

November 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 +2.8% in November.

[Read more below](#)

Apollo Global Management

We exited Apollo having generated a +166% return.

[Read more below](#)

Rohto Pharmaceutical

We discuss a relatively new position in Rohto Pharmaceutical.

[Read more below](#)

THE FUND

(Figures to 30 November 2024)

Share Price (pence)

238.0

NAV (pence)

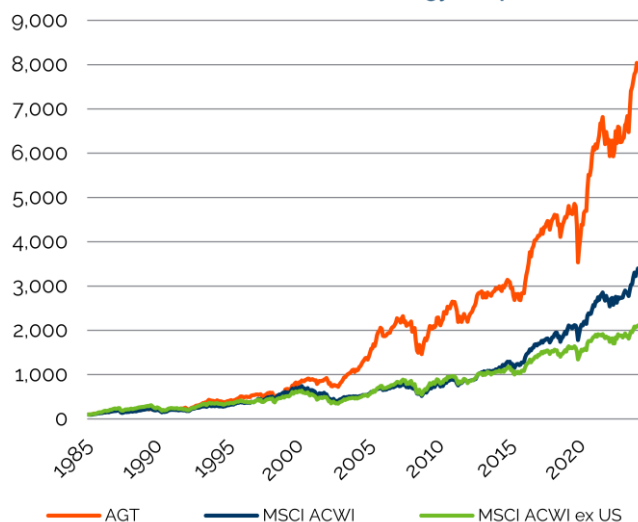
259.7

Prem./Disc.

-8.3%

Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	2.8%	8.5%	15.5%	20.1%	69.9%	167.3%
MSCI ACWI	4.9%	20.7%	25.6%	30.0%	74.3%	199.3%
MSCI ACWI ex US	0.2%	7.9%	12.6%	13.3%	32.4%	93.6%

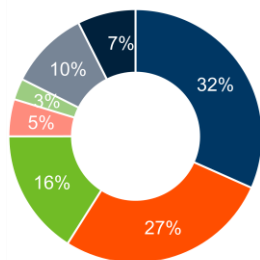
NAV Total Return since Strategy Inception (£)



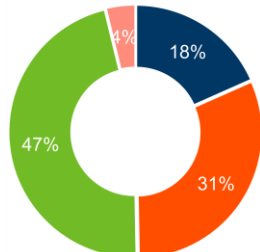
PORTFOLIO

(Holdings to 30 November 2024)

Look-Through Geographic Exposure (% of net assets)



Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

Holding	%
D'Ieteren	9.4
News Corp - USD 'A'	8.9
Chrysalis Investments	6.0
Softbank Group	5.5
Partners Group PE	5.5
Apollo Global Management	5.4
Oakley Capital Investments	5.3
Cordiant Digital Infrastructure	5.0
Bollore	4.9
Harbourvest Global PE	4.6
TOTAL	60.5

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 88% 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 +2.8% in November.

For the second consecutive month Apollo (+105bps) was the top contributor and we provide an update on the investment below. News Corp (+74bps) and Chrysalis (+70bps) were also meaningful contributors.

At the other end of the portfolio, a relatively new holding in Rohto Pharmaceutical was the most significant detractor (-51bps). We have been adding to the position and introduce the investment case below. Dai Nippon Printing (-36bps) and FEMSA (-21bps) also detracted.

Apollo Global Management:

Apollo ("APO") shares continued their ascent, rising a further +22% over November, buoyed first by stellar Q3 results and then - just a day later - by a US election result that poured rocket fuel on the US financials sector as a whole - and the alternative asset managers (AAMs) in particular - on optimism around a revival of deal activity and the prospect of a more benign regulatory environment. The shares ended the month at \$175. Remarkably, we took the opportunity to add to our position at \$100 as recently as August 2024, when the shares overreacted to a Q2 earnings miss.

We believe APO's share price has led the post-election charge amongst its peers for two specific reasons.

