AVI Global Trust

Investment companies | Annual overview | 5 December 2024

Building on solid foundations

AVI Global (AGT) continues to demonstrate the value of a clear strategy and a high conviction approach, generating annualised NAV returns of almost 15% over the last two years despite market factors which have heavily favoured momentum trading and a small number of very large US technology companies.

At the same time, broader market volatility has driven some discounts to extreme levels, creating a range of excellent opportunities for the managers who continue to focus the portfolio around idiosyncratic catalysts and away from generic market risk.

Despite AGT's strong performance in recent years, on a look-through basis the combined share price discount to NAV plus the discount on the underlying portfolio now sits at 34%, approaching one of the highest levels in its history, providing investors an excellent entry point.

AGT's fund manager, Asset Value Investors, won the Best boutique at QuotedData's 2024 Investors' Choice Awards.

Extracting value from discounted opportunities

AGT aims to achieve capital growth through a focused portfolio of investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value.

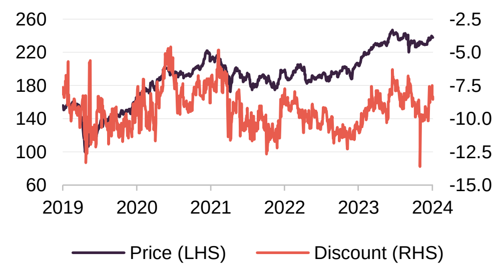
Year ended	Price total return (%)	NAV total return (%)	MSCI ACWI TR (%)	MSCI ACWI ex US (%)
30/11/2020	8.5	10.0	11.4	6.1
30/11/2021	32.4	30.0	21.7	10.7
30/11/2022	(5.7)	(5.3)	(6.0)	(4.7)
30/11/2023	6.0	8.7	8.9	5.0
30/11/2024	18.5	15.5	25.6	12.6

Source: Morningstar, Marten & Co

Sector	Global
Ticker	AGT LN
Base currency	GBP
Price	241.0p
NAV	261.4p
Premium/(discount)	(8.6%)
Yield	1.5%

Share price and discount

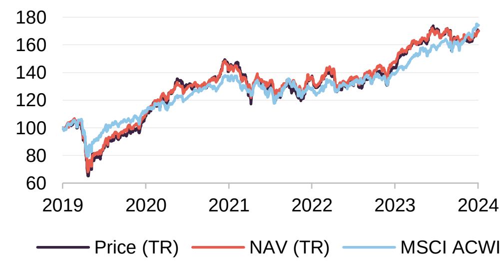
Time period 30/11/2019 to 03/12/2024



Source: Morningstar, Marten & Co

Performance over five years

Time period 30/11/2019 to 30/11/2024



Source: Morningstar, Marten & Co

QuotedData

BY MARTEN & CO

Contents

Domicile	England & Wales
Inception date	1 July 1889
Manager	Joe Bauernfreund
Market cap	1,044m
Shares outstanding (exc. treasury shares)	438.84m
Daily vol. (1-yr. avg.)	664,357 shares
Net gearing	7.1%

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Click for AGT's peer group analysis

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Market Backdrop

This time last year, the market outlook was defined by uncertainty. The bulk of the world's major economies were struggling with tepid growth and elevated inflation while geopolitical concerns continued to escalate. Over the past 12 months, conditions have steadily improved, at least economically, although this was a low bar considering the dramatic experiences of 2022-23.

> In the US, inflation has been steadily picking up since June, while the headline rate is still above 3%.

Although inflation has come down sharply, the final leg towards 2% has been a struggle. In the US, inflation has been steadily picking up since June, while the headline rate is still above 3%. At the same time, the Federal Reserve has begun its rate cutting cycle, starting with a larger than normal 50 basis point cut in September in response to weaker-than-expected labour market data, and has followed that up with another 25bps cut in November. The Fed is now easing monetary policy despite above-trend inflation and a historically low unemployment rate. Whilst this is yet another example of an anomalous post-pandemic business cycle, which has strayed far from historical norms, it does raise the question of how sustainable a dovish Fed is with current market conditions, especially if inflation continues to trend upwards. This equation has become significantly more complex since the US election, with yields heading steadily higher as anticipated policy changes including on trade, immigration, and tax are expected to be inflationary.

> The last mile for inflation is not just a US problem, with the latest data out of both the UK and Europe coming in hotter than expected.

The last mile for inflation is not just a US problem, with the latest inflation data out of both the UK and Europe coming in hotter than expected. Unlike the US, with growth still a rounding error away from recession in Europe and only marginally better in the UK, there is little policy leeway to manage any additional shocks at a time when the European political environment remains fraught, and gas prices are rising once more into winter.

Japan faces its own challenges. Having recently emerged from its decades long de-inflationary spiral, the world's third-largest economy has struggled to balance ongoing price stability and economic strength. This has been compounded by its weakening currency, which at one point fell to a 34-year low against the dollar, driving up the cost of food and energy and contributing to a steep drop-off in consumer spending.

Despite market optimism in recent months, these struggles highlight that the path back towards normalised inflation is not a straightforward one, supporting the views of AGT portfolio manager Joe Bauernfreund. Joe believes there are many good reasons to think that inflation may well be more volatile and structurally higher than it has been in recent decades. This in turn increases the chances of central bank policy mistakes, such as the Fed's belief in the 'transitory' inflation narrative which we saw following the pandemic, or current Fed chair Jerome Powell's infamous "long way from neutral" line back in 2018, which precipitated a 20% drop in US equities. In addition to these policy risks, Bauernfreund highlights other potential flash points such as the impact on corporate profits of a faster-than-expected deterioration of the US jobs market, or the effect on global growth from China's ongoing economic malaise.

