August 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 value.

HEADLINES

Introduction

AVI Global Trust (AGT)'s NAV increased by +0.7% in August.

Read more below

Pantheon International

Throwing down the gauntlet.

Read more below

Godrej Industries

We provide an update on Indian holding company Godrej Industries.

Read more below

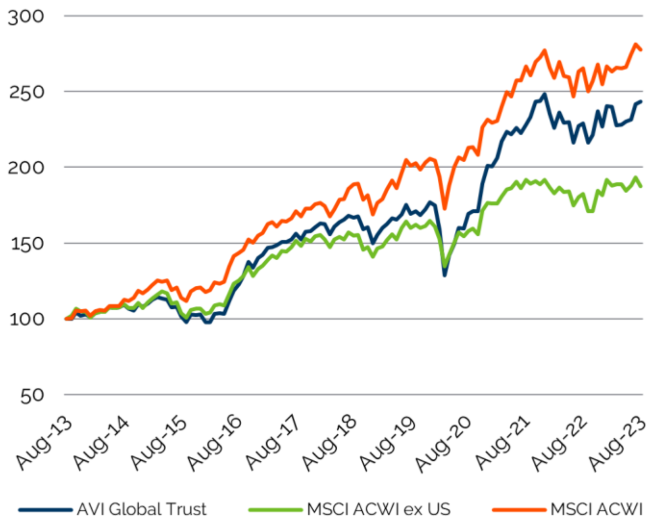
THE FUND

(Figures to 31 August 2023)

Share Price (pence)	NAV (pence)	Prem./Disc.
197.2	221.6	-11.0%

Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	0.7%	7.3%	6.3%	43.7%	46.0%	143.4%
MSCI ACWI ex US	-3.0%	3.3%	2.7%	18.8%	20.8%	87.4%
MSCI ACWI	-1.3%	9.0%	4.6%	30.3%	47.0%	177.5%

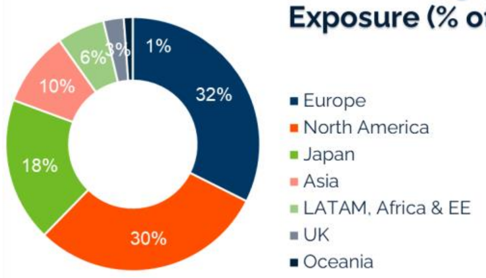
NAV Total Return (£)



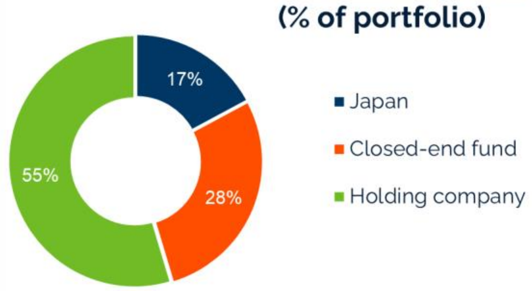
PORTFOLIO

(Holdings to 31 August 2023)

Look-Through Geographic Exposure (% of net assets)



Portfolio Exposure (% of portfolio)



Top Ten Equity Holdings

Holding	%
Schibsted ASA 'B'	7.9
Oakley Capital Investments	7.8
KKR	6.8
Princess Private Equity	6.4
FEMSA	6.3
Aker ASA	6.1
Apollo Global	5.5
Brookfield Corporation	5.4
Pantheon International	5.1
Pershing Square Holdings	4.3
TOTAL	61.6

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 three of the listed underlyings (BAM, BIP, BEP), accounting for 57% of NAV. 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 +0.7% in August.

KKR (+6%), Apollo (+7%) and Godrej Industries (+12%) were the most significant contributors. After being written up last month, the newsletter curse struck with unusual venom as IAC was the most significant detractor with a share price decline of -21%. We bought a bit more. Christian Dior (-5%) and D'Ieteren (-5%) also detracted.

Pantheon International

Pantheon International (PIN) announced a revised capital allocation policy at the beginning of the month, the significance of which should be far-reaching across the listed private equity (LPE) sector.