Firstly, there had been growing concerns that its life insurance business, Athene, (more accurately described as Retirement Services), may become subject to increased regulatory oversight given an increasing media focus on "private equity owned insurers". While even this label is highly misleading, suggesting as it does that insurers like Athene either sit within limited life funds - they do not - and/or that their balance sheets are loaded with private equity investments managed by their owner - in most cases, certainly in Athene's, they are not - the fact is that the election result reduces the probability of tightened regulation to close to zero.

Secondly, there is a heightened prospect of alternative investments being allowed into the \$12trn 401(k) US pension market. While there are no legal restrictions on such pension plans investing in private assets, fears of litigation have prevented any such moves to date. Such fears are likely to be diminished under a more permissive regulatory regime.

We note APO CEO Marc Rowan's comment some time ago that "we are likely one administration away" from changes here. It is very possible that the US election result may well mean that administration has arrived. With its experience in retirement services via its ownership of Athene and having been first to identify what Rowan terms the Fixed Income Replacement Opportunity (replacing a portion of the ~\$40trn public investment grade market with private investment grade credit), APO is best placed of all its peers to capitalise on an opening up of the 401(k) market.

We bought APO in 2021 at a time when we believed the AAM sector was misunderstood and undervalued; when valuations for balance sheet heavy companies like APO and KKR (AGT also owned KKR until recently) within the sector were overly penalised; and when APO's share price was suffering from the scandal around former CEO Leon Black's links to Jeffrey Epstein. Our thesis was that the market viewed the companies as levered plays on financial markets when, in fact, the bulk of their value, resides in their high-quality, visible, recurring, and predictable streams of fee-related earnings derived from management fees charged on long duration capital.

In the specific case of APO, there were also concerns ahead of its merger with its sister company, Athene. Life insurance businesses are, understandably, often lowly rated by the market. But the reasons why they are so - unpredictable liabilities with tail risks (e.g., long-term care) and hard-to-hedge liabilities such as Variable Annuities - simply do not apply to Athene which has a highly focused business model predominantly centred on fixed annuities.

As such, Athene can be looked at as effectively a spread-lending business, earning a spread between the rates paid on annuities and the yields earned on its investments. Its fixed income portfolio (95% of total assets) is 96% investment-grade, with Athene seeking to earn a return premium from complexity and illiquidity rather than from taking duration or additional credit risk and targeting a mid-to-high-teens return on equity. Life insurance businesses are also correctly perceived as being capital intensive, and this was a source of some disquiet when the Apollo/Athene merger was announced. But capital intensity is not a bad thing if one is earning high returns on that capital; and, as we understood at the time, a material proportion of Athene's growth was likely to be funded by third-party "sidecar" vehicles.

While consensus estimates of forward earnings have increased over our holding period, the bulk of returns have come from multiple expansion as the market has favourably re-assessed the company's earnings quality and the duration of its growth opportunity.

With our view and that of the market now much more aligned, we sold our position in the first half of December just after the announcement of APO's inclusion in the S&P 500. This long-awaited event was met with a disappointing reaction by the market, perhaps because the shares being on the cusp of inclusion for so long means it was more priced in than we thought.

We are still pleased with overall returns of +166% and an IRR of +41% over our three-and-a-half year holding period vs. +28%/+9% for the MSCI AC World and +42%/+13% for the S&P 500.

MANAGER'S COMMENT

Rohto Pharmaceutical

Rohto Pharmaceutical ("Rohto") is the largest skincare and eye-drop manufacturing company in Japan. We first initiated into the company in June 2024 and it is currently a 4.3% weight in the AGT portfolio.

Rohto exhibits many of the qualities we look for at AVI, with an investment case predicated on 1) Rohto's underlying business quality, having grown its top-line consistently at +12.8% P.A over the last five years and generating a mid-teens EBIT margin; 2) the company's position as the number one player in the domestic self-selection skincare and eye-drop industries; and 3) despite the business' superior underlying quality and stronger growth versus other Japanese skincare peers, the company continually traded at a steep discount.

