July 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 rose +1.0% in July.

Read more below

August

Over the last few trading days, we have seen considerable volatility in global equity and currency markets.

Read more below

FEMSA

we provide an update on our investment in FEMSA.

Read more below

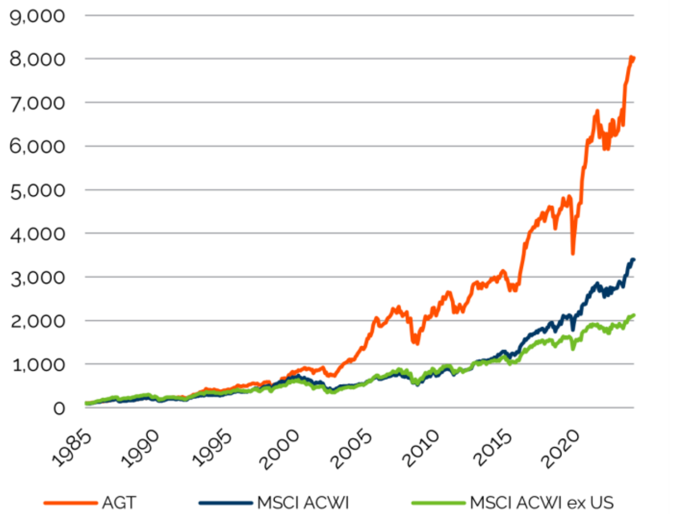
THE FUND

(Figures to 31 July 2024)

Share Price (pence)	NAV (pence)	Prem./Disc.
242.5	261.9	-7.4%

Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	1.0%	8.3%	20.9%	31.2%	66.8%	172.2%
MSCI ACWI	0.0%	12.2%	17.2%	28.0%	61.0%	203.9%
MSCI ACWI ex US	0.7%	7.3%	9.9%	14.2%	29.3%	98.0%

NAV Total Return since Strategy Inception (£)

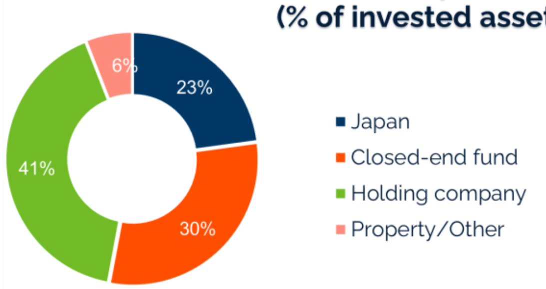


PORTFOLIO

(Holdings to 31 July 2024)

Look-Through Geographic Exposure (% of net assets)

Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

Holding	%
News Corp	8.4
Oakley Capital Investments	6.8
D'Ieteren	5.8
Partners Group PE	5.6
Softbank Group	5.4
Bollore	4.8
FEMSA	4.8
Aker	4.7
Cordiant Digital Infrastructure	4.3
Chrysalis Investments	4.0
TOTAL	54.6

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 85% 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 rose +1.0% in July.

D'Ieteren (+36bps), IAC (+29bps) and Chrysalis (+28bps) were the most significant contributors. Christian Dior (-31bps) was the largest detractor during a month in which LVMH reported half year results, followed by Entain (-27bps) and Partners Group Private Equity (-21bps).

August

Over the last few trading days, we have seen considerable volatility in global equity and currency markets.

In Japan, the Yen has moved from a near 40-year low against the dollar of 162 to 143 at the time of writing (5th August). In turn Japanese equities have been hit very hard by indiscriminate selling, with the TOPIX having fallen more than -20% in very short order. There are clear signs of panic selling and unwinding of leveraged positions, but the ongoing rally in Yen and heightened levels of risk aversion could extend the panic to other areas of the market – particularly where assets are excessively priced.

History tells us that as uncomfortable as such environments are whilst they play out, they also present highly attractive opportunities at prices few imagined possible just a few weeks ago. We have been adding to several positions.

FEMSA

We last wrote about FEMSA in the May 2023 newsletter. At the time the shares stood at around $100. From this point they rose to a high of a little above $140. Over this time, we exited nearly 30% of our position at an average price of $118 and as high as $133. The shares have subsequently fallen back, and we have recently been re-adding to the position below $110.

