REPORT AVI Global Trust

January 2025

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 +0.7% in January.

Read more below

Japan

Eight years into our Japan journey we are as optimistic as we ever have been.

Read more below

Net Lease Office Properties

We introduce a relatively new position.

Read more below

THE FUND

(Figures to 31 January 2025)

Share Price (pence)	NAV (pence)	Prem./Disc.
245.0	266.0	-7.9%

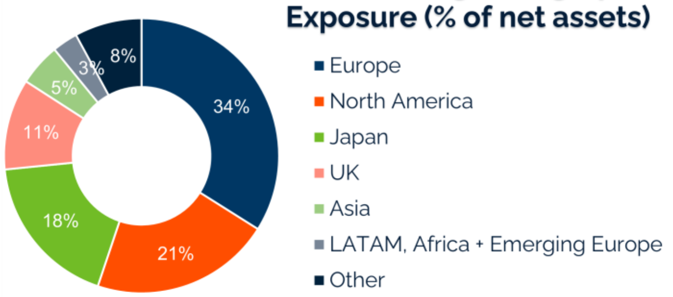
Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	0.7%	0.7%	9.8%	27.3%	71.4%	172.0%
MSCI ACWI	4.2%	4.2%	23.7%	37.6%	79.1%	206.9%
MSCI ACWI ex US	4.9%	4.9%	13.6%	19.5%	38.7%	101.3%

NAV Total Return since Strategy Inception (£)

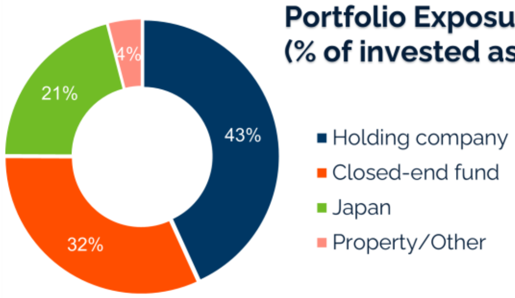
PORTFOLIO

(Holdings to 31 January 2025)

Look-Through Geographic Exposure (% of net assets)



Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

Holding	%
News Corp	7.3
D'Ieteren	7.1
Chrysalis Investments	7.1
Harbourvest Global PE	5.7
Softbank Group	5.6
Oakley Capital Investments	5.2
Partners Group PE	4.9
Reckitt Benckiser	4.2
Cordiant Digital Infrastructure	4.0
Aker	4.0
TOTAL	55.1

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 89% 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's (AGT) NAV increased +0.7% in January.

Aker, Reckitt and TSI Holdings were the largest positive contributors adding +44bps, +42bps and +25bps apiece.

At the other end of the table, Softbank detracted -78bps, followed by Chrysalis and Cordiant Digital which detracted -34bps and -29bps, respectively.

Japan

Like many so-called value investors, Japan has always been a market that has fascinated us.

As long-term readers of our letters will know, in 2017 we became especially excited about Japan, increasing our exposure to 16% of NAV and writing in the June 2017 newsletter:

"Japan has long been a market with a glut of value opportunities, but we are now seeing genuine and tangible changes in attitudes from management and boards towards corporate governance and capital allocation."

At the time this was a contrarian call, with Japan seen by many as an irrelevant backwater for global equity investors.

Since this point we have had a significant portion of our NAV invested in Japan and demonstrated an ability to generate attractive returns through our constructive approach to activism. Since 2017, this had added +21% to AGT's NAV (£) and we have generated a JPY total return of +82%, versus +75% and +99% for the MSCI Japan Small and TOPIX, respectively (JPY).

Over the last eight years, the weight of evidence that Japan is changing has grown. We previously described 2023 as a seminal year in which global investors, spurred on by the efforts of the Tokyo Stock Exchange (TSE) and its attempts to address the issues of companies trading below book value, woke up and smelt the coffee. Japanese equities have gained global relevance once again.

As we have learnt over time, the path to progress can be frustratingly slow at times, and it is not always linear with steps back along the way. With that said, as we survey the landscape in 2025, we are as optimistic as we have ever been.

Private equity interest in Japan has been brewing for some time and the recent battle between KKR and Bain for Fuji Soft exemplifies the growing market for corporate control. Importantly, and in many ways connected to this, we are seeing management teams become increasingly active in their attempts to boost and unlock corporate value. As active engaged owners, these are two attractive forces to have moving in the right direction.

TSI Holdings (1.0% weight), the diversified apparel holding company in which AVI owns an 8% stake across its funds, is indicative of the attractive opportunities we find in Japan. The core apparel business is of decent quality, but with significant self-help measures required to boost margins. Beneath the surface, lies considerable hidden asset value exemplified by an announcement in January of the sale of non-core property assets totalling 30% of the company's market cap. This helped the shares rise +17% over the month, adding +25bps to AGT's NAV. In a little under two years the position has now generated a return of +95% and an IRR of 56% (both in JPY).

