

June 2024

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 declined -1.2% in June.

[Read more below](#)

Reckitt Benckiser

We have built a new position in Reckitt Benckiser.

[Read more below](#)

Schibsted

During the month AGT exited Schibsted following a re-rating in the shares.

[Read more below](#)

THE FUND

(Figures to 30 June 2024)

Share Price (pence)

237.0

NAV (pence)

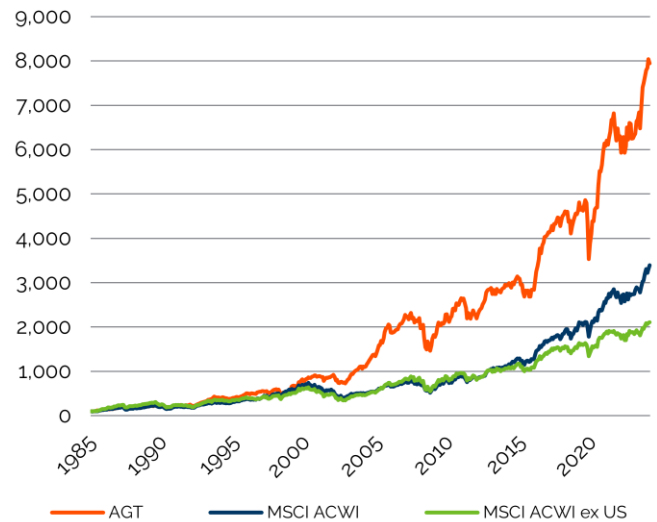
259.4

Prem./Disc.

-8.6%

Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	-1.2%	7.3%	25.0%	28.0%	71.5%	170.6%
MSCI ACWI	3.0%	12.2%	20.1%	28.1%	67.8%	204.0%
MSCI ACWI ex US	0.6%	6.6%	12.3%	10.8%	31.9%	97.2%

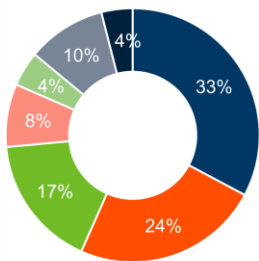
NAV Total Return since Strategy Inception (£)



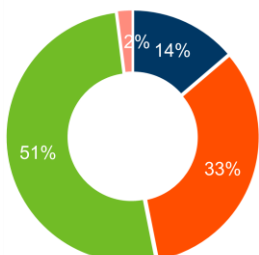
PORTFOLIO

(Holdings to 30 June 2024)

Look-Through Geographic Exposure (% of net assets)



Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

Holding	%
News Corp A	9.1
Oakley Capital Investments	7.0
Softbank Group	5.9
Partners Group Private Equity	5.9
D'leteren	5.5
Aker	4.8
FEMSA	4.8
Bollore	4.7
Cordiant Digital Infrastructure	4.2
Harbourvest Global Private Equity	4.0
TOTAL	55.9

N.B. Softbank Group is held via a long total return swap. Hedges are held against the position via short total return swaps on five of its listed underlying holdings: Arm Holdings, Coupang, Deutsche Telekom, Softbank Corp & T-Mobile (accounting for 87% of NAV). The weight shown above for Softbank Group reflects the gross notional exposure to that single entity calculated from the shares underlying the long swap.

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV declined -1.2% in June.

Cordiant Digital Infrastructure was the most significant contributor, adding +38bps to NAV, followed by Oakley and Dai Nippon Printing which contributed +22bps and +21%, respectively.

There was a relatively long list of detractors. Bollore was the most significant with a -10% return detracting -56bps as French equity markets fell following President Macron's decision to call a snap election. We do not believe the fundamental outlook for Bollore has changed and took advantage of this to add to the position.

Reckitt Benckiser:

In recent months we have built a new position in Reckitt Benckiser, the UK-listed consumer goods conglomerate which trades at an 39% discount to our estimated NAV. It is currently a 3.9% weight.