Rather than discounting these risks, over the course of 2024 the MSCI ACWI has continued to breach fresh all-time highs, driven by the US which now accounts for over 70% of its market cap and trades at one of the highest valuations in history.

This creates an interesting dynamic, where the market expects inflation to fall, rate cuts to stave off the possibility of weakening growth, and strong earnings to support record high-valuation multiples.

Volatility is the friend of the long-term investor

Such conditions create an inauspicious backdrop for year ahead investment returns; however, as Joe and his team have always maintained, this should also provide opportunities, especially for long-term active investors like AGT. This is one factor which we believe is increasingly positive and remains underappreciated by the market.

Over the last decade, AGT has successfully delivered annualised returns of over 10%

Over the last decade, AGT has successfully delivered annualised returns of over 10% despite a market which was more or less the antithesis of its investment strategy, defined by falling interest rates, low inflation and suppressed volatility which effectively removed the opportunity for any real price discovery.

Today, factors ranging from geopolitical escalation to the phasing out of fossil fuels are expected to create a much wider dispersion of returns across markets. Not only will this create additional opportunities for the managers, but we believe it will also lead to more dramatic swings in benchmark returns, particularly given already-elevated multiples, increasing the appeal of assets that provide uncorrelated exposure to market benchmarks, such as AGT.

Given how impressive the portfolio's performance has been in recent years, despite the clear market bias towards low-volatility beneficiaries such as large-cap technology, we believe that changing market conditions more suitable to AGT's strategy should help drive significant levels of outperformance.

Portfolio

More information is available at aviglobal.co.uk

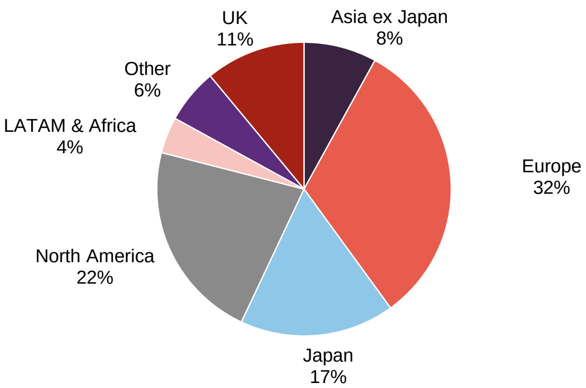
In our most recent note, which was published in June 2024, we highlighted the heightened activity across the portfolio as the managers focused on increasing AGT's exposure to idiosyncratic catalysts and away from generic market risk. With volatility driving discounts to extreme levels, Joe and Tom believed the opportunity to invest across their strategies was one of the most attractive they had seen. To capitalise on these conditions, we saw a period of portfolio optimisation with the sale of several holdings to fund investments believed to have a greater scope for attractive, event-driven returns over shorter timeframes. This included the complete exit of long-term position Pershing Square. Gearing was also deployed for the first time since 2021. This allowed the managers to fund new positions in GCP Infrastructure, Entain, and Chrysalis Investments, and significantly increase exposure to Bollore, News Corp and Hipgnosis Songs Fund – you can see a full breakdown of those portfolio changes here.

More recently, there has been a lower level of portfolio turnover in recent months, although there have been several key developments which we discuss in the asset allocation section. Notably, reflecting the shift towards more idiosyncratic catalysts, the top three contributors to AGT's FY24 performance – KKR, Hipgnosis, and Schibsted – have all left the portfolio, having played out their respective corporate events.

Asset allocation

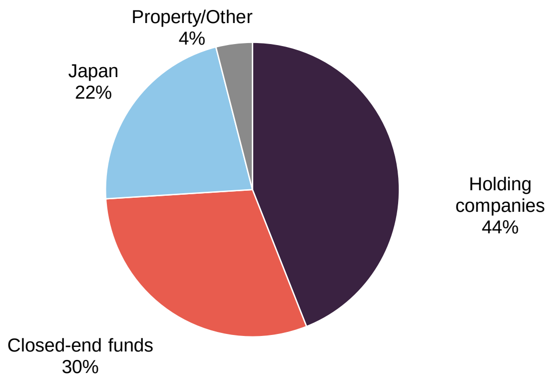
AGT's asset allocation is driven by the manager's bottom-up stock selection decisions. It does not target any particularly geographic exposures, focusing instead on the opportunities that present themselves across their target markets. As such, the portfolio continues to be significantly underweight the US relative to the benchmark, while holding an overweight position to Japan given the opportunities present there and the company's long history in the region. Since we last published there has been a modest drop in the portfolio's North American exposure, which has fallen from 26% to 22%, offset by a rise in Asia ex Japan which is up from 5% to 8%.

