REPORT

AVI Global Trust

AGT

November 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 +7.4% in November.

Read more below

Schibsted

We provide an update on our investment in Schibsted.

Read more below

KKR

Shares in KKR rose +37% over the month.

Read more below

THE FUND

(Figures to 30 November 2023)

Share Price (pence)

204.0

NAV (pence)

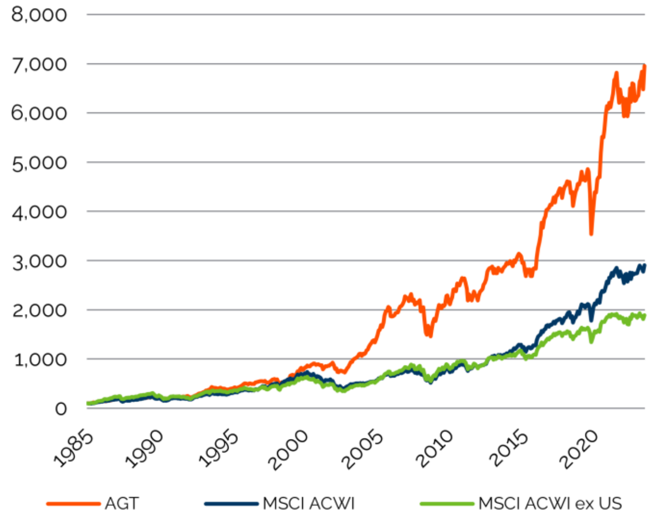
228.2

Prem./Disc.

-10.6%

Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	7.4%	11.7%	7.0%	33.8%	58.2%	147.9%
MSCI ACWI	4.7%	10.8%	5.4%	24.5%	55.6%	169.3%
MSCI ACWI ex US	4.5%	4.6%	2.8%	10.8%	29.0%	81.0%

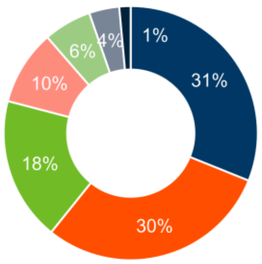
NAV Total Return since Strategy Inception (£)



PORTFOLIO

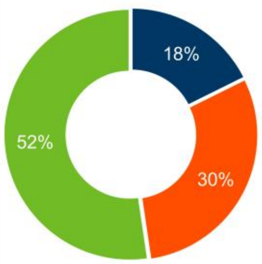
(Holdings to 30 November 2023)

Look-Through Geographic Exposure (% of net assets)



- Europe
- North America
- Japan
- Asia
- LATAM, Africa + EE
- UK
- Oceania

Portfolio Exposure (% of portfolio)



- Japan
- Closed-end fund
- Holding company

Top Ten Equity Holdings

Holding	%
Oakley Capital Investments	7.3
KKR	6.2
FEMSA	6.1
Princess Private Equity	6.1
Aker ASA	5.8
Apollo Global	5.0
Pantheon International	5.0
Brookfield Corporation	4.7
Hipgnosis Songs Fund	4.6
News Corp A	4.4
TOTAL	55.2

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 +7.4% in November.

Markets were in ebullient spirts, with the largest monthly cross-asset rally since 2008. AGT's portfolio more than took part in this and was further boosted by several specific developments within the portfolio, with KKR and Schibsted the standout performers in this respect, contributing +160bps and +141bps apiece. We provide an update on both investments below.

Other strong performers include Princess Private Equity, Apollo, Wacom and Oakley Capital, which all added >50bps. Symphony International was the only meaningful detractor (-54bps) as the discount widened from 34% to 43% on typically thin volumes and a wide bid/offer spread.

Over the month we realised £47m from Schibsted as the event angle of our investment thesis occurred, and gearing fell to 3.3%, having been 7.4% at the end of the financial year in September. We are excited about the flexibility this affords us in a world of wide discounts and rich opportunities, having started to build several new positions in recent weeks.

Schibsted

In the September newsletter we explained that Permira and Blackstone had entered negotiations to take Adevinta private. In November, this came to fruition with a 115 NOK per share offer. This sent shares in Schibsted +21% over the month.

