

October 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 increased +0.5% in October.

[Read more below](#)

Chrysalis Investments

We discuss a relatively new position in Chrysalis.

[Read more below](#)

Christian Dior

Shares in Christian Dior declined -12% in October.

[Read more below](#)

THE FUND

(Figures to 31 October 2024)

Share Price (pence)

230.0

NAV (pence)

255.2

Prem./Disc.

-9.9%

NAV Total Return since Strategy Inception (£)

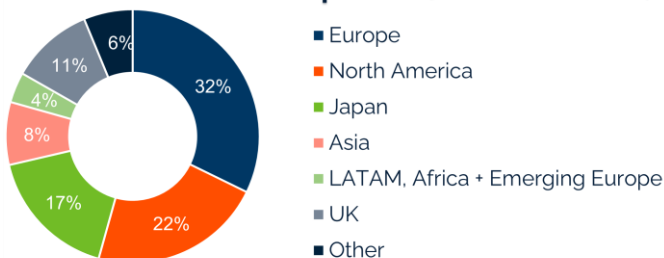


Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	0.5%	5.6%	20.7%	17.0%	69.0%	170.7%
MSCI ACWI	2.0%	15.0%	25.3%	25.2%	70.2%	196.3%
MSCI ACWI ex US	-0.8%	7.7%	17.4%	11.8%	33.3%	98.8%

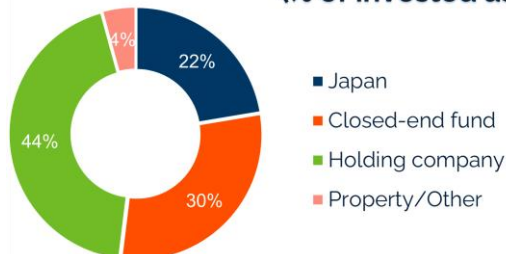
PORTFOLIO

(Holdings to 31 October 2024)

Look-Through Geographic Exposure (% of net assets)



Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

Holding	%
D'Ieteren	9.6
News Corp A	8.3
Oakley Capital Investments	6.5
Softbank Group	5.8
Chrysalis Investments	5.4
Partners Group PE	5.4
Cordiant Digital Infrastructure	5.0
Bollore	5.0
Rohto Pharmaceutical	4.7
Apollo Global Management	4.4
TOTAL	60.1

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 86% 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 increased +0.5% in October.

Apollo (+72bps), D'Ieteren (+54bps) and News Corp (+52bps) were the most significant contributors over the month.

We wrote about D'Ieteren in our last newsletter and have continued to add to the position such that it is now a 9.6% weight. At the end of October, minority shareholders in Belron exchanged a 1.4% stake in the company at an enterprise value of €32.2bn. This was considerably higher than the 2021 private equity transaction (€21bn) and also much higher than our own carrying value (€24bn). At such a valuation D'Ieteren's equity stake is worth ~€222 per D'Ieteren share. The shares currently trade a little shy of €200 and are due to pay a special dividend of €74 before the end of the year. We believe this to be a highly attractive valuation and are positioned accordingly.

Chrysalis Investments (Chrysalis) – a relatively new position in 2024 – was the largest detractor, shaving off -51bps and we write up the position below. Other detractors included Christian Dior (-34bps) and Harbourvest (-30bps).

Chrysalis Investments

Chrysalis Investments ("Chrysalis") is a London-listed closed-ended fund which owns a concentrated portfolio of late-stage, technology-driven private companies. It is currently a 5.4% weight in the portfolio.

The company came to market at 100p per share in 2018 with a remit to invest in late-stage private companies as a "crossover" investor. An excess of VC money drove underlying valuations higher, and the shares peaked at 277p in 2021 – then trading at an +23% premium to its reported NAV.

We started building a stake in January 2024, after the NAV and share price had corrected by -37% and -74%, respectively.