Figure 1: AGT geographic breakdown as at 31 October 2024 as a percentage of net assets



Source: AVI Global Trust, Marten & Co

Figure 2: AGT portfolio exposure as at 31 October 2024 as a percentage of the portfolio



Source: AVI Global Trust, Marten & Co

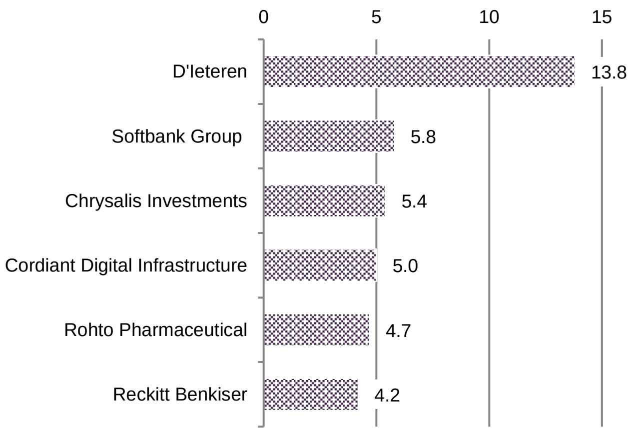
In terms of its portfolio exposure (Figure 2), Japan has increased from 16% to 22%, while the property and other sector is up from 4% to 8%. AGT's exposure to holding companies has dropped from 46% to 44%.

Portfolio activity

While it has been a relatively quiet period for the managers, there have been some significant changes to some of the portfolio's key positions; most notably, Belgian holding company D'Ieteren, which is now AGT's largest holding (see page 9). The company also initiated new positions in Reckitt Benckiser, Rohto Pharmaceutical, and Cordiant Digital Infrastructure, which we discuss below.

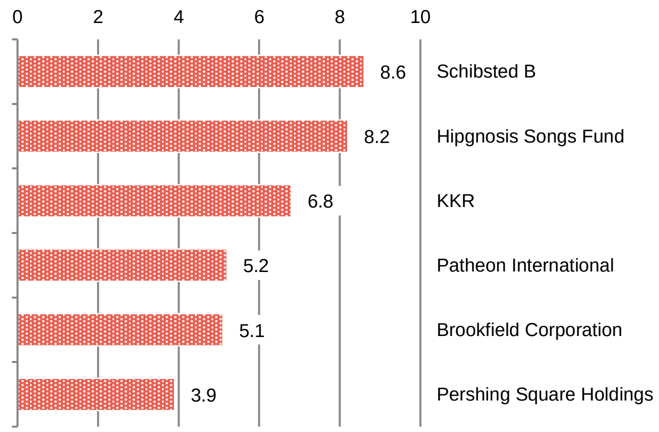
Figure's 3 and 4 highlight the key changes to the portfolio since the beginning of the year.

Figure 3: Key weight increase CY2024 to 31/10/2024



Source: AVI Global Trust

Figure 4: Key weight decreases CY2024 to 31/10/2024



Source: AVI Global Trust

New positions

Figure 5: Reckitt Benckiser (Gbp)

Source: Bloomberg

Reckitt Benckiser

Consumer goods conglomerate Reckitt Benckiser was already trading at a discount to its long-term average when it suffered a steep sell-off early in 2024. This was triggered by litigation against its US infant nutrition business, Mead Johnson, after a death in the US. The announcement wiped almost a third off its already discounted market cap. The AGT managers note that the decision appeared to go against medical opinion (you can read a full discussion around this here), and Mead Johnson has continued to take steps to challenge the verdict.

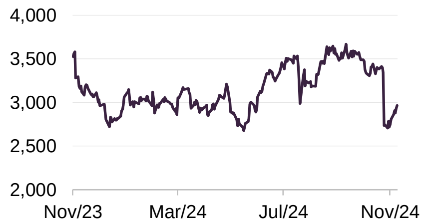
The AGT managers believed the scale of the sell-off, representing over £10bn in value, discounts an excessively pessimistic scenario versus reasonable estimates. AGT has currently priced the liability at between USD$1-4bn and notes that due to the nature of Mead Johnson's assets, which are ring-fenced from the rest of the business, the maximum liability in a worst-case scenario is, in theory, the current carrying value of around $6bn.

The irrational sell-off has allowed AGT to build a position at a decade low multiple of around 13x earnings. Fundamentally, the company remains an attractive prospect with its collection of trusted brands, many of which are market leaders that exhibit meaningful barriers to entry, high margins, and solid growth prospects.

While a resolution of the legal liability is the key catalyst for the shares, Reckitt Benckiser has also launched a restructuring plan in order to streamline operations and target cost savings across its portfolio, providing additional upside for the shares.

Positively, on 31 October, in the third case brought against it, the company was cleared of liability by a US court. This caused its shares to bounce by around 9%, although the lawsuit remains ongoing.

Figure 6: Rohto Pharmaceutical (JPY)



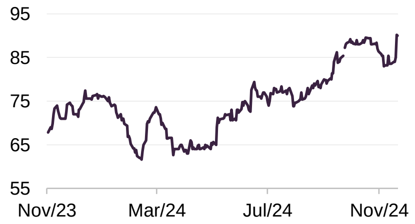
Source: Bloomberg

Rohto Pharmaceutical

Rohto Pharmaceutical is the largest skincare and eye-drop manufacturing company in Japan. Despite impressive market positioning, which drives strong operating margins, the company trades at a steep discount to both its domestic and international peers. As with many companies across Japanese markets, one of its key issues is a simple lack of transparency and focus on market engagement. The company provides very little in the way of an investment outlook or guidance, and minimal information for anglophone investors.

The company is also a play on the corporate reforms sweeping the Japanese market, targeting capital allocation and governance. The AGT managers believe there is a considerable opportunity for Rohto to realise value through the rationalisation of its balance sheet, and a reduction in crossholdings which have long been common in Japan. Sustained progress on these matters has driven Japanese markets to fresh all-time highs in recent years. However, there remains considerable progress to be made, and AGT believes that constructive engagement with management can help drive long-term value creation, in turn leading to a re-rating in the shares.

Figure 7: Cordiant Digital Infrastructure (GBp)



Source: Bloomberg

Cordiant Digital Infrastructure.

