

March 2021

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

Strong returns for the interim period

AGT delivered a NAV total return of +26.8% over the six months to March 2021, versus +13.5% from the MSCI ACWI ex-USA Index.

[Read more below](#)

Jardine Strategic

Jardine Matheson announced an offer to acquire the 15% of Jardine Strategic it didn't already own at a price of US\$33/share.

[Read more below](#)

Japan Special Situations basket

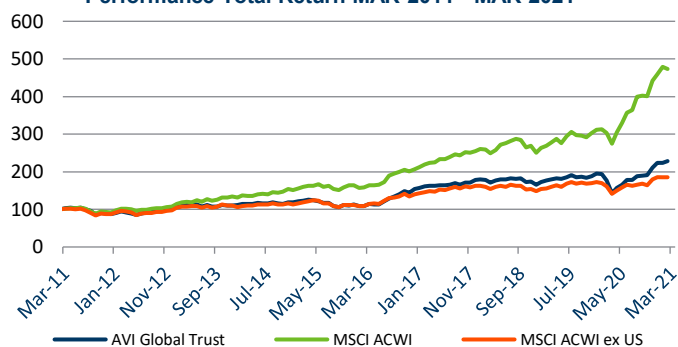
The new Corporate Governance Code has been released, with enhanced requirements for firms looking to list on the new "Prime" section of the Tokyo Stock Exchange.

[Read more below](#)

PERFORMANCE
(Figures to 31 March 2021)

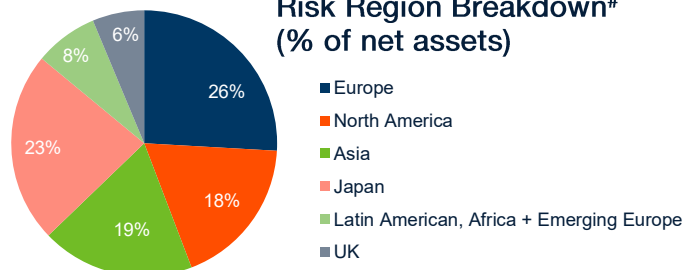
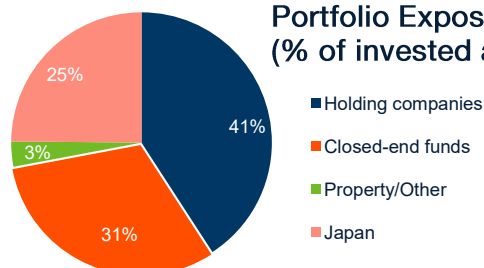
Share Price (pence)	945.0
NAV (pence)	1024.1
Premium / (Discount)	-7.7%

Performance Total Return MAR 2011 - MAR 2021



	Month	Fiscal Yr* to date	Calendar Yr to date
AGTNAV ¹	5.4%	26.8%	8.0%
MSCI ACWI ExUS ³	2.6%	13.5%	2.5%
MSCI ACWI ¹	4.0%	12.4%	3.6%

THE FUND

Risk Region Breakdown#
(% of net assets)Portfolio Exposure
(% of invested assets)

Top Ten Equity Holdings

Holding	%
Japan Special Situations**	14.6
Oakley Capital Investments	6.8
Pershing Square Holdings	6.2
Sony	5.3
Fondul Proprietatea	5.3
EXOR	5.0
Third Point Investors	4.8
KKR	4.3
Naspers	4.1
Christian Dior	3.6
TOTAL	60.0

*AVI estimate. Previously, this breakdown was calculated by assigning one region to each portfolio company held by AGT. From the 31-Dec-16 newsletter onwards, this is calculated using the estimated multi-regional exposure for each portfolio company. For listed underlying holdings, the country of listing is used; for unlisted underlying holdings, the exposure is typically assigned according to the country where a majority of sales are made.

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV gained +5.4% in March, with returns primarily driven by a tightening in the portfolio discount (31% to 28%). Over the six-month interim period, the NAV gained +26.8% *versus* a return of +13.5% from the MSCI ACWI ex-USA Index (total return in sterling). Significant contributors for the month of March included Jardine Strategic Holdings, Godrej Industries, the Japan Special Situations basket, and Fondul Proprietatea. Detractors included SoftBank, IAC/InterActive, and Nintendo.

Jardine Strategic Holdings**Share Price: +28% NAV: +3% Discount: -30%**

During the month, Jardine Matheson announced an offer to acquire the 15% of Jardine Strategic that it didn't already own. The offer price of US\$33/share came at a premium of +20% to the undisturbed share price prior to the announcement, sparking a subsequent surge in Jardine Strategic's share price. We note, however, that the offer valued Jardine Strategic at a 30% discount to net asset value.

The transaction will effectively eliminate the circular shareholding structure – wherein Jardine Matheson owns 85% of Jardine Strategic, and Jardine Strategic owns 59% of Jardine Matheson – and result in a cleaned-up, simplified entity. We applaud the action, particularly as it should remove the two layers of discounts that exist at both the Matheson and Strategic level. However, we believe that a fairer offer price would have been closer to Jardine Strategic's NAV, particularly as the listed nature of the investments means there is very little ambiguity over the value of the company.