Already trading at a discounted valuation, in March 2024 the company was hit by a litigation shock. The company's US infant nutrition business, Mead Johnson, was ordered to pay \$60m compensation to the mother of a baby who died of Necrotising Enterocolitis ("NEC") – a bowel disease that mainly affects premature babies – who had been fed Enfamil pre-term baby formula. This led to a -15% one-day decline in Reckitt's share price as investors struggled to price the potential liability and capitulated.

We do not intend to get into the minutiae of the case here but at a high level the facts are as follows. NEC occurs in c.10% of all premature (pre-37 week) babies and 1 in every c.2000 full-term births. It typically occurs within 2-3 weeks after birth & results in death in 15-40% of cases. Mead Johnson hold a >40% market share in the oligopolistic US infant nutrition business, accounting for c.9% of Reckitt's sales. Within this, the pre-term formula – to which the case relates – is a small portion and immaterial at the group level. Whilst mothers' milk and then donor milk are the first and second choices for premature babies, cows' milk formulas and fortifiers are necessary options where parents of premature babies are unable or unwilling to breast feed and donor supply is limited. This is standard medical practice and the decision to use such products is made by a medical professional in a neonatal setting.

From as early as 1990 medical research has showed that incidence of NEC increases when cows' milk-based infant formula is used. That is – however – not causality. It is widely recognised that human milk offers the best prevention against NEC, although the risk can never be eliminated and can occur in conjunction with any kind of feeding. The Illinois Court ruled that a) there is a link between cows' milk-based formula usage and NEC, and b) that Mead Johnson were negligent as their labelling did not adequately warn of the risks. The [NEC Society](#) have spoken out against the ruling, and medical professionals continue to use the product.

We are humble enough to realise that we do not possess any competitive advantage in analysing the legal merits of the case. However, **1)** with close to \$10bn of market cap eroded, the market appears to be discounting an excessively pessimistic scenario versus reasonable estimates; **2)** the company maintain that legally the liability is non-recourse to Reckitt PLC thereby putting an at least theoretical cap on it; **3)** our mandate and organisational structural *does* give us a competitive advantage in owning out of favour or even stigmatised companies compared to more institutional peers.

Turning to the underlying business, we believe there is a lot to be excited about. Reckitt owns a collection of trusted brands which exhibit meaningful barriers to entry, high margins, and attractive growth prospects. This is split across Health (42% sales), Hygiene (42%) and Nutrition (16%). Over 70% of revenues are derived from brands that hold #1 or #2 positions in their respective category and – with more than 30 million products sold daily – will be well known to readers such as Nurofen, Durex, Strepisils, Dettol, Finish and Vanish. Across the group, underlying categories should grow at an average of 3-4% and management target mid-single-digit organic growth. The business generates industry leading gross margins (60%), healthy operating margins (23%) and strong cash generation (2023 free cash flow £2.2bn / ~15% of sales).

That said, there is certainly room for improvement. Having had two CEOs from 1999 to 2019 the business is now on its third CEO in five years. Former employees talk of confusion around the prioritisation of gross margins or growth, and the 2017 Mead Johnson acquisition led to a loss of focus and neglect of the Consumer Health division. Certainly, it is an open question whether more focused management would be beneficial, with the company having explored splitting the business up in 2018. Moreover, we believe there is potential for further improvements in operating margins – something with which management seems to agree given their target to boost margins by +200bps.

Following the sell-off, on this year's numbers the shares trade an EV/EBIT multiple of 11x, a PE ratio of 13x and a 7.4% free cash flow yield. These are the lowest levels in over a decade and represent the steepest ever discount to peers.

For investors with a longer-time horizon, we believe this offers highly attractive value, and one that is unlikely to persist indefinitely without attracting the interest of strategic buyers and other activist shareholders. A resolution of the legal liability is the key catalyst for the shares, and the 2025 Federal litigation is likely central to this. With the continued pace of the buyback there is a path to £4 of earnings per share in 2026. As the dust settles the market will likely capitalise this at a fairer multiple than that implied by the share price.

