

May 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

**Introduction**

AVI Global Trust (AGT)'s NAV increased by +1.0% in May.

[Read more below](#)

**Spectrum Brands**

During the month we exited a brief but successful investment in Spectrum Brands.

[Read more below](#)

**FEMSA**

FEMSA took further steps in its simplification strategy.

[Read more below](#)

## THE FUND

(Figures to 31 May 2023)

Share Price (pence)

188.4

NAV (pence)

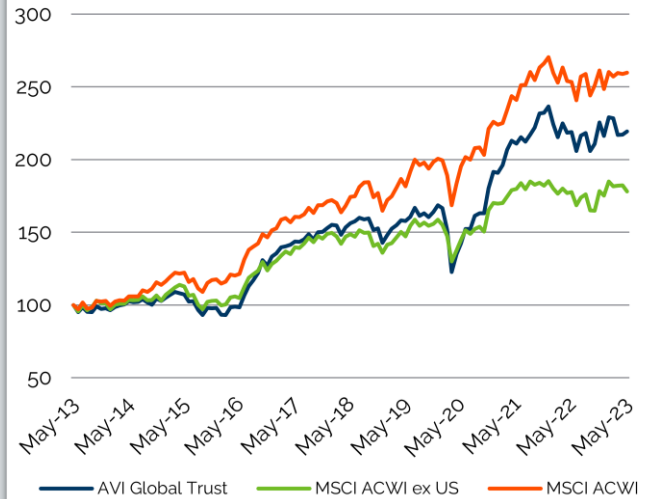
210.8

Prem./Disc.

-10.6%

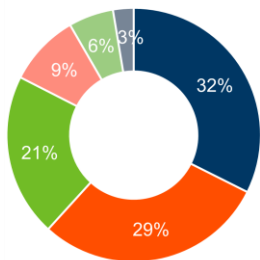
Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	1.0%	15%	0.2%	54.1%	40.5%	119.4%
MSCI ACWI ex US	-2.3%	1.7%	0.3%	23.0%	19.8%	78.1%
MSCI ACWI	0.3%	4.5%	2.6%	33.0%	49.0%	159.8%

NAV Total Return (£)

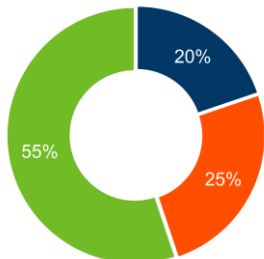


## PORTFOLIO

(Holdings to 31 May 2023)

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

- Europe
- North America
- Japan
- Asia
- LATAM, Africa & EE
- UK

**Portfolio Exposure (% of portfolio)**

- Japan
- Closed-end fund
- Holding company

**Top Ten Equity Holdings**

Holding	%
Oakley Capital Investments	8.3
Schibsted ASA 'B'	7.5
Pershing Square Holdings	5.9
FEMSA	5.9
KKR	5.8
Aker ASA	5.3
Brookfield Corporation	5.0
Apollo Global	4.4
Pantheon International	4.4
D'Ieteren	4.2
<b>TOTAL</b>	<b>56.7</b>

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 increased by +1.0% in May.**

Schibsted (+17%), FEMSA (+5%) and Apollo (+6%) were the largest positive contributors. Aker (-7%), Digital Garage (-20%) and Christian Dior (-7%) were the most meaningful detractors.

**Spectrum Brands Holdings**

During the month we exited Spectrum Brands Holdings ("Spectrum Brands"), the US conglomerate.

As detailed in our [January newsletter](#), we built a position in the company after the shares nosedived as the Department of Justice ("DOJ") attempted to block the sale of its locks business to Assa Abloy. We believed the market was mispricing the probability of the deal passing and awarding an unduly low value to Spectrum Brands' other businesses, even in a scenario where the deal was blocked.

In early May the DOJ relented and settled with Spectrum Brands, approving the deal with completion expected by June 30<sup>th</sup>. This led to a jump in the shares, and we sold out swiftly as the shares started to better reflect fair value, trading at a 20% discount to our estimated NAV.

Whilst there is still potential for significant capital returns and a long-term re-rating story, we grew more cautious on the earnings outlook of the remaining businesses, particularly for the Homes & Garden division. Moreover, we are cognisant of the extent to which the company still warrants a considerable conglomerate discount until the Household Personal Care (HPC) business is divested – the timeline for which is unclear.

Over the short holding period AGT generated a +13% ROI / +54% IRR vs. +4% / +16% for the MSCI ACWI (both in \$). Although the ROI on our initial purchases approached 60%, this was dampened down by more material additions at higher levels (generating ~10% returns) as the event drew closer and our conviction and assessed probability of a positive outcome increased. Regardless, we believe the investment highlights how special situation events can generate positive absolute returns over relatively short periods in sideways markets. Moreover, we like the flexibility resulting from converting ~5% of our NAV into cash at a time when new ideas are plentiful.

**FEMSA**

At the end of May FEMSA took further steps to unlock value, driving the shares +5% higher over the month.

As readers may remember from [February's newsletter](#), early this year the company concluded its strategic review which will see FEMSA simplify its group structure and re-focus on its core businesses; exiting its stake in Heineken and selling other non-core assets.