The transaction will see Schibsted sell 60% of their 28% stake for 24bn NOK, which accounts for 48% of the pre-announcement market cap (based on the B share price). Schibsted will retain an 11.1% stake in Adevinta post-transaction, which at the 115 NOK per share value equates to 16bn NOK (31% of Schibsted's market cap). Inclusive of just over 1bn NOK of capital released from a total return swap Schibsted had entered on Adevinta shares, Schibsted will have c.25bn NOK of capital to return to shareholders.

We view this as a sub-par outcome and believe that – in the absence of an offer that fairly reflected Adevinta's dominant market positions, under-monetisation, and margin expansion potential - shareholder value would have been enhanced by an in-specie distribution of Adevinta to shareholders, thereby fully simplifying Schibsted's structure. Proponents of the achieved outcome argue that an in-specie distribution would have led to a fall back in the Adevinta shares and an overhang. This is certainly the case, however if given the choice between a bumpy higher return or smooth lower return, we will always choose the former. Such a distribution would have – over time – helped clear the overhang and we were excited about the prospects for earnings growth, non-core asset sales and tighter cost control as direct owners of Adevinta. Moreover, and equally importantly, such a solution would have simplified Schibsted's structure, and in our view, paved the way for a re-rating in the inordinately low stub multiple. We believe the proposed structure will continue to attract a significant conglomerate discount.

In light of this, and with Schibsted having grown to an outsized >8.5% position, we sold approximately half of our holding over the month – such that Schibsted is now a 4.4% position.

Notwithstanding our criticism, we believe there is a lot to be excited about, with the prospect of significant NAV growth and shareholder returns.

We believe Adevinta and debates around structural simplification have overshadowed the stub assets generally and Nordic Marketplaces specifically. We believe Nordic Marketplaces can comfortably grow sales at double-digit rates well into the future. Despite ultra-dominant positions there remains considerable low hanging fruit to improve monetisation, as evidenced by recent progress in the real estate vertical where Average Revenue per Ad has increased +77% from 2021 levels following changes to pricing packages. We believe similar improvements can be made in other verticals, most notably in autos. The high incremental margin nature of such revenues, combined with our expectation of reduced losses from the re-commerce strategy (which were a ~470bps margin headwind in the last quarter) and efficiency improvements from the on-going technological vertical re-organisation, should drive margins and profits higher.

On top of this, we believe the prospects for NAV growth from the retained stake in Adevinta to likely be highly attractive. Away from the short-term pressure of public markets, and with highly incentivised, financially savvy and focused owners, there are numerous levers to unlock value such as potential non-core asset sales (OLX Brazil plus Italy and maybe Spain); improving monetisation rates at Mobile and Leboncoin which currently under-earn relative to global peers and the economic utility they provide; and improving margins with tighter cost control. Although we are sceptical of how much credit Schibsted's share price will receive for this in the near-term, over the long run this should translate to material NAV and share price growth.

Despite the strong performance, Schibsted trades at a 32% discount to our estimated NAV. Using the price of the B shares which we own, Schibsted has a market cap of 56bn NOK. Deducting the value of the retained stake in Adevinta (16bn NOK) and net cash and other adjustments (19bn NOK) implies the Nordic stub assets are trading at a value of 22bn NOK, or approximately 7.4x NTM EBITDA. Whilst we are cognisant that the stub should trade at some discount, we think this is excessive in the context of the asset quality and earnings growth profile, with stub EBITDA expected to grow from 2.5bn NOK in 2023 to >3.5bn NOK in 2025 (~20% p.a.). We believe that the returning of excess capital to shareholders is a key catalyst to drive the shares higher, with 25bn NOK earmarked for returns equating to 45% of market cap.

To date AGT have generated a local currency ROI/IRR of +47%/+40% on its investment in Schibsted, which compares to the MSCI AC World index which has returned +24%/+21% over the same period.

MANAGER'S COMMENT

KKR

KKR's shares had already enjoyed a strong November when an announcement was made on 29-November that sent the shares up another +9%, to end the month +37% higher than where they began. The news that KKR was to acquire the 37% of insurer Global Atlantic that it did not already own was taken well by the market, as was the accompanying announcement of a further shareholder-friendly change to the company's compensation structure.

