

Q3 2026

Investment Objective: The objective of the Fund is to provide capital growth over the long-term, being five years or more. Five years is also the minimum recommended period for holding shares in this Fund. This does not mean that the Fund will achieve the objective over this, or any other, specific time period and there is a risk of loss to the original capital invested.

HEADLINES

Introduction

A dull third quarter in performance terms, with the NAV down 0.5%.

[Read more below](#)

Chrysalis

It is difficult to reconcile the share price move with fundamentals, and we added to the position again on weakness.

[Read more below](#)

Outlook

We view several key investments as coiled springs with structures now in place - often due to our engagement - that provide the foundation for unlocking significant value over time.

[Read more below](#)

THE FUND

Fund Launch Date

30/04/03

B GBP NAV per share

£7.093

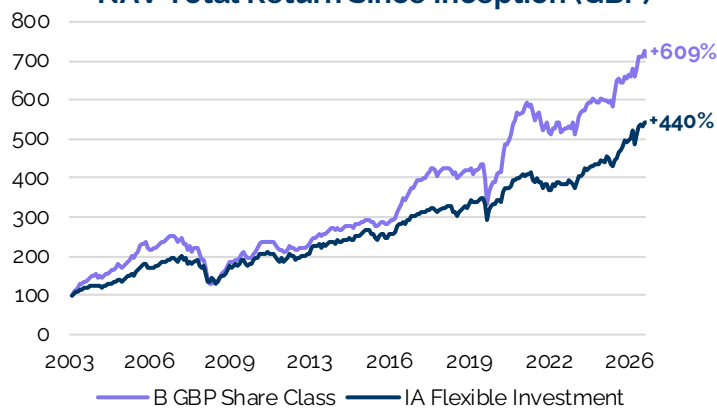
Cash

2.6%

Net Performance (GBP)

Total Returns (%)	Month	1Y	5Y	10Y
B GBP Share Class ¹	-2.1	9.6	21.8	113.6
P GBP Share Class ¹	Performance to be shown after 12 months			
IA Flexible Investment	-0.5	12.5	33.0	91.5

NAV Total Return Since Inception (GBP)



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PORTFOLIO

Top Ten Holdings

Holding	% ²
Gresham House Energy Storage	9.0
VH Global Energy Infrastructure	8.7
Chrysalis Investments	7.8
Home REIT	6.7
Oakley Capital Investments	5.4
Baker Steel Resources Trust	4.8
US Solar Fund	4.5
Tuften Assets	4.2
Partners Group PE	4.1
Hansa - Ords	3.7
Total	58.9
No. of Holdings	34

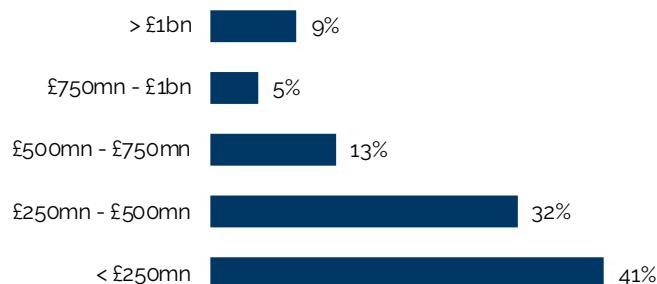
Contributors/Detractors (GBP)³

Largest Contributors	3M Contrib. bps	% ²
Gresham House Energy Storage	73	9.0
Baker Steel Resources Trust	40	4.8
Oakley Capital Investments	39	5.4
US Solar Fund	37	4.5
Tuften Assets	26	4.2

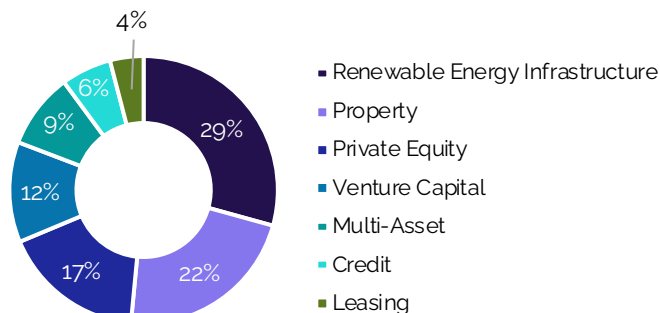
Largest Detractors	3M Contrib. bps	% ²
Chrysalis Investments	-84	7.8
VH Global Energy Infrastructure	-39	8.7
Derwent London	-29	2.9
Phoenix Spree Deutschland	-25	0.8
Ecofin US Renewables	-18	2.1

²Shown as % of Net Asset Value³Contributors and detractors from Factset

PORTFOLIO (continued)

Market Cap Breakdown⁴

Figures may not total to 100 due to rounding.

Sector Breakdown⁴

Figures may not total to 100 due to rounding. ⁴Shown as % of Portfolio

MANAGER'S COMMENT

AWO had a dull third quarter in performance terms, with the NAV down 0.5% on a total return basis.