Cordiant Digital Infrastructure is a London-listed closed-end fund investing in infrastructure assets such as data centres, telecom towers, and fibre-optics businesses, predominantly in Emerging Europe. It shares have been heavily impacted by the interest rate-driven sell-off due to concerns around infrastructure financing and selling pressure related to the cost disclosure issues affecting UK-listed investment companies. Additionally, Cordiant has suffered from the performance of its closest peer, Digital 9 Infrastructure, which has been beset by poor management, excessive leverage, and unfortunate timing, causing it to enter managed wind-down earlier in the year.

None of these issues affect Cordiant, which, in contrast, has maintained a stable debt profile and a portfolio of cash generative, highly visible assets capable of driving long-term growth.

Despite this, the company trades at a discount of almost 30%, which the AGT managers believe is excessive, given the quality of its assets and the secular opportunities stemming from the exponential increase in data traffic. Positively, momentum has been strong over the past year as the company continues to deploy capital towards both buybacks and acquisitions, while also delivering solid fundamental growth. This is helping the market disassociate Cordiant from the poor performance of its peer, and we believe should see the discount continue to correct in the coming quarters. The company also has the option of spinning off some of its assets in order to further highlight the excessive discount, which would act as an additional catalyst.

Top 10 holdings

AGT's top 10 holdings make up over 60% of the portfolio, reflecting the high-conviction approach taken by the manager. At almost 10%, D'Ieteren is a larger weighting than traditionally held; however, the manager notes that this will naturally reduce following the payment of its extraordinary dividend, which we discuss below.

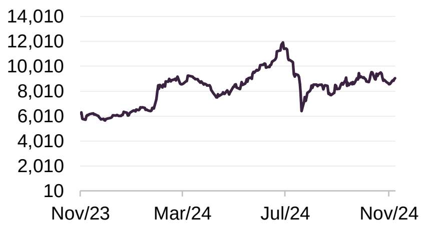
Since we last published, Hipgnosis Songs Fund, Aker ASA, FEMSA, Pantheon International and Schibsted B, have been replaced in the top 10 by Softbank, Chrysalis Investments, Cordiant Digital Infrastructure, Rohto Pharmaceutical, and Apollo Global Management.

Figure 8: 10 largest holdings at 31 October 2024

Holding	Industry	Country/region	Percentage of NAV 31/10/24 (%)	Percentage of NAV 30/04/24 (%)	Change (%)
D'Ieteren	Family holding company	Belgium	9.6	5.7	3.9
News Corp	Media	US	8.3	6.6	1.7
Oakley Capital Investments	Closed-end Fund	UK	6.5	6.4	0.1
Softbank Group	Holding Company	Japan	5.8		
Chrysalis Investments	Closed-end Fund	UK	5.4		
Partners Group PE[1]	Closed-end Fund	UK	5.4	5.6	(0.2)
Cordiant Digital Infrastructure	Closed-end Fund	UK	5.0		
Bollore	Family holding company	France	5.0	5.0	-
Rohto Pharmaceutical	Asset-backed Special Situation	Japan	4.7		
Apollo Global Management	Holding Company	US	4.4		
Total			60.1		

Source: AVI Global Trust. Note 1) Formerly Princess Private Equity

Figure 9: Softbank Group (JPY)



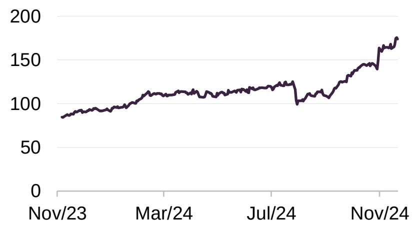
Source: Bloomberg

Softbank Group

SoftBank is one of Japan's largest publicly traded companies and owner of stakes in many energy, financial and technology companies. AGT had previously held a position in 2021, prior to a large buyback programme which contributed to an IRR of 51% on realisation. The investment case is similar this time around, with the managers holding a high level of conviction around the current discount. Notably, Softbank's loan to value has fallen to its lowest-ever level, while the transparency and visibility regarding its NAV is as good as it has ever been following the listing of its subsidiary, ARM, in the US last year – 90% of the group's NAV is now accounted for by its listed holdings. Despite this, the company trades on one of its widest discounts ever (bar a few months during the pandemic), sitting at close to 60%. The AGT managers believe these factors, plus the presence of activist investor Elliot Management on its register, increase the likelihood of the discount narrowing through large share buybacks.

Notably, the investment is based on the conviction of the discount, rather than the company's underlying assets such as ARM. As such, the managers have hedged their exposure to its five largest listed companies using total return short positions. These short positions account for 86% of Softbank Group's NAV.

Figure 10: Apollo Global Management (USD)



Source: Bloomberg

Apollo Global Management

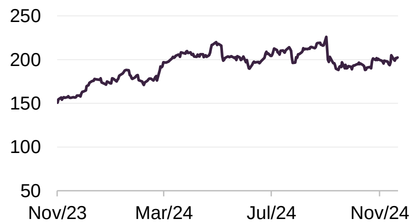
Back in 2021, the managers identified the listed alternative asset management sector as systematically undervalued, especially private equity-focused managers Apollo Global Management and peer KKR. Fast forward to today, and the sector has been AGT's best performer, with Apollo being the top contributor to the NAV in 2023 and KKR the top contributor in 2024. As noted, the KKR position was exited this year on valuation concerns, although it has continued to perform well since then. The managers acknowledge that they exited the position too soon, although it would be true to say they get these decisions right more often than not.

