

# AVI GLOBAL SPECIAL SITUATIONS

January 2024

## **A Global Equity Specialist**

Asset Value Investors is an employee-owned boutique investment manager investing globally with a bottom-up engagement focused style since 1985

AVI

Asset Value Investors

## Our Philosophy & Edge

*AVI looks for three things...*

### Asset

Durable businesses that are growing in value



**Specialists** in SOTP analysis

### Value

Trading at discounted valuations



Experience of **exploiting discounts**

### Investing

With an active approach to unlock and grow value



Constructive **engagement**

- Our **core portfolio** of 35-45 listed companies gives us exposure to many globally recognised names through cheaper vehicles
- This underlying portfolio is **diversified** across all sectors and geographies
- Buying these companies trading at a **dislocated valuation** to their net asset values provides a margin of safety

# Durable businesses that are growing in value

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## NAV Growth

At the core of all AVI's investments are attractive businesses with durable earnings growth



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## Discount Tightening

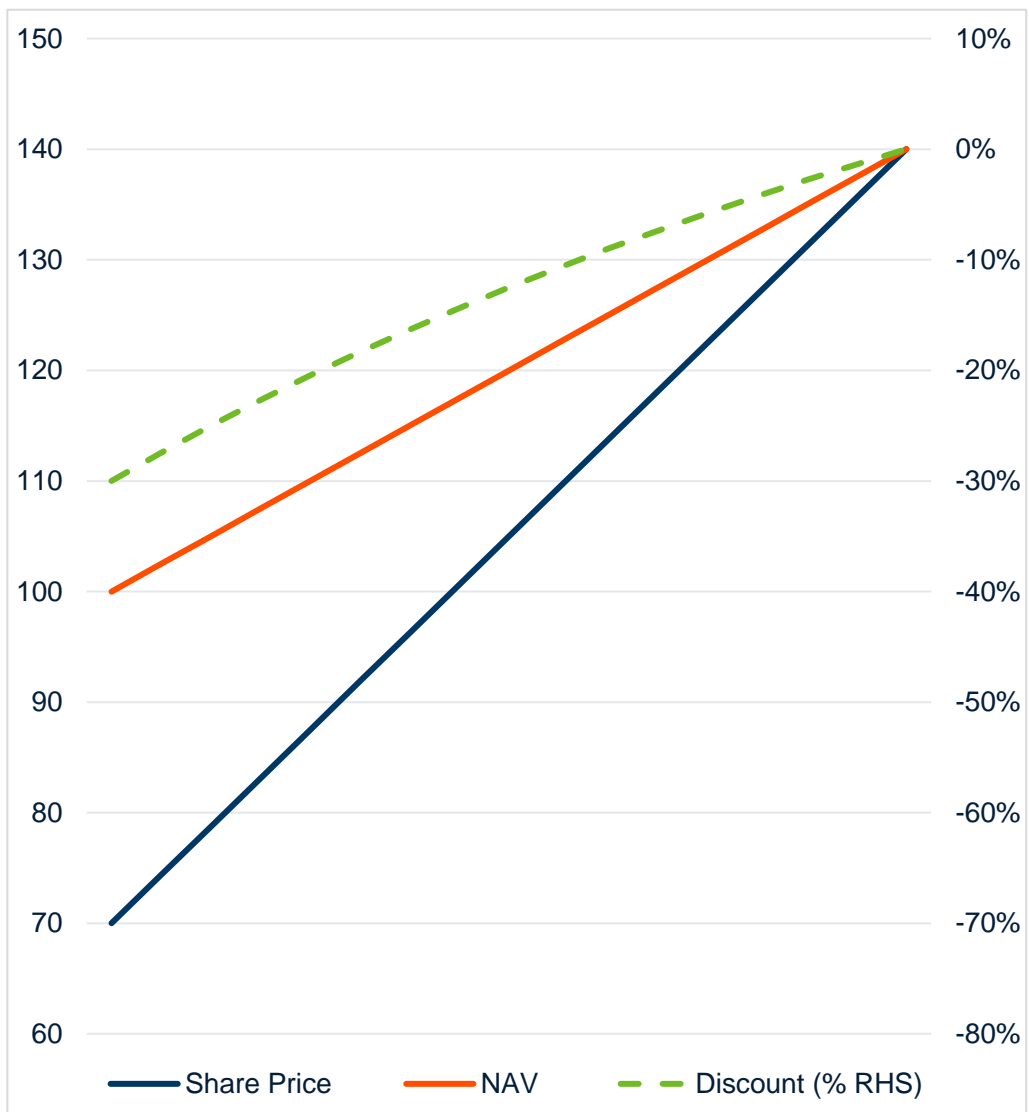
Occurs when the share price rises more than the NAV



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## Compounding Effect

When these two sources of returns occur simultaneously, an attractive compounding effect enhances investment returns.

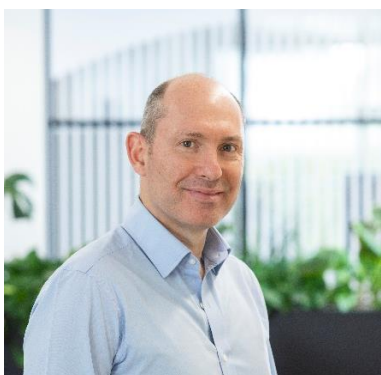


# AVI – 40 Years of Specialist Focus



Well-Resourced

Employee-Owned



**Joe Bauernfreund**  
CEO/CIO – Joined AVI in 2002

Joe took over as PM for AVI's flagship global fund, AGT, in September 2015. Since then, AGT has achieved annualised returns of 13.1% vs 12.4% for the MSCI ACWI.

