REPORT

AVI Global Special Situations Fund

AGSS

This is a marketing communication. Please refer to the Prospectus and the Key Investor Information Document (KIID).

February 2025

Investment Objective:
The investment objective of the Fund is to generate long-term returns through investment in a portfolio of global companies whose share prices stand at a significant discount to estimated underlying net asset value.

Share Price
(Figures to 28 February 2025)

Fund Information

Share Classes		
Share Class	ISIN	Price
A (GBP)	IE000JIDJD84	£100.29
B (EUR)	IE0005EAPTK6	€104.01
B (GBP)	IE0008Q72UI9	£100.56
B (USD)	IE000DG5O9L7	$101.48
B1 (GBP)*	IE000U617EI1	£100.45

As per regulations, until the fund has a complete 12-month history, performance cannot be shown.

Fund Attributes

- High-conviction concentrated portfolio
- Actively managed with emphasis on Sum of the Parts (SOTP) valuations and exploiting discounts
- Global portfolio diversified across a range of sectors and geographies

Fund Risk

As a focused equity portfolio of between 35 and 45 investments, the fund can involve higher risk and higher volatility. The value of an investment can fall as well as rise as a result of market and currency movement; you may not get back the amount originally invested. You should therefore regard your investment as long term. Details on the risk factors are included in the fund's prospectus, available on our website.

Fund Facts
(Figures to 28 February 2025)

Top Ten Equity Holdings

	% Weight
News Corp A	7.6
D'Ieteren	7.1
Chrysalis Investments	6.6
Exor	5.2
Christian Dior	4.5
Gerresheimer	4.2
Aker	3.7
Dai Nippon Printing	3.6
Vivendi	3.6
Entain	3.5
TOTAL	**49.6**

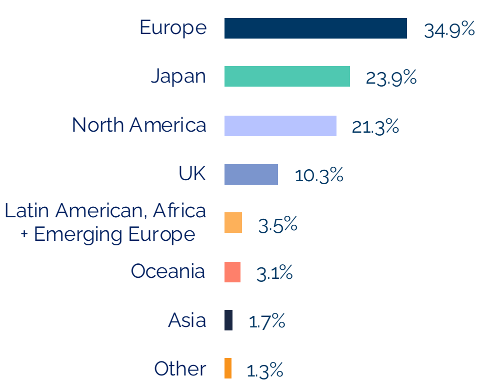
Contributors & Detractors (GBP)

Largest Contributors	Monthly Con bps	% Weight
Raito Kogyo	41	2.5
Nelnet	26	2.9
IAC	24	3.5

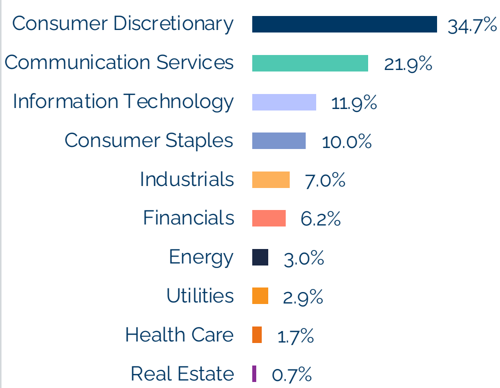
Largest Detractors	Monthly Con bps	% Weight
Rohto Pharmaceutical	-58	3.0
D'Ieteren	-19	7.1
Eurazeo	-18	3.0

Portfolio
(Holdings to 28 February 2025)

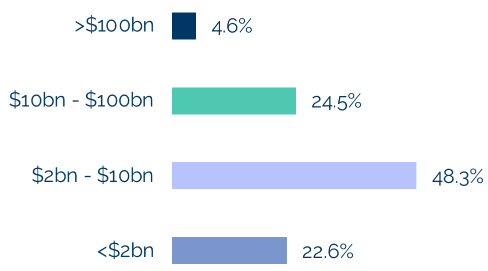
Look-through Geographic Exposure (% of Portfolio)



Look-through Sector Exposure (% of Portfolio)



Market Cap Breakdown (% of Portfolio)



MANGER'S COMMENT

Introduction:

For the first 12 months of the vehicle's life, we are limited by regulations from directly discussing performance.