As for Apollo, the company has continued to perform exceptionally well, with the stock up around 170% in the last two years. The initial thesis was based on the view that the company was misunderstood, with the market viewing Apollo as a simple levered play on financial markets. In reality, it provides exposure to long-term, stable cash flows through its retirement services company, Athene – effectively, a spread-lending business between the rates paid on annuities and the yields earned on its investments, while capitalising on the structural growth opportunity in private credit.

Despite the very strong run for the shares, the managers see additional scope for further upside given its relatively undemanding valuation in relation to the expectation of high-teens earnings growth going forward. Although they expect that the position is closer to the end of its life in the portfolio than the start given how well it has performed.

Other portfolio developments

Figure 11: D'Ieteren (EUR)



Source: Bloomberg

D'Ieteren

D'Ieteren is a Belgian family-controlled holding company which owns a 50% stake (worth around 63% of its NAV) in Belron, the global no.1 operator in vehicle glass repair and replacements. AGT's initial position was an opportunist play on an oversensitive market reaction to D'Ieteren's earnings back in 2022. Since then, the manager has been steadily adding to the company during periods of weakness, most recently in September, when it became AGT's largest holding.

The manager outlines the structural upside which exists for D'Ieteren via its holding in Belron and the proliferation of advanced repair jobs that favour the company's scale. However, the fundamental investment case remains a valuation story, with the company still trading on a substantial discount. This has become even more compelling in recent months, following a reorganisation of the controlling family's shareholding as Nicholas D'Ieteren acquired an additional 16.7% stake from Olivier Périer. To help fund this, the company announced a very large special dividend of €74 per share – at current prices, the yield is almost 40%. Surprisingly, the immediate market reaction was negative, with shares falling almost 20% from their already-discounted position.

Whilst there are some concerns around the increased leverage, which will rise to around 5.5x EBITDA, this remains in line with peer group averages, and the managers believe it is more than manageable given the highly cash-generative nature of Belron. They believe the negative reaction is mainly a result of selling from tax-sensitive Belgian retail investors. The AGT managers have capitalised on this, increasing their position by 57%. As a result of the deal, AGT expects to receive dividends, net of tax, of c. £35m. This alone equates to nearly 1.5x AGT's prior year annual dividend income. However, AGT is likely to account for this as a capital rather than a revenue item.

Performance

During the most recent financial year to 30 September 2024, AGT delivered a NAV total return of 13.7%. This followed a 15.3% return in FY2023.

Over the past two years, AGT has delivered an annualised NAV total return of 14.5%. Despite this, the company has still lagged marginally behind the MSCI ACWI's annualised return of 15.2% (all in sterling). As has been well documented, the global benchmark's performance has been driven by a small selection of large-cap US tech stocks that now dominate the index. The stark contrast between these companies and the rest of the market is highlighted by the MSCI ACWI equal-weight equivalent returning just 7.2% annualised over the same period.

As we have discussed, we believe it is best to view the returns of AGT in the context of its underweight to the US, and large-cap tech in particular, having delivered more or less in line with this market despite zero exposure to these companies. As Figure 13 highlights, this performance has been maintained over the last five years, a period which has been increasingly difficult for active managers – particularly AGT – that target idiosyncratic returns to the market.

Highlighting the value of its strategy, AGT has more than doubled the ex-US benchmark return in the last five years. As we covered in the market backdrop section, we believe that as valuations climb well above historic peaks and conditions become more favourable for active management, there lies a significant opportunity for the company to deliver attractive long-term returns.

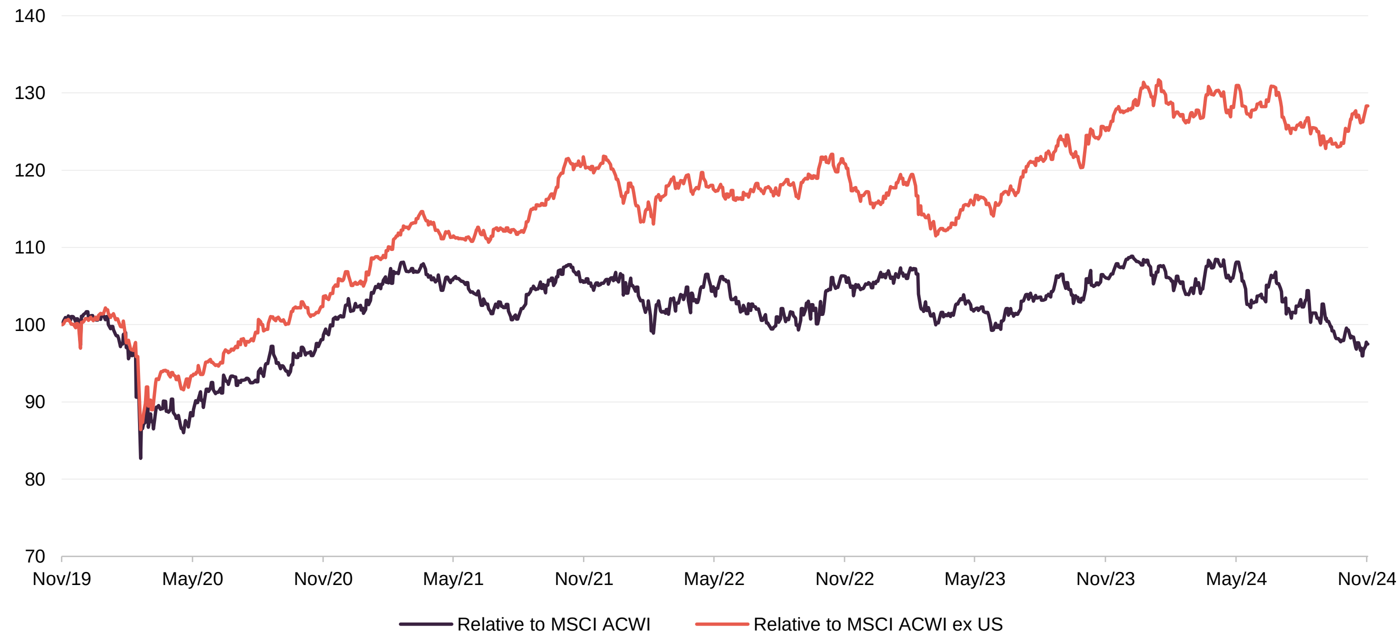
Figure 12: Total return cumulative performance over various time periods to 30 November 2024