Over the last month we have been adding to both new and existing names, such that Japan now accounts for 22% of NAV (excluding the hedged position in Softbank Group). We would expect this pattern to continue and find it interesting that trends toward improved governance and increased levels of corporate activity can be found in both small and large caps. From both a valuation and catalyst perspective, we believe Japan stacks up as being highly attractive, and this is reflected in our portfolio positioning.

Net Lease Office Properties (NLOP)

We are typically not interested in owning businesses or assets in troubled or distressed sectors. As we often say, we want to own *durable businesses that are growing in value*. For long-term holdings we want the compounding of NAV to work in our favour. This is evident in our largest look-through holdings – such as Belron, Universal Music Group and REA. These businesses exhibit distinct competitive advantages, with healthy organic growth prospects, margins and returns on capital.

With that said, we try and remain pragmatic in identifying situations where discounted valuations are likely to arise, and where there are specific catalysts to narrow discounts. In our experience spin-offs can often lead to mispricing and this is particularly true in the case of out of favour assets, where natural buying interest is limited. In-turn we also have experience of investing in portfolios of assets in run-off / liquidation, which acts as a pull to par as the NAV is realised.

Net Lease Office Properties ("NLOP") is a $467m US listed office REIT which ticks both these boxes and is currently a 1.2% weight in the portfolio.

MANAGER'S COMMENT

NLOP was spun out of its parent company W.P. Carey, the global net lease REIT, in 2023 with the sole aim to wind down the portfolio and return cash to shareholders. At the outset, NLOP consisted of an office portfolio of 59 assets, totalling 8.7msqft of leasable space. From the perspective of W.P. Carey this hived off its office portfolio which, given widespread and well understood concerns about the asset class, had acted as a drag on valuation.

The spin dynamics and out-of-favour nature of the asset class allowed us to build a position in mid-2024 at a more than 40% discount to our estimated NAV and a 16% implied cap rate. The valuation corresponded to c.$95 per square foot, which compared favourably to the $163psf valuation at which JP Morgan provided debt financing on the portfolio.

The investment case was not predicated on some great revival of the asset class, but rather the market's pessimistic implied valuations and the prospect for the wind down to realise value.

Progress here has been promising. In January NLOP announced the sale of five properties, generating gross proceeds of $43m, with proceeds over the last twelve months amounting to $364m as the portfolio has reduced from 59 properties at listing to 39 currently. Sales over 2024 occurred at a cap rate of 10.5%, versus the market's current implied c.15%. Importantly, the latest transaction included both a vacant property (Eagan, MN previously let to BCBSM) and a property with less than a year left on the lease (let to Cofinity), thereby negating any accusation of cherry picking.

Moreover, in conjunction with funds from rental operations, these asset sales have allowed for the full repayment of JP Morgan's senior secured mortgage and leave $61m outstanding on its mezzanine loan (in addition to $110m of recourse debt). Under the financing agreements, proceeds from asset sales had to be used to repay these secured loans. However, as we near the point where these loans are repaid, we believe capital will start to be returned to shareholders later this year, expediting returns to shareholders. On our estimates we believe upside from here is north of 50%.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
Aker ASA	44	4.0
Reckitt Benckiser	42	4.2
TSI Holdings	25	1.0
Christian Dior	25	3.0
News Corp	24	7.3

Largest Detractors	1-month contribution bps	% Weight
SoftBank Group	-78	5.6
Chrysalis Investments	-34	7.1
Cordiant Digital Infrastructure	-29	4.0
Rohto Pharmaceutical	-24	3.7
Partners Group PE	-20	4.9

Fund Facts

Net Assets	£1,146.2m
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]	0.0	9.9	26.4	75.5	186.2
Net Asset Value TR[1]	0.7	9.8	27.3	71.4	172.0
MSCI ACWI TR[1]	4.2	23.7	37.6	79.1	206.9
MSCI ACWI ex US TR[3]	4.9	13.6	19.5	38.7	101.3
FY* Total Return (£%)	**2025**	**2024**	**2023**	**2022**	**2021**
Price[1]	7.2	16.3	14.7	-10.8	40.2
Net Asset Value[1]	5.8	13.7	15.3	-7.3	36.2
MSCI ACWI[1]	10.5	19.9	10.5	-4.2	22.2
MSCI ACWI ex US[3]	3.8	14.1	10.1	-9.6	18.8

Capital Structure	
Ordinary Shares	457,534,755
Shares held in Treasury	21,873,084
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	£1,308.5m
Debt at fair value (gross)	£149.9m
Gearing (net)[4]	5.9%

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 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.
4 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 September 2024
All return figures in GBP.

Investment Manager – Joe Bauernfreund

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

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