For readers unfamiliar with the company, PIN is one of the oldest listed private equity vehicles and has built up a strong NAV performance record over several decades. The discount on the company's shares began to widen dramatically in early-2022 amidst the broad market sell-off, with the shares at their nadir trading at less than half of NAV. We hold a ~3.5% stake in PIN acquired over 2022 and 2023 at an average discount of 45%. For context, current discounts on buy-out funds in private secondary market trades are reportedly averaging 10-15%.

As a matter of arithmetic, returns from share repurchases (i.e., NAV per share accretion) compound with returns from the existing portfolio. For companies trading at the extreme discount levels of PIN and its peers to favour new investments over buybacks relies on either implausibly heroic return assumptions on these new investments or a very pessimistic outlook for the existing portfolio.

We were therefore delighted to see PIN announce a large share buyback programme of up to £200m to be completed by the end of May-24. At the prevailing share price and discount on the day prior to the announcement, this equates to 15% of shares outstanding and would generate an uplift to NAV per share in excess of +7%. This translates to an ROI on these repurchases of almost +90%. Furthermore, the Board also disclosed their intent to allocate a proportion of net positive cashflow to share repurchases from the next financial year onwards, the quantum of which will be determined by the discount level.

The Board's framing of share buybacks as an investment decision gave us particular cheer. Far too much hot air is expended debating the impact of repurchases on discounts when the pertinent question is instead one of capital allocation, i.e., whether buybacks or new investments will offer superior risk-adjusted returns. At the discount levels on which the listed private equity sector is trading, it is essentially inarguable that the former - which should be looked at as an investment in one's existing portfolio at a price well below NAV - will be the answer.

We applaud PIN's Chairman John Singer for engaging in what proved to be an extensive and genuine shareholder consultation exercise, and for having the fortitude to steer these changes through when it may have been easier to hide behind the relative lack of action from many of the company's peers. The Chairman's Statement from PIN's annual results should be required reading for all investment trust directors.

Notwithstanding that capital calls tend to slow down at the same time as distributions in times of economic uncertainty, the current market backdrop must of course mean that companies holding illiquid assets ensure they can meet their existing commitments. The extent to which listed private equity companies can match PIN's approach will vary depending on their levels of leverage, outstanding commitments, cash-flow projections, and the exact structure through which they hold their investments. But balance sheets in general are in far better shape than they were during the 2008-09 financial crisis, meaning that the current wide discounts present an extraordinary opportunity to create material value for shareholders through discounted repurchases.

PIN has net cash and a large undrawn credit facility. This provides the company with more than sufficient headroom to embark on the £200m share repurchase programme. But PIN also has a relatively low level of commitments, which is in substantial part due to its shift over the last decade towards making direct investments (co-investments and single-asset secondaries) which now form just over half of its portfolio. This ensures far greater flexibility when making capital allocation decisions around buybacks. Boards should, in our view, be mindful of the risk of missing high-return opportunities to acquire their own shares at significant discounts over a cycle and thus should make efforts to structure investments accordingly. For direct LPE funds investing in single managers, that may mean negotiating opt-outs for a portion of commitments; for fund-of-funds, being mindful of the additional flexibility afforded by co-investments as opposed to primary commitments (we note that this has, in fairness, been a growing trend for the latter group albeit not necessarily for this specific reason).

More broadly, many of the alternative asset funds outside of the LPE sector had grown used to regularly raising equity to fund new investments. With discounts where they are today (for example, the infrastructure fund peer group currently trades on an average 20% discount with many funds at considerably wider levels), the burden of proof now lies with Boards when it comes to justifying new investments over share repurchases. In that respect, Pantheon have thrown down the gauntlet.

PIN's share price has increased by +9% since the 3-Aug-23 announcement, which still leaves the shares on a 38% discount to NAV (or a 42% implied discount on the unlisted portfolio). We see considerable scope for further upside given the presence of a new ongoing buyer in the market in the form of the company itself; the buyback demonstrating confidence in the NAV; the substantial degree of NAV accretion now baked into future returns; the high-quality portfolio still demonstrating robust earnings growth and sizable uplifts over carrying values upon exits; and some recent signs of a thawing of transaction activity.