Rohto has a portfolio of very profitable brands in multiple categories. Japan and Asian account for around 90% of total sales, and the company enjoys operating margins of between 15-16% in the region. Elsewhere, the company has benefitted from strong global customer growth, with revenue growing at an annual rate of +15% in the US and +10% in Europe. Since Kunio Yamada, the current Chairman, assumed the role of CEO in 1999, the skincare business has grown strongly, and with a 5-year track record of growing operating profits at +13% CAGR. We believe by refocussing management's efforts, there is potential for an even higher sustainable earnings growth rate, going forward. Despite significantly outperforming its peers, based on its profitable and stable brand portfolio, Rohto trades at an EV/EBIAT multiple of 13.0x compared to the peer group average of 18.2x.

From our research, it is AVI's belief that Rohto's undervaluation could be explained by the lack of focus

on its core businesses, misleading IR communication, and lower allocation to shareholder returns than its peers. Specifically, management needs to reallocate its R&D spending from low-profit business areas such as the prescription drug business and regenerative medicine business, towards its high-value, high market share product lines, such as skin care products (e.g., Obagi, Melano CC, Hada Lab). Despite having a +14% operating margin, outperforming the peer average of +6%, Rohto's inadequate IR communication about its business portfolio and growth story contributes to its significant relative undervaluation. Finally, Rohto's total shareholder return ratio is just +22% vs peers +64%, leading the market to perceive the company as having low awareness of increasing shareholder value through the realisation of an optimal capital structure and appropriate shareholder returns. Positively, corporate governance is improving, and with a diverse Board in terms of experience, age, tenure and gender, we look forward to engaging with the company with constructive suggestions to rectify the undervaluation.

Rohto was the largest detractor over the month, detracting -52bps from AGT's NAV, following a weak set of 1H results with operating profit coming in well below consensus. While the top line grew steadily, the weak earnings was reflective of management's continued lack of focus on the core business, allocating resources to the non-core, low-margin regenerative medicine segment. We intend to leverage our long track-record of active engagement to form a constructive relationship with management, remedy the company's failings and unlock substantial value for all shareholders.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribut ion bps	% Weight
Apollo Global Mgmt.	105	5.4
News Corp	74	8.9
Chrysalis Investments	70	6.0
Partners Group PE	41	5.5
Harbourvest Global	38	4.6

Largest Detractors	1-month contribut ion bps	% Weight
Rohto Pharmaceutical	-52	4.3
Dai Nippon Printing	-36	2.6
FEMSA	-21	2.9
SoftBank Group	-18	5.5
Oakley Capital Investments	-15	5.3

Fund Facts

Net Assets	£1,139.4m
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	4.6	18.5	20.7	70.2	179.4
Net Asset Value TR ¹	2.8	15.5	20.1	69.9	167.3
MSCI ACWI TR ¹	4.9	25.6	30.0	74.3	199.3
MSCI ACWI ex USTR ³	0.2	12.6	13.3	32.4	93.6
FY* Total Return (£%)	2025	2024	2023	2022	2021
Price ¹	4.1	16.3	14.7	-10.8	40.2
Net Asset Value ¹	3.3	13.7	15.3	-7.3	36.2
MSCI ACWI ¹	7.0	19.9	10.5	-4.2	22.2
MSCI ACWI ex US ³	-0.6	14.1	10.1	-9.6	18.8

Capital Structure

Ordinary Shares	484,437,627
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	£1,292.0m
Debt at fair value (gross)	£152.7m
Gearing (net) ⁴	9.3%

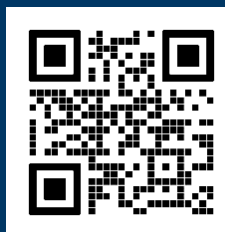
- Source: Morningstar. All NAV figures are cum-fair values.
 - Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.
 - From 1st October 2023 the comparator benchmark was changed to the MSCI ACWI (£) Index. Prior to this, from 1st October 2013, the comparator 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.