AWO's focus remains very much on generating absolute returns from exploiting inefficiencies in listed closed-end funds, and we note our low level of underlying listed equity exposure and correlation to equity indices.

The London-listed closed-end fund market is ripe with opportunity – discounts remain wide, and corporate activity an important source of returns. The portfolio has been carefully constructed to benefit from a continuation of M&A, wind-downs, and elevated buybacks and tender offers, supplemented by our own engagement and activism.

Gresham House Energy Storage (GRID), the UK battery energy storage vehicle, was our largest contributor for the second consecutive quarter, adding 73bps to NAV with a share price return of 8%. In early-September, GRID announced an impressive trading update ahead of its half-year results to end-June. Its NAV per share was up 15% over the quarter due primarily to valuation uplifts on projects moving into construction, in an encouraging validation of the company's growth strategy. There is further growth to come as work begins on bringing other new assets online, and we note there is no value assigned in the NAV to the "Alternative Revenues Strategy" developed by the company that exceeded expectations during a successful trial period. In addition, the growing need for data centres may provide another source of optionality for GRID given the scarcity of grid connections and powered land in the UK.

We commented in last quarter's newsletter that a large shareholder of GRID had published an open letter calling on the board to begin preparations to launch a formal sales process later this year. We share their view that, while the management team have executed superbly, the UK investment companies market is unlikely to adequately recognise the company's value within an acceptable timeframe. We made our views known to the board of GRID. In mid-September, the company announced that they would not be proceeding with a sale process. We subsequently had another discussion with the board which, while constructive, has not changed our view. If the company's rating does not improve materially as the growth strategy unfolds, pressure will continue to build for a sale.

Baker Steel Resources Trust (BSRT), which invests in public and private junior mining companies, had a solid quarter. While the NAV was up marginally (+1% based on our prevailing estimates at

the start and end of the period), the bulk of the 9% share price gain came from discount narrowing.

We had been engaged with the board for some time on the need for a robust capital allocation policy and were pleased to see the announcement earlier this year of a new approach that would see 5% of NAV returned each year via a 3% of NAV dividend with the balance delivered via share buybacks or additional dividends. Furthermore, a commitment was made to return 50% of the net profits from material exits via tender offers if the shares are trading at a discount in excess of 25%. That said, our enthusiasm was tempered by capital returns being based merely on "net profits", and by what we saw as an unambitious implicit discount target. We made our views known to the board and were pleased to see the former issue addressed in the half year report published in late-September with a change to basing distributions on 50% of net *proceeds* instead. We continue to engage on the latter point.

Within BSRT's portfolio, there was mixed news. In an end-June NAV that was released during the third quarter, private Australian coal miner, Futura Resources, was marked down 27% as adverse weather events hit production and created balance sheet uncertainty. Another unlisted holding, Cemos (Moroccan cement) saw its valuation marked down by 10% in a read-across from listed comparables. There was happier news in the listed portfolio where largest holding Tungsten West saw its share price soar 37%. In late August, the UK government owned National Wealth Fund announced a £71m investment to complete Tungsten West's funding programme. This was followed a month later by a deal with a US-based processor of tungsten with a nominal value over eight years of £1.4bn at prevailing commodity prices. Both deals underline the strategic importance of the company's tungsten resources in Devon against a backdrop of a heightened focus on security of supply of key metals used in the defence industry.

Oakley Capital Investments (OCI) was our next largest contributor on the back of a higher NAV and tighter discount. We disclosed in our last newsletter that we had redeployed the proceeds from our sale of Pantheon International (PIN) into OCI at a particularly wide discount to NAV (high-30%*s*). The shares were up +9% over the quarter. A robust trading update in late-July confirmed strong trading momentum in their investee companies and exciting growth and up-rounds coming through in the AI VC part of their portfolio.

MANAGER'S COMMENT (continued)

While the NAV and key contributors had already been disclosed, the interim results realised in late-September were notable for management comments around a potential secondary sale of some of the underlying funds in the near-term. The devil will be in the detail but a sufficiently sized sale of a representative slice of OCI's underlying buyout funds at a tight discount would be a very significant confirmation of the value gap on offer with OCI's shares ending the quarter at a 33% discount to NAV. We would also note that secondary sales by some of the private equity fund of funds, while very welcome, were much more curated and thus less representative of overall portfolios than we expect OCI's prospective secondary sale to be. We would expect the proceeds from a secondary sale to be used to pay down debt and to buy back shares, with any subsequent exits from the portfolio flowing through to buybacks in a greater quantum than would be the case absent such a transaction. The Chair appears determined to tackle OCI's persistent discount to NAV.

Other contributors of note over the quarter included US Solar Fund (USF) and Tufton Assets (SHIP). USF announced in mid-August that in light of the potential buyer of its portfolio advancing its due diligence but requiring more time, that it was granting an extension to the exclusivity period. We boosted Tufton Assets (SHIP)'s weight in the portfolio during the quarter and were pleased to see the shares grind higher. SHIP is benefitting from sharply higher charter rates on its product tankers and is beginning to lock in yields in the high-20%s as its current charters come up for renewal. We think the market is overlooking both the scope for SHIP's dividend to be raised materially over the next few months and its role in a portfolio as a geo-political hedge.