As readers may remember, we initiated a position in FEMSA in 2021, with an investment case predicated on the highly attractive nature of FEMSA Comercio – which operates Oxxo-branded convenience stores, and other small-format retail stores, across Mexico and Latin America. The business is expertly managed, with strong unit economics, earning high returns on capital with a long growth runway.

Despite these attractions, FEMSA traded at an unduly low valuation reflecting its conglomerate group structure, and we believed the market was mispricing the potential for management to take steps to unlock value.

Over time this was indeed what occurred, with management conducting a strategic review which concluded in 2023 in the exiting of Heineken and other non-core asset sales totalling >$11bn. This has simplified the group structure and the equity story and has allowed for excess capital to start flowing back to shareholders, with the company launching the first buyback in its history.

However, in recent months the shares have come under pressure. The Mexican presidential election saw a sharp selloff in Mexican equities and with FEMSA accounting for ~13% of the MSCI Mexico the shares got whacked.

More recently, Q2 results published in July fell short of expectations, with a deceleration in Oxxo's Same Store Sales (SSS) growth to +4.1% (from 9.7% in Q1), with both traffic and ticket size decelerating (from +2.2% to -0.6% for traffic and from +7.3% to +4.7% for ticket). As management explained "*the second quarter was an atypical one… where each month reflected a unique set of mixed effects generally more negative than positive*".

We concur that this recent disappointment is temporary in nature reflecting short-term headwinds and expect SSS growth will recover in the second half of the year and into 2025. Bigger picture, management indicate that going forward they believe SSS growth can likely exceed the old rule of thumb of +5% achieved prior to 2019. As well as this, we see a long growth runway for new stores, with current new store openings running at +1,621 over the last twelve months (+7.3% yoy), with further growth on top of this from Brazil (where Oxxo operate in a JV with Cosan's Raizen) and the US (where the company recently announced a small but strategic acquisition).

In recent years there has been considerable progress in terms of gross margin expansion (Q2 +400bps vs. 2019) however this has been absorbed by higher operating expense with operating profit margins essentially unchanged. Over time we see scope for this to improve, driving higher rates of growth in operating profit, which we think can compound in the teens for a number of years ahead.

Despite the significant strides management have taken to simplify the group, the shares still trade at a significant discount, with the stub trading at 9.2x NTM EBITDA vs. a historic long-term average of c.13x. We believe this to be a highly attractive valuation and see the scope for better-than-expected capital returns, with management already having returned 60% of the $3bn billed to be returned by 2026, and further returns of capital required to meet management's leverage target.

To date the investment in FEMSA has generated a +49% ROI / +21% IRR versus +24% / +9% for the MSCI AC World Index (all figures in £).

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
D'Ieteren	36	5.8
IAC	29	2.9
Chrysalis Investments	28	4.0
Rohto Pharmaceutical	28	2.9
Harbourvest Global	23	3.9

Largest Detractors	1-month contribution bps	% Weight
Christian Dior	-31	2.8
Entain	-27	2.7
Partners Group PE	-21	5.6
Symphony International Holdings	-17	1.9
News Corp	-14	8.4

Fund Facts	
Net Assets	£1,168.2m
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]	2.3	27.2	33.3	72.2	195.8
Net Asset Value TR[1]	1.0	20.9	31.2	66.8	172.2
MSCI ACWI TR[1]	0.0	17.2	28.0	61.0	203.9
MSCI ACWI ex US TR[3]	0.7	9.9	14.2	29.3	98.0
FY* Total Return (£%)	**FYTD**	**2023**	**2022**	**2021**	**2020**
Price[1]	22.1	14.7	-10.8	40.2	2.0
Net Asset Value[1]	17.3	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]	12.8	10.1	-9.6	18.8	-1.8

Capital Structure	
Ordinary Shares	491,687,627
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	¥3,500,000,000[5]
1.440% Unsecured Note 2033	¥4,500,000,000
Gross Assets/Gearing	
Gross Assets	£1,310.9m
Debt at fair value (gross)	£142.7m
Gearing (net)[4]	6.0%

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 @ 31st March 2024

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