For the time being, we intend to give you some insight into how we think about companies, opportunities that are arising in our universe and our more general outlook for the strategy.

We remain optimistic for the outlook for the strategy. Valuations, as indicated by the 39% portfolio weighted average discount, are wide by historical standards. Portfolio activity remains high and we are rotating capital into new names and exiting situations where discounts have narrowed. We discuss two such situations below.

Gerresheimer AG

In recent months we have built a position in Gerresheimer (GXI) AG, a £2.3bn German conglomerate that offers exposure to a leading player in the oligopolistic pharmaceutical primary packaging market with high barriers to entry and attractive growth prospects. These merits are not currently reflected in the group's valuation, with the company trading a steep discount to our estimated NAV. We see multiple potential paths to improve the depressed valuation and unlock value, with the company currently undertaking a strategic review of its Moulded Glass division, as well as confirmed private equity interest in the business.

The origins of the company date back to 1864, as a small glass factory in Düsseldorf. Today the business is a leading player in both Containment Solutions ("getting drugs to the patient"), such as vials and ampoules, and Delivery Systems ("getting drugs into the patient"), such as syringes and injector pens.

Drug containment and delivery is an oligopolistic industry, benefiting from significant barriers to entry. Switching costs are high (how drugs are packaged and administered is mission critical but a low proportion of total cost), whilst the strict regulatory environment and importance of trust-based relationships entrench incumbents, as does the capital required to build local manufacturing presence close to the customer.

The industry also offers attractive growth with the global injectable drug container market expected to grow +9% p.a. from 2022 to 2026, underpinned by the rise of biologics, GLP-1s (obesity drugs), and trends toward increased drug complexity and high value solutions (e.g. Ready-To-Fill vials). As such, companies operating within it are typically rewarded with attractive valuation multiples (peers WestPharma, Stevanato and Schott Pharma trade at 30x/26x/18x 2025 EV/EBIT respectively).

The recent history of the company is defined by Dietmar Siemssen, who was appointed CEO in 2018. Under his leadership, the business has been on a strategic transformation, moving up the value chain, to focus on High Value Solutions, and transitioning away from GXI's historic focus as a low-cost-high-volume supplier. This transition has involved a considerable capex build, totalling c.14-18% of sales in recent years, resulting in negative free cash flow.

Evidence would suggest that the strategy is bearing fruit. Organic growth – which had been an anaemic +1.9% p.a. from 2013-18 – has accelerated, reaching 6.8% p.a. from 2018 to 2024 and management are now guiding for long-term growth of +7-10% (inclusive of the dilutive Bormioli acquisition). The business mix is shifting to higher margin solutions and capex payback periods have been greatly reduced. Importantly, and of great strategic value, GXI have now established deeper relationships with key pharma companies' and their development pipelines – as is exemplified by their crucial role in GLP-1s.

This progress, however, is not reflected in the shares. When we initiated our position in late 2024, the shares were some -40% below their 52-week high and not all that much above the level when Dietmar was appointed CEO, back in 2018. The shares currently trade a 43% discount to our estimated NAV. With the entire business trading at 7.5x 2025 EV/EBITDA, we estimate that the Containment & Delivery business is trading at an implied single digit multiple, once one adjusts for a reasonable valuation for the under-strategic-review Moulded Glass business. Whilst some discount is warranted, this seems inordinately wide.

As we see it, there are several reasons for GXI's undervaluation. **1)** a significant conglomerate discount, where the lower-growth-higher-capital-intensity Moulded Glass business acts as a drag on valuation; **2)** a lack of credibility in communication with the market, as exemplified by the September 2024 profit warning and compounded by the current reporting structure; **3)** weak free cash flow given the multi-year capex spending cycle and scepticism about the long-term cash generation of the business; **4)** investor concerns about the development of the GLP-1 market generally and Novo Nordisk's Cagri-Sema specifically and **5)** increased leverage (3.8x) following the acquisition of Bormioli.