At this point we felt the company had a number of key attractions: **1)** abnormally wide -48% discount to a heavily written-down NAV; **2)** Chrysalis' top five largest holdings accounting for 69% of NAV were all mature, and (mostly) performing strongly; **3)** multiple credible prospects for liquidity events, which our analysis indicated could lead to significant uplifts on carrying value; and **4)** a new capital allocation policy, in which £100m of buybacks (24% of the then prevailing market cap) would be undertaken once a cash reserve of £50m from exits was hit.

Two successful exits in recent months have generated sufficient cash levels to surpass the £50m reserve and kickstart the buyback program. Graphcore was sold to Softbank for c.£44m (a 25% premium to carrying value) and Featurespace to Visa for £89m (a 21% premium to carrying value).

Elsewhere in the Chrysalis portfolio, we continue to see credible prospects for liquidity events in names such as Starling Bank (30% of NAV) and Klarna (14% of NAV).

Starling Bank is a cloud-native, UK challenger bank built on a proprietary digital platform known as Engine. Being built from the ground-up, as a digital-first business, Starling not only benefits from significant cost advantages versus the incumbent UK banks but is also able to develop and launch new products far quicker as a result.

As an example, Starling's banking platform is accessed solely via an app, meaning its customer acquisition cost is only around £40, whereas traditional banks have a customer acquisition cost of around £250 due to their legacy tech stack and brick-and-mortar bank branches. This drives up both Starling's margins and its return on tangible equity, which stands at c. 30% vs. peers at c.10%, and affords it a premium valuation. We remain confident in Starling's ability to deliver meaningful levels of profitability despite its relatively low loan-to-deposit ratio and its conservative balance sheet.

Klarna is a leading global payments provider and a company with which readers will likely be familiar. Klarna's core products are **1)** Buy-Now-Pay-Later (BNPL), which gives consumers the ability to pay for purchases, on an interest-free basis, over an extended period; **2)** Pay in 30 days, in which the customer pays no interest if they pay in full within that time period; and **3)** Financing – consumers can choose the term of their loan and pay the interest accordingly.

Klarna's aim is to offer consumers a limited range of standardised financing products which emphasise short-duration and low-amount transactions, in-return charging its merchant network a variable commission of up to 6% of GMV (dependent on size of item), at an average rate of 2.1%. This commission income represents 85% of Klarna's total revenues.

MANAGER'S COMMENT

The low value nature of these consumer loans means that the average order size is only \$100, the average outstanding balance per Klarna user is just \$150 (vs. \$6,500 for credit card users), 99% of all balances are repaid on time, and Klarna's average loan book duration is short at c. 40 days, giving the company greater control over its credit risk..

Klarna is anticipated to IPO in H1 2025 at a speculated valuation range of \$15bn-\$20bn. At these figures, a full exit from Klarna would realise between 24-32% of Chrysalis' current market cap. Chrysalis' carrying value for Klarna is supported by private trades in the secondary market.

Chrysalis' other largest portfolio holdings are Smart Pension (15% of NAV), a UK Pension Master Trust and technology platform; and The Brandtech Group (10% of NAV), a US-based marketing technology group.

The prospect for further realisations of large holdings, such as Klarna or Starling, and the still wide -40% discount to NAV makes for a compelling investment case.

Today, Chrysalis is a 5.4% position. AGT is the largest shareholder owning over 12% of the shares.

Christian Dior

As readers may remember, Christian Dior ('CDI') is the mono-holding company through which Bernard Arnaut controls LVMH, the luxury goods conglomerate.

We last wrote up CDI in the [January newsletter](#). Although we sold a small portion of our holding just north of €800 in February 2024, the going subsequently has been tougher, with the shares currently trading at €568.

During the month LVMH (100% of CDI NAV) provided a Q3 sales update with group revenues declining -3% vs. consensus expectations of +1% growth.