Tom has over 20 years of experience in the closed-end fund sector. His engagement with the Boards is backed with in-depth expertise.



**Tom Treanor**  
Closed-end Funds Specialist  
– Joined AVI in 2011



**Daniel Lee**  
Japanese Equities Specialist  
– Joined AVI in 2015

Daniel has nine years of experience in Japanese equities. His pragmatic and engaging approach has proved successful in Japan.

Wilfrid has six years' experience researching holding companies. His skill in SOTP valuation has unearthed many hidden gems.



**Wilfrid Craigie**  
Holding Companies Specialist  
– Joined AVI in 2018

# Why Does our Opportunity Set Exist?

- Core **sum of the parts** universe of **500 companies**
- Natural flow of **new universe entrants**
- **Build-up of institutional knowledge** of a global universe
- **Unique** specialist focus since 1985

**Special Sits** – **Holding Companies** – **Listed Private Equity** –  
**Conglomerates** - **Activism** – **Event Driven** – **Asset Backed**  
**Companies** – Japanese Small Cap

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## Complex Structures

Companies which may be family-owned, have dual share classes, cross-shareholdings or conglomerates

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## Under-researched Companies

Uncovered and unloved companies  
Long-term price dislocations

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## Unlisted & Disparate Assets

A source of hidden value  
Reduced risk & high quality

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## Controlling Shareholders


Stewardship & strong corporate governance  
Active ownership with a truly long-time horizon

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## Engagement Opportunities

Relationship & network building  
Operational improvement & capital allocation

# AVI's Approach to Engagement

Engagement Intensity	 <b>Low</b>	 <b>Medium</b>	 <b>High</b>
Typical Engagement	<ul style="list-style-type: none"> <li>- Private meetings with management</li> </ul>	<ul style="list-style-type: none"> <li>- Face-to-face meetings</li> <li>- Private letters and/or presentations</li> </ul>	<ul style="list-style-type: none"> <li>- Public presentations</li> <li>- Shareholder proposals</li> <li>- EGM possible</li> </ul>
Company Characteristics	<ul style="list-style-type: none"> <li>- High quality management</li> <li>- Strong track record</li> <li>- Capital allocation policies</li> </ul>	<ul style="list-style-type: none"> <li>- Wider than historic discount</li> <li>- Strategic review expected</li> <li>- Issues with capital allocation</li> </ul>	<ul style="list-style-type: none"> <li>- Poor governance</li> <li>- Poor track record</li> <li>- Perpetually wide discount</li> <li>- Capital allocation is deficient</li> </ul>
Universe Examples			

- Meaningful engagement with the board and management team of portfolio companies
- Identify constructive solutions to solve undervaluation
- Suggestions include capital allocation, strategic overhauls and operational improvements
- AVI's 12 strong investment team which includes a dedicated ESG analyst allows for in depth engagement with portfolio companies

## Bringing the Process to Life: FEMSA Model Example

FEMSA Model as at 30-Sep-22	% NAV	MXN p/Share	Listed/ Unlisted	Valuation Method
	70%	152	Unlisted	Peer Multiples
	17%	37	Listed	Listed Price
	16%	35	Listed	Listed Price
	5%	11	Unlisted	Invested Capital
Other Assets	2%	16	-	-
<b>Total Assets</b>	<b>109%</b>	<b>251</b>		
<b>Net Debt</b>	<b>-9%</b>	<b>-34</b>		
Net Assets	100%	217		
Share Price		151		
<b>Discount</b>		<b>-30%</b>		

### Asset Value Investing in a Nutshell:

- **Asset:** breaks FEMSA down into its respective assets (listed & unlisted) using a sum-of-the-parts model (table on left) to value each asset individually
- **Value:** FEMSA's conglomerate structure meant the shares did not reflect the fundamental value the company's assets
- **Investing:** Management took steps to address undervaluation. This included the sale of Heineken for \$7.8bn (28% of pre-review market cap) & of non-core assets e.g. partial sale of Envoy Solutions for \$1.7bn in cash

# Long-Term Track Record

## Annual discrete performance %

Total Return £	2019	2020	2021	2022	2023
<b>AGT NAV</b>	<b>18.1%</b>	<b>13.6%</b>	<b>23.6%</b>	<b>-8.6%</b>	<b>18.8%</b>
<b>MSCI ACWI</b>	<b>21.7%</b>	<b>12.7%</b>	<b>19.6%</b>	<b>-8.1%</b>	<b>15.3%</b>
<b>MSCI ACWI ex US</b>	<b>16.8%</b>	<b>7.2%</b>	<b>8.8%</b>	<b>-5.4%</b>	<b>9.1%</b>

## Periodic performance %

Total Return £	1 Year	3 Year	5 Year
AGT NAV	18.8%	34.2%	80.0%
MSCI ACWI	15.3%	26.8%	73.9%

Source: Morningstar. Figures to 31 December 2023

All figures are from AVI Global Trust and represent the strategy for illustrative purposes only.

Fund Structure: Irish UCITS Daily Dealing  
Fund Currency: USD  
Share Class Currencies: USD, GBP, EUR, CHF  
Annual Management Charge: 0.75%



### Important Information and risk factors

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