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
AVI Global Trust share price	2.8	(0.5)	18.5	18.5	70.2
AVI Global Trust NAV	2.2	(0.2)	15.5	18.8	69.9
MSCI ACWI	7.3	10.7	25.6	28.6	74.3
MSCI ACWI ex US	0.1	1.9	12.6	12.7	32.4
Peer group[1] median share price	6.8	7.9	24.1	3.1	54.6
Peer group[1] median NAV	4.9	6.3	19.6	9.8	64.6

Source: Morningstar, Marten & Co. Note 1) peer group is defined below

AGT's modest performance over the last six months compared to the broader market reflects the uncorrelated returns of the portfolio and its concentration around event-specific catalysts. Looking out past six months, there have been several significant events which have driven considerable value for AGT, including the sale of the Hipgnosis Songs Fund which we covered in our previous note.

Figure 13: AGT NAV total return performance versus objective over five years ending 30 November 2024



Source: Morningstar, Marten & Co

Peer group

Up-to-date information on AGT and its peers is available on our website

AGT is a constituent of the AIC's Global sector. Despite its strong performance in recent years, the trust's discount has remained stubborn, reflecting the challenges faced by the entire investment trusts sector. Positively, the economic outlook has improved significantly since the beginning of the year, and we expect that this should begin to flow through to investor sentiment. We have also seen a number of promising developments around other factors that have weighed on the sector, including cost disclosure issues.

AGT's yield is about middle of the pack, although none of these trusts invest with the primary intention of generating a high yield. The ongoing charges ratio is at the higher end of this peer group, reflecting the manager's relatively unique approach and its active investment strategy. We would also argue that none of these charges are particularly high.

Figure 14: Peer group comparative data as at 3 December 2024

	Premium / (discount) (%)	Dividend yield (%)	Ongoing charge (%)	Market cap (£m)
AVI Global Trust	(8.6)	1.45	0.87	1,058
Alliance Trust	(4.1)	2.06	0.62	5,147
Bankers	(11.3)	2.4	0.5	1,336
Brunner	0.7	1.61	0.64	634
F&C	(8.1)	1.29	0.49	5,515
Keystone Positive Change	(7.4)	0.18	0.9	150
Lindsell Train	(25.9)	7.13	0.8	144
Manchester & London	(18.9)	1.93	0.47	291
Martin Currie Global Portfolio	(2.3)	1.14	0.64	228
Mid Wynd	(1.5)	0.97	0.6	378
Monks	(11.3)	0.16	0.44	2,528
Scottish Mortgage	(9.8)	0.44	0.35	12,203
Sector median	(8.3)	1.4	0.6	846.0
AGT rank	7/12	6/12	11/12	6/12

Source: Morningstar, Marten & Co

Figure 15: Peer group cumulative NAV total return data as at 30 November 2024

	3 months	6 months	1 year	3 years	5 years
AVI Global Trust	2.2	(0.2)	15.5	18.8	69.9
Alliance Trust	4.9	6.0	20.3	29.8	69.4
Bankers	3.2	4.6	19.6	14.8	51.2
Brunner	2.6	4.6	18.0	30.9	71.6
F&C	7.8	10.0	25.4	28.7	75.2
Keystone Positive Change	8.1	8.8	9.7	n/a	n/a
Lindsell Train	1.2	2.4	6.2	(3.6)	16.9
Manchester & London	10.2	6.3	54.8	39.7	88.3
Martin Currie Global Portfolio	(1.8)	(1.4)	13.1	(8.5)	32.0
Mid Wynd	2.4	7.2	14.5	4.8	53.1
Monks	9.3	10.9	28.8	(0.6)	59.8
Scottish Mortgage	14.5	10.9	27.3	(27.2)	100.1
Sector median	4.9	6.3	19.6	9.8	64.6
AGT rank	10/12	11/12	8/12	5/12	5/12

Source: Morningstar, Marten & Co

A quiet few months in terms of event catalysts has coincided with a strong period for the global peer group as US markets continue to outperform. However, as we have discussed, this is more a function of timing than any underlying weakness in the trust.

In fact, in our view, the outlook has rarely been as positive for AGT. It is worth noting the starting valuation multiple remains the best predictor of long-term investment returns, and with discounts now at historically wide levels across AGT's target sectors and broader market multiples reaching new all-time highs, we remain confident that the company can continue its long-term track record of outperformance – particularly considering the high number of potential catalysts and events across the portfolio.