Most pertinently and worryingly, the all-important Fashion and Leather Goods division saw sales decline -5%, having grown +1% in Q2 and +3% in Q1, with management citing the deterioration of China as the proximate cause. This was materially worse than expected, with megabrands Louis Vuitton and Christian Dior having hitherto shown themselves to be immune to the luxury slowdown than smaller peers. In turn the disappointing results have led to increased investor concern around the depth and duration of the current slowdown in luxury goods spending.

Visibility on these issues abating remains limited – we are yet to see evidence that this is the bottom and there are risks of consensus earnings estimates falling further. However, it remains our view that mega-brands such as LVMH are best positioned to weather this storm given its **1)** margin structure and absolute opex \$m advantage; **2)** ever-green product offering; **3)** direct control of retail; **4)** balance sheet strength.

Since taking control of LVMH in 1987 Mr Arnault has traversed through all conditions – both rain and shine – showing himself to be a masterful owner of brands and an astute operator who uses times of market weakness to his advantage. We expect this to be the case going forward – something which does not appear excessively reflected in LVMH's valuation, having de-rated to 15x NTM EV/EBIT (from a peak of c.28x) and a free cash flow yield of 5%. Mr Arnault seems to agree and has been buying in the market post results.

In turn, CDI trades at 20% discount to NAV. This is much wider than average and we believe the fair discount to be ~0%. It remains our contention that the family will likely look to collapse the mono-holding company structure at some point in the future, providing an additional fillip to returns.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
Apollo Global Mgmt.	72	4.4
D'Ieteren	54	9.6
News Corp	52	8.3
SoftBank Group	30	5.8
Aker ASA	15	3.9

Largest Detractors	1-month contribution bps	% Weight
Chrysalis Investments	-51	5.4
Christian Dior	-34	2.7
Harbourvest Global	-30	3.3
Rohto Pharmaceutical	-28	4.7
IAC	-21	2.8

Fund Facts

Net Assets	£1,120.4m
Investment Manager	Asset Value Investors Limited
AGT Shares owned by the Manager**	1,962,608
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	-0.4	23.2	14.1	70.1	176.9
Net Asset Value TR ¹	0.5	20.7	17.0	69.0	170.7
MSCI ACWI TR ¹	2.0	25.3	25.2	70.2	196.3
MSCI ACWI ex US TR ³	-0.8	17.4	11.8	33.3	98.8
FY* Total Return (£%)	2025	2024	2023	2022	2021
Price ¹	-0.4	16.3	14.7	-10.8	40.2
Net Asset Value ¹	0.5	13.7	15.3	-7.3	36.2
MSCI ACWI ¹	2.0	19.9	10.5	-4.2	22.2
MSCI ACWI ex US ³	-0.8	14.1	10.1	-9.6	18.8

Capital Structure

Ordinary Shares	484,637,627
Shares held in Treasury	45,600,956
4.18% Series A Senior Unsecured Note 2036	£30,000,000
3.25% Series B Senior Unsecured Note 2036	€30,000,000
2.93% Senior Unsecured Note 2037	€20,000,000
1.38% Senior Unsecured Note 2032	¥8,000,000,000
1.44% Senior Unsecured Note 2033	¥4,500,000,000
2.28% Senior Unsecured Note 2039	¥5,000,000,000

Gross Assets/Gearing

Gross Assets	£1,270.5m
Debt at fair value (gross)	£150.1m
Gearing (net) ⁴	8.3%

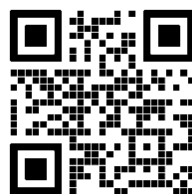
- Source: Morningstar. All NAV figures are cum-fair values.
 - Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.
 - From 1st October 2023 the comparator benchmark was changed to the MSCI ACWI (€) Index. Prior to this, from 1st October 2013, the comparator benchmark was the MSCI ACWI ex US (€) Index.
 - Fair value of net debt divided by net assets at fair value.
 - 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 @ 30th June 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



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.