There were strong gains across the listed alternative asset managers in general, with share prices continuing to exhibit a far higher beta than can be justified by the underlying businesses themselves where a majority of revenues are derived from committed long-duration assets under management. While KKR's balance sheet investments should, *ceteris paribus*, translate to greater volatility than peers, we continue to believe the market misunderstands both the composition of this portfolio (increasingly comprised of defensive long-dated "core" private equity positions) and the quality of its asset management business.

In the words of KKR co-CEO Scott Nuttall, Global Atlantic - the life insurance business in which KKR acquired a majority stake in 2020 - has been a "*home-run investment*". With Global Atlantic's assets more than doubling from $72bn at the point of acquisition to $158bn today, it is hard to argue otherwise, with KKR's ownership also helping scale its real estate credit and asset-based finance businesses whose assets sit well on insurance company balance sheets.

The remaining stake in Global Atlantic is to be purchased at book value, the same multiple as the original acquisition and a low valuation for a mid-teens ROE business. Crucially, the $2.7bn acquisition price is being funded entirely in cash. There had been some fears, given the right the minority shareholders had to force KKR to either list the business or acquire it from them, that KKR would issue shares to pay for it. This is where KKR's remarkably strong balance sheet has come into play, with the company having $3.8bn in cash as at the last quarter end and with long-term fixed rate debt in place (at a weighted average interest rate of 3.9% and maturity of 2041).

Separately, KKR also announced another change to its compensation framework. KKR was one of the pioneers in recognising that there was an arbitrage to be had from increasing the compensation load on carried interest/performance fees (assigned an implicit lowly multiple by the market) and reducing compensation paid from fee-related revenues (which are valued much more highly by the market given their highly visible and predictable recurring nature). To that end, in 2021, KKR implemented a 60-70% compensation load on realised carried interest/performance fees and 20-25% on fee-related revenues. These ranges have now been further modified to 70-80% on realised carried interest/performance fees and a reduction to 15-20% on fee-related revenues.

Just after month-end, the latest changes were announced to the S&P 500 index constituents. While neither KKR nor Apollo were selected for inclusion, we believe it is a case of when rather than if they will be added following Blackstone's admission earlier this year. With estimates of forced buying of up to 20% of each company's free float following an entrance to the index, the impact when it comes could be very powerful indeed.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
KKR	160	6.2
Schibsted ASA 'B'	141	4.4
Princess Private Equity	69	6.1
Apollo Global Mgmt.	68	5.0
Wacom	67	2.7

Largest Detractors	1-month contribution bps	% Weight
Symphony International Holdings	-54	2.7
Hipgnosis Songs	-31	4.6
Iyogin Holdings	-12	0.0
Hachijuni Bank	-10	1.2
Shiga Bank	-10	1.2

Fund Facts

Net Assets	£1,039.9m
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]	9.1	7.6	29.5	56.3	148.1
Net Asset Value TR[1]	7.4	7.0	33.8	58.2	147.9
MSCI ACWI TR[1]	4.7	5.4	24.5	55.6	169.3
MSCI ACWI ex US TR[3]	4.5	2.8	10.8	29.0	81.0
FY* Total Return (£%)	**FYTD**	**2023**	**2022**	**2021**	**2020**
Price[1]	2.8	14.8	-10.1	35.8	1.2
Net Asset Value[1]	1.7	15.3	-7.3	36.2	0.0
MSCI ACWI[1]	2.1	10.5	-4.2	22.2	5.3
MSCI ACWI ex US[3]	0.8	10.1	-9.6	18.8	-1.8

Capital Structure	
Ordinary Shares	501,377,140
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
1.380% Senior Unsecured Note 2023	¥8,000,000,000
LIBOR + 0.75% Revolving Credit Facility	¥8,000,000,000[5]
1.440% Unsecured Note 2033	¥4,500,000,000
Gross Assets/Gearing	
Gross Assets	£1,189.0m
Debt at fair value (gross)	£149.1m
Gearing (net)[4]	3.3%

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 RCF 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