Premium/discount

One of AGT's key investment strategies is to target companies which stand at a discount to their estimated underlying net asset value. Therefore, when assessing the trust's discount, one must account for both the company's own share price discount to NAV and the gap between the share prices of investee companies and their underlying intrinsic value. As shown in Figure 16, based on this look-through metric, which is calculated by the manager, the look-through discount of 34% on a rolling annual basis is approaching its widest level since the manager started to calculate it in 2006, bar a brief period following the global financial crisis.

Figure 16: AGT look-through discount 2006 to 2024

Source: AVI Global

In terms of AGT's share price discount, shown in Figure 17, this has moved within a range of 13.6% to 6.3% and averaged 8.9% over the 12 months ended 30 November 2024. As of publishing, the company's discount was 8.6%.

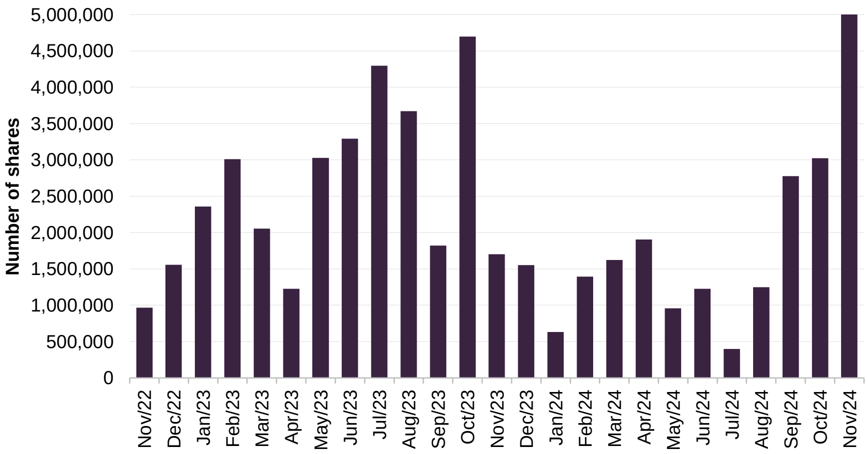
As we have discussed, a range of factors have contributed to discounts across the entire investment trust sector, including issues with cost disclosures, which you can read about here. Despite this, AGT remains one of the best-performing global investment companies over the last few years, and with the outlook for the trust continuing to improve, we expect this momentum to be maintained.

Figure 17: AGT premium/discount over five years to end November 2024

Source: Morningstar, Marten & Co

The company also continues to manage its discount via share buybacks during periods when it is deemed that the discount is unnaturally wide and when the board believes that buying back shares is in the best interests of shareholders. As Figure 18 shows, this has been the case over the last 12 months, particularly over the last quarter.

Figure 18: Number of shares repurchased by month



Source: AVI Global Trust

Fund profile

Holding companies, closed-end funds, and asset-backed special situations

AGT aims to achieve capital growth through a focused portfolio of investments, particularly in companies whose shares stand at a discount to estimated underlying net asset value. It invests in quality assets held through unconventional structures that tend to attract discounts; these types of companies include family-controlled holding companies, closed-end funds, and asset-backed special situations such as asset-rich Japanese operating companies.

New benchmark

The company compares itself to the MSCI All Country World Total Return Index, expressed in sterling terms, for performance measurement purposes. In previous years, it had used a World ex US benchmark on the grounds that the trust had a structural underweight exposure to the US, primarily because there are fewer opportunities to invest in family-controlled holding companies there. For this note, we have included comparisons to both indices. In subsequent notes we will just use the new benchmark.

It is worth noting that the performance benchmark has no influence over portfolio construction and that AGT's active share is always likely to be close to 100%.

AGT's AIFM is Asset Value Investors (AVI). AVI was established in 1985, when the trust's current approach to investment was adopted. At that time, AGT had assets of just £6m and was known as the British Empire Securities and General Trust, later shortened to British Empire Trust. The trust adopted its current name on 24 May 2019.

Fees and costs

The investment manager is entitled to an annual management fee of 0.70% of the first £1bn of AGT's net assets and 0.60% of any net assets above £1bn. The fee is calculated quarterly by reference to the net assets at the preceding quarter end, and paid monthly.

The investment management agreement can be terminated on six months' notice.

A breakdown of directors' fees is shown on page 20. For the year ended 30 September 2024, the only other expenses of note were marketing expenses of £605,000 (FY23: 573,000), advisory and professional fees of £487,000 (FY23: £360,000), and depositary fees of £126,000 (FY23: £123,000).

The ongoing charges ratio (based on the trust's own running costs) for the year ended 30 September 2024 was 0.87%, up marginally from 0.86% for the prior year.

Capital structure and life

Simple capital structure

As of 30 September 2024, AGT had 487,662,627 ordinary shares in issue, of which 45,600,956 shares are held in treasury. The number of total voting rights is 442,061,671. There are no other classes of share capital. AVI Global subdivided its shares on a five-for-one basis with effect from 17 January 2022.

AGT does not have a fixed life. Its financial year end is 30 September and its AGMs are usually held in December.

Gearing

AGT previously had a revolving credit facility with Scotiabank, but this was terminated at the end of its contracted life in September 2024.