Kicking the process off, in February FEMSA sold €3.2bn of Heineken/Heineken Holding stock in an accelerated book build and issued a €500m bond exchangeable in Heineken Holding shares.

At the end of May the company took further steps, selling \$3.7bn of Heineken / Heineken Holding stock. As such, the company has now fully exited Heineken (bar the shares underlying the exchangeable bond). As well as this FEMSA announced the sale of Jetro Restaurant Depot ("JRD") for \$1.4bn.

FMX shares have now moved over +70% off the lows they hit last July (where we averaged down!). The stub has re-rated considerably from the all-time-low 5.7x EV/ NTM EBITDA to 8.2x currently, and earnings have also grown significantly (EBITDA for the next twelve months +21% today versus then).

It is this latter point which is particularly important to us – asset quality and the prospect for NAV growth is key to our style of investing. Q1 results show Oxxo to be in rude health, with the fastest rate of Same Store Sales growth in Mexico in more than 20 years at +19%. Both ticket and traffic contributed to this and there is likely more to come from both, with a continued mix-effect to higher priced items such as spirits and pantry items, where Oxxo started to gain traction during the pandemic, and a continued recovery in traffic. New store openings are now running above >1k on a trailing twelve-month basis once again, and we believe the company can reach c.30k units in Mexico by the end of the decade (from just shy of 22k currently). As well as this we are increasingly encouraged by the company's operations in Brazil, a notoriously difficult market but one where FEMSA and their JV partners are showing a high and consistent level of performance. Success here would significantly extend the growth runway and we expect investor attention to increasingly turn to this as the business scales and disclosure improves.

Despite strong performance we believe the shares remain cheaply priced, trading at a 29% discount to our estimated NAV and with the stub at an inordinately wide discount to Walmex (8.2x vs. 12.0x). Pro-forma of the above transactions, we estimate that net debt to EBITDA stands at c.0.4x vs. management's target of 2.0x. This implies the company has "excess" capital equating to c.15% of its market cap. Investors, not entirely without reason, are cautious over how this will be deployed, and we have been encouraging management to use the proceeds for share buybacks.

## STATISTICS

## Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
Schibsted ASA 'B'	92	7.5
FEMSA	35	5.9
Apollo Global Mgmt.	31	4.4
IAC	27	3.2
Spectrum Brands Holdings	25	0.0

Largest Detractors	1-month contribution bps	% Weight
Aker ASA	-55	5.3
Christian Dior	-42	4.2
Digital Garage	-31	1.7
D'leteren	-25	4.2
Brookfield/Short SPY	-24	5.0

## Fund Facts

Investment Manager Tenure	38 Years
Net Assets	£1,002.0m
Investment Manager	Asset Value Investors Limited
AGT Shares owned by the Manager**	2,078,576
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 <sup>2</sup>	0.1	-1.4	48.3	37.5	118.2
Net Asset Value TR <sup>1</sup>	1.0	0.2	54.1	40.5	119.4
MSCI ACWI ex US TR <sup>3</sup>	-2.3	0.3	23.0	19.8	78.1
MSCI ACWI TR <sup>1</sup>	0.3	2.6	33.0	49.0	159.8
FY* Total Return (£%)	FYTD	2022	2021	2020	2019
Price <sup>1</sup>	6.4	-10.8	40.3	2.0	-0.4
Net Asset Value <sup>4</sup>	6.6	-7.3	36.2	0.0	2.1
MSCI ACWI ex US <sup>3</sup>	7.8	-9.6	18.8	-1.8	4.5
MSCI ACWI <sup>1</sup>	6.5	-4.2	22.2	5.3	7.3

## Capital Structure

Ordinary Shares	520,850,949
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 <sup>5</sup>

## Gross Assets/Gearing

Gross Assets	£1,154.6m
Debt at fair value (gross)	£152.6m
Gearing (net) <sup>4</sup>	4.4%

- 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 1<sup>st</sup> 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.
- 5 Amount of RCF drawn down. Capacity of ¥8,000,000,000.
- \* AVI Global Trust financial year commences on the 1<sup>st</sup> October. All figures published before the fiscal results announcement are AVI estimates and subject to change.
- \*\* Shares owned by AVI Ltd & AVI Employees

All return figures in GBP.

## Investment Manager – Joe Bauernfreund

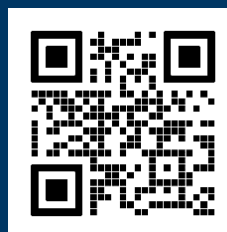
AVI Ltd. +44 20 7659 4800 info@assetvalueinvestors.com

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](http://www.aviglobal.co.uk)

[www.assetvalueinvestors.com](http://www.assetvalueinvestors.com)



## IMPORTANT INFORMATION

All figures are as at the period under review unless otherwise stated. All sources Asset Value Investors Ltd ("AVI") unless otherwise stated. AVI is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the "FCA") and is a registered investment adviser with the Securities and Exchange Commission of the United States. While AVI is registered with the SEC as an investment adviser, it does not comply with the Advisers Act with regard to its non-U.S. clients. This document does not constitute an offer to buy or sell shares in AVI Global Trust plc (the "Trust"). The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Trust should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund.