

Q2 2024

Investment Objective:

The investment objective of the Fund is to generate long-term returns through investment in a portfolio of global companies whose share prices stand at a significant discount to estimated underlying net asset value.

MANAGER'S COMMENT

Introduction:

AVI Global Special Situations (AGSS) launched on the 17th April 2024. As the end of Q2 the fund had assets of \$20m. We are excited to be up and running and to have been entrusted with your capital.

In these letters we aim to communicate with you just as we like to be communicated to by our companies – clearly, concisely and fairly. We will provide an explanation of the drivers of performance, what's working and – when necessary – what isn't working, as well an assessment of the broader environment for the strategy and opportunities we are seeing.

For the maiden letter however, we intend to introduce the fund's largest position - News Corp, the Murdoch family-controlled holding company. In doing so we hope to bring to life exactly how we will be investing your money.

At AVI we are looking for three main things:

- 1) Durable businesses that are growing in value
- 2) Trading at discounted valuations
- 3) With catalysts to unlock and grow value

We believe News Corp has all three traits in abundance.

News Corp:

Whilst the current structure was established in 2013, News Corp's relevant history dates back to 1952, when a 21-year-old Rupert Murdoch returned to Australia from Oxford to take over what was left of his father's newspaper business, which had been much diminished by death duties and taxes. From this he built one of the most dominant media empires of the 20th – and indeed 21st – century, amassing vast wealth and notoriety in the process.

Today we believe that News Corp is one of the most misvalued and misunderstood companies in our investment universe, trading at a 40% discount to our estimated NAV. The NAV is principally comprised of the following assets: a 62% listed stake in REA Group (41% of NAV), the Australian real estate classified marketplace, and unlisted assets Dow Jones and HarperCollins accounting for 39% and 9%, respectively.

In particular, Dow Jones is a crown jewel asset that has successfully evolved the Wall Street Journal into a thriving digital consumer business, whilst both organically and inorganically building a high-quality Professional Information business that warrants a premium multiple, reflective of its sticky growing revenues, high margins, and minimal capex requirements. The 2021 acquisition of OPIS for \$1.1bn marks a step-change in the importance and materiality of Dow Jones' Professional Information business. Despite improved disclosure and impressive margin expansion, the value and quality of this business is misunderstood by the sell side and ignored by the market.

Indeed, we certainly do not believe these attractions are captured in News Corp's current valuation, with the company trading at a 40% discount to our estimated NAV. Adjusting for the stake in REA, the stub trades at an implied value of \$5.1bn, or approximately 4.7x next year's EBITDA. We estimate that Dow Jones alone is worth ~1.6x the implied stub value and note that the New York Times at 18x and Info Services peers which trade between 19-28x.

Management have become increasingly vocal about the undervaluation and dissatisfaction with the sum-of-the-parts discount at which it trades. As CEO Robert Thomson described on the last earnings call, the company is engaged in *"serious introspection about structure...[and] how to fully monetize a precious, prestigious portfolio that has an obvious growth trajectory. That is indeed not an evolution, but a revolution"*. There are numerous potential forms this could take, but the most obvious and tantalising relates to the stake in REA Group, which accounts for a whopping 68% of News Corp's market cap.

MANAGER'S COMMENT

At current prices, the market is seemingly ascribing a low probability to "a revolution", with significant upside if management do indeed take concrete and tangible steps to unlock value. Combined with strong operating and earnings momentum, prospective returns appear attractive. Moreover – and this is key – the attractive underlying nature of the NAV means that we can afford to be patient and makes time our friend. All told returns from NAV growth and discount narrowing appear attractive.

Outlook

The economic and market environment remains as interesting as it is confusing. From the lows of October 2023, equity markets have – as they tend to – continued to climb the wall of worry. Then as now the worries seem real: will progress on disinflation continue? Is such market concentration healthy? How will markets digest the upcoming US Presidential election in all its (in)glory?

Our experience shows that we will not add much value in assessing these issues. Our portfolios are constructed from the bottom-up, without a macro-overlay and regardless of the benchmark. Rather our focus remains on the concentrated-yet-diverse portfolio of high-quality-lowly-valued businesses we have assembled.

Valuations are at historically attractive levels, as is indicated the current 34.9% portfolio weighted average discount, and we are positioned in situations with numerous corporate catalysts, including our activism, to unlock these discounts and drive attractive long-term returns. On we go!

Investment Manager – Joe Bauernfreund

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

The share price can be found in [AGSS - Asset Value Investors](#)

Further information may be found on the following websites:

<https://www.assetvalueinvestors.com/agss>

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 Special Situations (the "Fund"). 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.