at a share price equating to just 10x our estimate of 2023 earnings. Later in the month, APO management re-confirmed both their 2023 and their long-term (2026) targets, with the latter being to double fee-related and total earnings between 2021 and 2026.

MANAGER'S COMMENT

Molten Ventures

Despite our position in listed VC fund Molten Ventures (GROW) only accounting for a small part of AGT's NAV, it proved costly over the month with the shares down -30% on the back of SVB's failure. While there were broad concerns around the VC ecosystem (mainly that VC companies with cash deposited with SVB may have been unable to access it), GROW was hit much harder than its listed VC fund peers. We surmise this was due to SVB being one of the two banks behind its credit facilities. But GROW had less than £1m (less than 10bps of NAV) deposited with SVB. And the resolution of SVB's ownership in the US and UK will mean any portfolio companies with banking relationships with SVB should be able to access their funds as usual. We added to GROW during the month.

Aker

Aker detracted -77bps from returns in March. Both the shares and the NAV declined -9% in local currency terms, with the discount unchanged at 17%. The impact on AGT's NAV was amplified by the depreciation of the NOK against Sterling, resulting in a -11% return over the month.

The principal cause of weakness was Aker BP (58% of NAV), shares in which declined -9% over the month as concerns about the health of the global economy weighed on the oil price. The collapse of Silicon Valley Bank has raised further questions about the fragility of the financial system, and the likely tightening of credit and dent to consumer confidence have increased the probability of a US recession – as indicated by the deepest inversion of the yield curve since 1981. This led to a material set-back in oil prices and in the share prices of oil-related equities.

The OPEC+ group of oil producing nations have responded with a surprise production cut at the start of April, helping oil prices recover such that Brent is +5% month to date at the time of writing. Whilst this has resulted in ire from the White House, it highlights the extent to which power has shifted to OPEC+ and Saudi Arabia, who no longer fear losing market share to US Shale, the role of which as a meaningful swing producer is now seemingly but a feature of history. This so-called "OPEC-put" should act as a floor for prices and serves as a reminder of the inelastic nature of non-OPEC supply.

All told we believe the thesis of insufficient capital investment and production growth remains intact, with events of the last year only serving to highlight the fundamental importance of energy sources, and the significant and elongated role of hydrocarbons.

We believe such an environment is conducive to a period of sustained higher prices and that Aker BP will benefit from this as they embark on a significant production growth plan. In turn, these cash flows can be returned to Aker through dividends (with Aker BP's dividend growing +10% year on year) and invested in higher growth / higher terminal value businesses, such as Aker Horizons, Aker Asset Management, and Cognite. Aker's history is one of tremendous value creation and business building, and this is something we expect to continue.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
Symphony International Holdings	37	3.1
Christian Dior	24	5.6
Wacom	24	3.2
Nihon Kohden	21	3.9
DTS Corp	9	2.5

Largest Detractors	1-month contribution bps	% Weight
Schibsted ASA "B"	-130	6.7
Aker ASA	-77	6.3
Apollo Global Mgmt.	-55	4.2
KKR	-54	5.9
Molten Ventures	-48	1.3

Fund Facts

Investment Manager Tenure	38 Years
Net Assets	£999.0m
Investment Manager	Asset Value Investors Limited
AGT Shares owned by the Manager**	1,972,675
Shareholder Services	Link Asset Services
Management Fee**	0.7% up to £1bn of assets, 0.6% > £1bn
Website	www.aviglobal.co.uk
Ticker Code	AGT.LN
ISIN	GB00BLH3CY60

Total Return (£%)	1m	1y	3y	5y	10y
Share Price TR[2]	-5.0	-5.4	71.5	42.7	115.7
Net Asset Value TR[1]	-5.1	-3.6	76.7	46.2	119.3
MSCI ACWI ex US TR[3]	0.3	1.1	40.1	28.2	84.7
MSCI ACWI TR[1]	0.9	-1.4	54.0	58.6	166.6
FY* Total Return (£%)	**FYTD**	**2022**	**2021**	**2020**	**2019**
Price[1]	5.5	-10.8	40.3	2.0	-0.4
Net Asset Value[1]	5.3	-7.3	36.2	0.0	2.1
MSCI ACWI ex US[3]	10.3	-9.6	18.8	-1.8	4.5
MSCI ACWI[1]	6.3	-4.2	22.2	5.3	7.3

Capital Structure	
Ordinary Shares	525,105,767
Shares held in Treasury	45,600,956
4.184% Series A Sterling Unsecured Note 2036	£30,000,000
3.249% Series B Euro Unsecured Note 2036	€30,000,000
2.930% Unsecured Note 2037	€20,000,000
1.38% Senior Unsecured Note 2023	¥8,000,000,000
LIBOR + 0.75% Revolving Credit Facility	¥4,000,000,000
Gross Assets/Gearing	
Gross Assets	£1,158.7m.
Debt at fair value (gross)	£159.7m.
Gearing (net)[4]	6.9%

1 Source: Morningstar. All NAV figures are cum-fair values.
2 Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.
3 From 1st October 2013 the lead benchmark was changed to the MSCI ACWI ex US (£) Index.
4 Fair value of net debt divided by net assets at fair value.
* AVI Global Trust financial year commences on the 1st October. All figures published before the fiscal results announcement are AVI estimates and subject to change.
** Shares owned by AVI Ltd & AVI Employees

All return figures in GBP.

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

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