In our assessment these problems are, by and large, internal and fixable. Moreover, with the shares (then) trading at a c.50% discount to our estimated NAV, significant bad news was embedded in the price, and the market appeared to be overlooking the potential for management to take sensible steps to unlock value. In our view, the key here is the strategic review of the Moulded Glass business, where an exit has the potential to improve the group financial profile, ameliorate (part of) the conglomerate group discount and reduce leverage.

MANGER'S COMMENT

Interestingly, we are not the only ones to notice the discounted valuation. Two activists have declared stakes in excess of 5%, and in early February it was confirmed GXI had received interest from private equity, and latterly there have been press reports of industrial buyers also looking at the business. Whilst our investment case was never predicated on a buyout, this could accelerate the re-rating process. Alternatively, if a bid fails to materialise, we see multiple other paths to a re-rating – most notably from the aforementioned strategic review.

We have been adding to the position over the month such that GXI is a 4.2% weight, and we own a 2.2% stake in the company across our funds. With attractive quality assets, a discounted valuation and catalysts on the horizon, GXI has the ingredients for a successful investment.

Reckitt:

During the month we exited our position in Reckitt. It was a relatively short and successful investment (we are prohibited from stating exact figures but returns exceeded those of the benchmark).

The investment case was predicated on the low valuation at which the company traded, extreme levels of investor pessimism and aversion, and the growing pressure we felt management were under to unlock value.

Indeed, shortly after we initiated our position, management launched a sweeping overhaul, with plans to exit the Essential Home business & Mead Johnson and to boost margins. Combined with positive news flow on the NEC litigation, this helped the shares re-rate from a c.40% discount to one in the low 20s.

From the current discount level, we view the risks as more balanced, particularly with regard to operational complexity and dyssynergies of asset sales, and a growing concern over the valuation at which Essential Home can be monetised. As such we took the opportunity to exit the position. We believe the investment demonstrates AVI's contrarian approach to investing in companies undergoing structural and strategic change to unlock discounted valuations.

ESG

ESG Integration

ESG is integrated into each stage of our investment process. AVI has eschewed a box-ticking approach to ESG and developed a proprietary ESG monitoring system.

Engagement is central to our strategy. Our ESG monitoring system helps to highlight areas where we can actively engage with portfolio companies to build resilience to sustainability risks, promote responsible attitudes, and enhance sustainable corporate value.

For more information, **AVI's ESG Report** can be accessed on its website here

Article 6

This Fund has an Article 6 classification within the meaning of the Sustainable Finance Disclosure Regulation (SFDR). Engagement is central to delivering long term returns, and we integrate environmental, social and governance (ESG) factors into our risk management on an ongoing basis. As part of our engagement process, we monitor the climate-related risks of our portfolio companies within a bespoke system developed for AVI. However, the Fund does not have a sustainability objective.

Fund Details

(Figures to 28 February 2025)

AVI Global Special Situations Fund	
Launch Date	17th April 2024
Net Assets	USD 35.3m / GBP 28m
Cash	1.7%
Fund Structure	UCITS
IA Sector	Global
Fund Domicile	Ireland
Investment Manager	Asset Value Investors
Manager	Gateway Fund Services
Administrator/ Transfer Agent	Société Générale
Dealing	Daily
Subscription Deadline	1 Business Day prior by 12PM
Dealing Information*	info@assetvalueinvestors.com
Website	AGSS Fund Page

*Also available on all major platforms.

Share Classes

Share Class	OCF** (%)	ISIN	Ticker	Price
A (GBP)	1	IE000JIDJD84	AVIGLSA ID	£100.29
B (EUR)	0.8	IE0005EAPTK6	AVIGLSB ID	€104.01
B (GBP)	0.8	IE0008Q72UI9	AVIGLBG ID	£100.56
B (USD)	0.8	IE000DG5O9L7	AVIGLBU ID	$101.48
B1 (GBP)*	0.65	IE000U617EI1	AVIGLB1 ID	£100.45

Benchmark: MSCI All County World Total Return Index.
*Performance fee share class - 0.40% management fee + 10% outperformance of benchmark.
**Ongoing Charges Figure.

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The share price can be found in *AGSS - Asset Value Investors*

Further information may be found on the following websites:
https://www.assetvalueinvestors.com/agss
www.assetvalueinvestors.com

IMPORTANT INFORMATION