Godrej Industries:

Shares in Godrej Industries rose +12% in August having hit their widest ever discount level of 69% at the end of July. Although the discount had already started to move in, mid-month the shares received a further boost from incorrect media reports linking Godrej Industries to a successful space mission (with the Godrej family involvement coming through a different unlisted holding company).

This rather odd turn of events serves as an apt prompt to provide an update on what has been a relatively unsuccessful investment for AGT – delivering an ROI of just +13% in Rupees and +0.5% in Sterling since 2019 (a meagre IRR of +3.5% / +0.1%).

As way of reminder Godrej Industries owns listed stakes in Godrej Consumer Products (49% of NAV), Godrej Properties (44%) and Godrej Agrovet (12%), as well an unlisted Chemicals business (8%) and a nascent finance business (3%). Together the listed stakes account for >200% of Godrej Industries enterprise value.

MANAGER'S COMMENT

Our initial thesis was predicated on the attractive quality of the underlying assets, most notably Godrej Consumer, and the prospects for long-term NAV growth. As well as this we thought the ~45% discount at which we started accumulating shares in 2019 to be appealing, with it having widened following the 2017 IPO of Godrej Agrovet and liked the alignment with a family with a track record of significant value creation and strong corporate governance. We have been both right and wrong.

On the NAV side of the equation performance has been satisfactory. From the date of our first purchase in February 2019 the NAV is up +68% - for a CAGR of +12%. Whilst this has slightly lagged the MSCI India (+74%) it compares favourably to the MSCI AC World (+58% in INR) and provides a good bedrock for returns.

It is however the discount which has been the problem – moving from 45% to as wide as 69% and to 64% currently. Such moves are painful and frustrating. That said, we'd much rather lose money from discount widening than declines in NAV, viewing it as a temporary setback, rather than a permanent impairment of value.

Godrej Industries has a history of incubating and building businesses, before listing them, with Godrej Agrovet's listing in 2017 having been the most recent. It is likely that Godrej Capital will follow a similar route, and we view this as a medium-term catalyst for improving interest in Godrej Industries shares and narrowing the discount. Arithmetically, prospective discount returns from such wide levels are significant, with a 50% discount resulting in a +37% return. As such, combined with the attractive nature of the underlying NAV, we remain optimistic and patient.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
KKR	48	6.8
Apollo Global Mgmt.	45	5.5
Godrej Industries	37	3.1
News Corp	33	3.7
Pantheon International	27	5.1

Largest Detractors	1-month contribution bps	% Weight
IAC	-73	3.6
Christian Dior	-23	2.0
D'Ieteren	-20	3.8
Digital Garage	-19	1.7
Long Brookfield Corp/ Short Listed Underlyings	-15	5.4

Fund Facts	
Net Assets	£1,014m
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[2]	0.2	4.8	38.0	42.9	141.4
Net Asset Value TR[1]	0.7	6.3	43.7	46.0	143.4
MSCI ACWI ex US TR[3]	-3.0	2.7	18.8	20.8	87.4
MSCI ACWI TR[1]	-1.3	4.6	30.3	47.0	177.5
FY[*] Total Return (£%)	**FYTD**	**2022**	**2021**	**2020**	**2019**
Price[1]	12.5	-10.1	35.8	1.2	2.5
Net Asset Value[1]	12.6	-7.3	36.2	0.01	2.1
MSCI ACWI ex US[3]	9.5	-9.6	18.8	-1.8	4.5
MSCI ACWI[1]	11.0	-4.2	22.19	5.3	7.3

Capital Structure	
Ordinary Shares	509,594,863
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	¥8,000,000,000[5]
Gross Assets/Gearing	
Gross Assets	£1,154.0m
Debt at fair value (gross)	£912.2m
Gearing (net)[4]	6.1%

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.
5 Amount of RCF drawn down. Capacity of ¥8,000,000,000.
* 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