On the negative side of the ledger, Chrysalis Investments (CHRY) was the largest detractor. While its NAV fell ~8% over the quarter, the discount also widened and has continued to do so post-period end. It is difficult to reconcile the share price move with fundamentals, and we continued to add to the position. CHRY now trades on a ~50% discount to NAV with the carrying value of Starling covering CHRY's market cap 1.2x. We believe Starling's valuation can be justified by reference to its high return-on-equity, while its banking-as-a-service subsidiary, Engine, is on a clear pathway to £100m of annualised recurring revenue. With Starling emerging from the regulatory purdah that had been limiting its growth over the last year or so, and recent sector M&A speculation (Monzo/Nubank, ultimately unfulfilled) serving as a reminder of the business' strategic value, we think Starling's valuation has upside from here. At the end of the month, CHRY returned 4% of NAV via a compulsory share redemption of shares at 127p (vs current share price of 64p) after the disposal of its stake in Klarna.

In the list of largest detractors, VH Global Energy Infrastructure (ENRG) was next following a disappointing price for the sale of its US terminal storage asset. While the transaction took place at a headline discount of 12%, an unexpected tax charge pushed this figure out to 23% (also net of transaction costs). We subsequently re-engaged with the board and management team on our concerns and to re-underwrite our investment case. An announcement was then made to the stock exchange clarifying that no further tax will be payable (if not already provided for) on future asset sales. Although a disappointing start to the sales process, this is where our scenario analysis is important. We build in a large margin of safety, and, from here, even our bear case IRR is a mid-teens figure.

While the completion of the US terminal storage asset sale is contingent on the renewal of a key customer contract and the purchaser securing additional equity financing, we note that a sale of the remaining assets within the Brazilian solar portfolio is reportedly well-advanced. Taken together, we could see a significant return of capital within the next few months. The Brazilian hydro asset is performing well and was written up in the latest NAV despite the incorporation of a tax provision, but the sales process has been paused pending an expected renewal of the asset's concession. Positively, we note that Brazil yields have plummeted to a 2-year low following an unexpectedly strong showing for the right-wing challenger in the presidential elections.

Other detractors included a new but as-yet-undisclosed UK REIT position (higher UK government yields), Phoenix Spree Deutschland (PSDL) (higher German government yields), and Ecofin Renewables (RNEW) (no progress on lifting of curtailment at Whirlwind asset which would trigger earn-out payments to RNEW).

Trading activity over the quarter was more limited than the past, with the largest buys in descending order being the undisclosed UK REIT referred to above, additions to Tufton Assets (SHIP), Chrysalis (CHRY), and a new position in a US-listed closed-end fund (which will remain undisclosed until we have finished buying). The largest sale was a full exit from Taylor Maritime Investments (TMI).

While the third quarter was a dull period for performance, we view several key investments as coiled springs with structures now in place - often due to our engagement - that provide the foundation for unlocking significant value over time.



STATISTICS

Performance Summary (GBP)

Total Returns (%)	1M	1Y	3Y	5Y	10Y
B GBP Share Class ¹	-2.1	9.6	30.8	21.8	113.6
P GBP Share Class ¹	Performance to be shown after 12 months				
IA Flexible Investment	-0.5	12.5	40.4	33.0	91.5

CY Net Returns (%)	CYTD	2025	2024	2023	2022
B GBP Share Class ¹	6.6	10.8	19.2	6.3	-10.5
P GBP Share Class ¹	Performance to be shown after 12 months				
IA Flexible Investment	9.0	12.1	22.3	7.3	-9.1

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Fund Details

Fund Facts	
Fund Launch Date	30-Apr-03
Base Currency	GBP
Net Assets	£34,778,240
Fund Structure	UK OEIC
Fund Domicile	United Kingdom
Investment Manager	Asset Value Investors Limited
ACD ⁵	Waystone Management (UK) Ltd
Registrar	Northern Trust Global Services
B GBP Share Class	Launch Date - 30/04/03
OCF ⁶	0.86%
Ticker Code	CFACCAA.LN
ISIN	GB0031831133
P GBP Share Class ⁷	Launch Date - 30/01/26
OCF ⁶	0.61%
Ticker Code	WAWOFPA.LN
ISIN	GB00BTY11203

⁵Authorised Corporate Director ("ACD"). ⁶Ongoing Charges Figure. ⁷Performance fee share class - 0.50% management fee + 15% excess of SONIA +2%. The P shares have a minimum investment of £10,000. Adjusted high water mark applies, please see Prospectus for details.

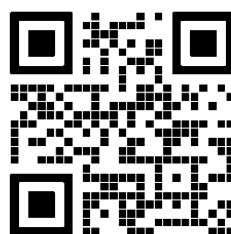
Investment Managers – Tom Treanor & Charlotte Cuthbertson

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Information may be found on the following website:

www.assetvalueinvestors.com/awo

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