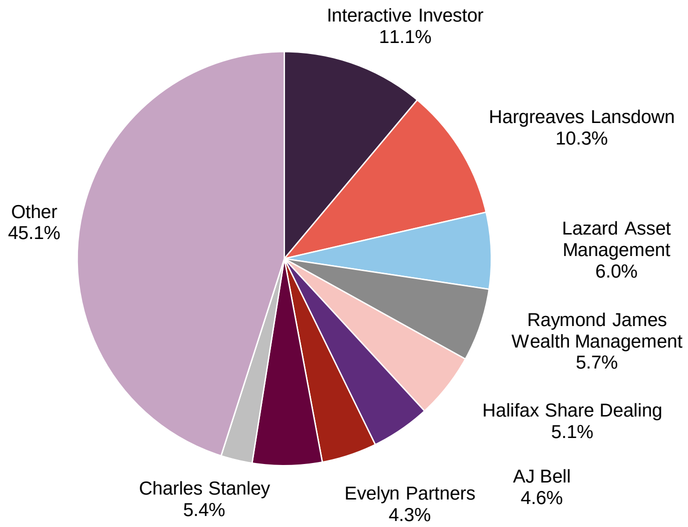
On 25 July 2023, AGT completed an agreement to issue Japanese Yen (JPY) 4.5bn fixed rate unsecured debt, for a term of 10 years. The annual interest rate on the debt is 1.44%. The debt is denominated in JPY and was equivalent to approximately £25m when issued.

On 12 September 2024, AGT completed an agreement to issue further Japanese Yen (JPY) fixed rate unsecured debt. The new debt is JPY5bn, for a term of 15 years and at an annual interest rate of 2.28%. The debt is denominated in JPY and was equivalent to approximately £25.1m when issued. In recent years the company has issued several tranches of fixed rate debt at attractive interest rates, and the investment manager uses gearing flexibly to take advantage of investment opportunities. As well as providing funding at an attractive rate of interest, borrowing in Japanese Yen provides a natural hedge against exposure to the currency, as the borrowing offsets some of the exposure to JPY in the portfolio.

As at 30 September 2024, net gearing, with debt at fair value, was 7.1%.

Major shareholders

Figure 19: Major shareholders as at 31 October 2024



Source: AVI Global Trust

Board

AGT has five directors, all of whom are non-executive, independent of the manager and do not sit together on other boards.

Figure 20: Directors' length of service, fees and shareholding

	Role	Appointed	Length of service (years)	Fees	Shareholding
Graham Kitchen	Chairman	01/2019	5	55,000	109,500
Anja Balfour	Director	01/2018	6	35,500	36,500
Neil Galloway	Director	09/2021	3	35,500	40,000
June Jessop	Director	01/2023	2	35,500	45,000
Calum Thomson	Senior independent director/ chair of the audit committee	04/2017	7	43,500	44,490

Source: AVI Global Trust, Marten & Co

Graham Kitchen

Graham has over 25 years' experience as an investment manager at Invesco, Threadneedle and, until March 2018, Janus Henderson, where he was Global Head of Equities. He was previously Chair of the Investment Committee for the Cancer Research Pension Fund, member of the investment committee of Independent Age and Chairman of Invesco Select Trust plc and Perpetual Asset management UK Limited. Graham held the position of Interim Global Head of Investment Strategy at Perpetual Group until March 2024. Graham is an experienced fund manager and Head of Investments and brings to the Board experience both of managing investments and of managing teams of investment managers.

Anja Balfour

Anja has over 20 years' experience in managing Japanese and International Equity portfolios for Stewart Ivory, Baillie Gifford and Axa Framlington. Previously Chairman of Schroder Japan Growth Fund plc, a trustee of Venture Scotland, a member of the Finance and Corporate Services Committee of Carnegie UK Trust and a Non-Executive Director of Martin Currie Asia Unconstrained Trust plc. Anja brings to the Board experience of managing Japanese portfolios, which is particularly relevant to the Company's Japanese equity investments, along with experience of broader international funds and as a non-executive director.

Neil Galloway

Neil has over 25 years' experience living and working internationally. Currently based in London, he has spent most of his career working in Asia but also has experience in the Americas, Europe and the Middle East. Following a successful banking career, he has held senior finance and management roles, almost entirely with or for family-controlled companies, overseeing finance, treasury, risk management, legal, IT, projects and business development, with experience in significant business transformation programmes in large and complex businesses.

He was previously Executive Vice President of IWG PLC and an Executive Director and CFO of DFI Retail Group Holdings Limited based in Hong Kong. His industry experience spans banking, hospitality, retail (mass market, luxury and franchise operations), real estate and services industries.

June Jessop

Previously Senior Business Manager at Stewart Investors and a member of the EMEA Management Committee of First Sentier Investors (of which Stewart Investors is a sub-brand). June has spent 30 years in financial services, gaining broad experience in portfolio management, client relationship, business development and, latterly, general management roles. She has been an investment manager for institutions, charities and private clients and brings to the Board experience both of managing assets of an investment trust and investing in investment trusts on behalf of clients.

Calum Thomson

A qualified accountant with over 30 years' experience in the financial services industry, including 21 years as audit partner at Deloitte LLP, specialising in the asset management sector. Calum has wide ranging experience in auditing companies in the asset management sector and latterly as a non-executive director and audit committee chairman. He is fully qualified to lead the Company's Audit Committee.

Previous publications

Readers interested in further information about AGT may wish to read our previous notes listed below. You can read them by clicking on the links in Figure 21 or by visiting our website.

Hear about the fund

Figure 21: QuotedData's previously published notes on AGT

Title	Note type	Date
Double discount on quality-focused portfolio	Initiation	25 January 2021
Focused high conviction portfolio	Update	5 August 2021
Bargain hunting	Annual overview	20 May 2022
Doubly blessed	Update	8 March 2023
An historic opportunity	Annual overview	21 November 2023
Thriving under pressure	Update	6 June 2024

Source: Marten & Co

Quoted Data
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