MANAGER'S COMMENT

Schibsted:

During the month we exited Schibsted following a re-rating in the shares.

As readers may remember, we first invested in Schibsted in June 2022. At the time the company was trading at an 45% discount to our estimated NAV, with its listed stake in Adevinta accounting for c.70% of Schibsted's market cap. We believed this inefficient group structure masked the highly attractive and valuable unlisted Nordic Marketplace business, with the stub assets trading at an implied c.6x forward EBITDA.

It was our contention that resolving the stake in Adevinta was crucial to unlocking value, and indeed this is what occurred. In November 2023 Blackstone and Permira agreed to take Adevinta private at 115 NOK per share. The transaction saw Schibsted crystallise 24bn NOK (48% of its then market cap) whilst also retaining an 11% stake worth 16bn NOK (32%).

Shortly after, Schibsted delivered a second transformational transaction, selling the legacy News Media assets to its controlling shareholder, the Tinius Trust. This removed a capital consumptive and terminally challenged asset from the group and transformed Schibsted into a purer play classified marketplaces business.

Taken together these actions simplified the group structure and forced investors to pay attention to the Nordic Marketplace assets, which have re-rated to trade at >20x forward EBITDA.

Whilst we believe there is still considerable value to be extracted from increasing monetisation in-line with international peers and improving margins, as well as from the unlisted stake in Adevinta, this is better reflected in the valuation. When we initially invested and were adding to the position, the valuation was inordinately wrong. This is no longer the case and, as such, it makes sense to exit the holding.

Over the course of the investment Schibsted generated a +67% ROI and +47% IRR which compares favourably to the +31% / 22% returns of the MSCI AC World Index over the same period (all figures in NOK).

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
Cordiant Digital Infrastructure	38	4.2
Oakley Capital Investments	22	7.0
Dai Nippon Printing	21	2.6
Partners Group PE	19	5.9
News Corp	18	9.1

Largest Detractors	1-month contribution bps	% Weight
Bollore	-56	4.7
Toyota Industries	-27	2.6
FEMSA	-23	4.8
Entain	-21	2.7
Chrysalis Investments	-19	3.2

Fund Facts

Net Assets	£1,158.1m
Investment Manager	Asset Value Investors Limited
AGT Shares owned by the Manager**	2,090,449
Company Secretary	Link Company Matters Limited
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	-2.0	27.2	28.6	72.3	191.4
Net Asset Value TR ¹	-1.2	25.0	28.0	71.5	170.6
MSCI ACWI TR ¹	3.0	20.1	28.1	67.8	204.0
MSCI ACWI ex US TR ³	0.6	12.3	10.8	31.9	97.2
FY* Total Return (£%)	FYTD	2023	2022	2021	2020
Price ¹	19.4	14.7	-10.8	40.2	2.0
Net Asset Value ⁴	16.2	15.3	-7.3	36.2	0.0
MSCI ACWI ¹	19.3	10.5	-4.2	22.2	5.3
MSCI ACWI ex US ³	12.0	10.1	-9.6	18.8	-1.8

Capital Structure

Ordinary Shares	492,087,627
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 2032	¥8,000,000,000
LIBOR + 0.75% Revolving Credit Facility	¥4,500,000,000 ⁵
1.440% Unsecured Note 2033	¥4,500,000,000

Gross Assets/Gearing

Gross Assets	£1,317.5m
Debt at fair value (gross)	£159.4m
Gearing (net) ⁴	8.7%

- Source: Morningstar. All NAV figures are cum-fair values.
- Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.
- From 1st October 2013 the lead benchmark was changed to the MSCI ACWI ex US (£) Index.
- Fair value of net debt divided by net assets at fair value.
- RCF capacity of ¥4,500,000,000.
- 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 @ 31st March 2024

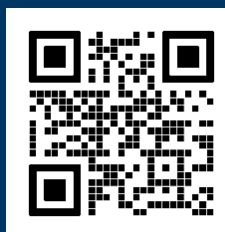
All return figures in GBP.

Investment Manager – Joe Bauernfreund

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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



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.