Nonetheless, given that Jardine Matheson owned 85% of JS, the deal completed, albeit with 53% of minorities voting against the amalgamation. Minority investors can apply to the Bermuda courts (Jardine Strategic's country of domicile) for fair value appraisal, which holds out the possibility of a re-appraised offer closer to NAV. We, along with other minority shareholders, have appealed to the Bermuda courts for a fair value appraisal. Jardine Strategic shareholders have approved the offer, meaning that in the event of the appraisal being unsuccessful, AGT will still receive the offer price of US\$33/share for its holding. We will keep shareholders abreast of developments as they evolve.

Godrej Industries**Share Price: +22% NAV: +0% Discount: -53%**

Godrej was the second-largest contributor to returns in March, with strong share price performance driven primarily by a tighter discount. We first initiated a position in Godrej in Feb-19 – since then, the share price has increased approximately +13%. However, this performance over the past two or so years masks an important underlying reality: the NAV has grown +32%, meaning that we have been penalised by a widening discount to NAV (which now stands at 53%).

Although discount widening is frustrating, it can also be viewed as a deferred source of outperformance. In our view, Godrej Industries' collection of companies is high quality, operating in markets with favourable demographics, and managed by a family with a history of excellent capital allocation and a long-term view. Not only does this tilt the odds of robust future NAV growth in our favour but, under such a scenario, a discount of 53% seems unlikely to persist indefinitely. We retain conviction in Godrej Industries and its potential for long-term outperformance.

Japan Special Situations basket**Share Price: +6% NAV: +1% Discount: -41%**

The Japan Special Situations basket added 51 basis points to AGT's returns, making it one of the largest contributors this month.

DTS Corp

Over a quarter of the contribution came from DTS Corp, an IT services provider. It may come as a surprise to some to learn that corporate Japan has chronically under-invested in IT infrastructure. This under-investment has prompted a warning from the Japanese Ministry of Economy, Trade and Industry that the economic loss from such under-investment could amount to 2% of GDP annually by 2025. With the formation of a governmental Digital Agency later this year, it is likely that the importance of updating legacy IT systems will become a priority item on many companies' corporate agendas. Indeed, we are seeing more and more mid-term management plans that place heavy emphasis on IT investment and the digitation of processes. We believe that the whole IT sector, including DTS, will benefit from this increase in demand, which will be highly beneficial for sales and profit growth.

Since we initiated a position in DTS fourteen months ago, we have been engaging with the company in order to provide suggestions for improving corporate value, including sending a detailed 54-page presentation to the management team in June. To date, the company has been receptive to our suggestions: it has implemented a partnership with AWS, improved the speed of English-language disclosures, and evaluated a stock-based compensation scheme for directors. While individually these measures are small, collectively they can be quite powerful, and we hold out hope that they and other measures will help to create value for shareholders.

MANAGER'S COMMENT

Despite these positive attributes, the market has rewarded DTS with a lowly multiple of 7x EV/EBIT, compared to peers which trade on a multiple of 15x. We do not expect this situation to persist if our expectations of improved profits and corporate governance prove correct.

Revised Corporate Governance Code

The third edition of the Corporate Governance Code (first edition published in 2015) was released just after the month's end. The strictest measures will apply to companies that will be listed on the new "Prime" section of the Tokyo Stock Exchange, a designation that we believe the majority of our companies will qualify for. The key revisions to the Code include: increasing the number of independent directors; requiring listed subsidiaries to have a majority independent board, or a special committee to monitor conflicts of interest between the parent company and minority shareholders; disclosing a policy for promoting more diversity at the senior management level; enhancing climate-related disclosures; and disclosing a skills matrix for Board members.

The requirement for listed subsidiaries to improve minority protections is encouraging, being the first time that it has been targeted by the Code. NS Solutions, a stock in the basket, is the listed subsidiary of Nippon Steel and will benefit from enhanced minority shareholder protections.

While some shareholders may be disappointed that the new wording is weaker than might have been hoped, we believe that the new edition of the Code is a significant improvement on its predecessors, and believe that the direction of travel in Japan remains highly encouraging.

Prospects for the future

2020 was a difficult year for the Japan basket, with the onset of COVID-19 effectively delaying our engagement efforts by a year. However, the important thing to note is that our efforts were *delayed*, not derailed; moreover, we believe that 2021 will set a record for shareholder engagement in Japan. Over the past year, we have been busy engaging with management and directors behind the scenes, sending 14 letters or presentations to 12 companies, of which 4 contained details of shareholder proposals to be submitted to their upcoming AGMs.

With a revised, more muscular Corporate Governance Code, a strong earnings recovery, and regulatory and governmental support, the corporate landscape in Japan is likely to change significantly over the coming years. We remain optimistic that the fourteen companies in the basket will deliver strong earnings performance and announce favourable changes to corporate governance.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	Percent of NAV
Jardine Strategic	93	2.0
Godrej Industries	72	3.4
Japan Special Situations**	51	14.6
Fondul Proprietatea	45	5.3
KKR	36	4.3

Largest Detractors	1-month contribution bps	Percent of NAV
Softbank Group	-23	2.5
IAC/InterActive	-15	1.2
Nintendo	-15	3.1
Aker ASA	-13	3.1
Tetragon	-1	1.7

	% 1 mo	% 1 yr	% 3 yr	% 5 yr	% 10 yr
Share Price TR ²	8.5	74.0	44.2	124.0	138.5
Net Asset Value TR ¹	5.4	68.5	39.4	110.1	130.5
MSCI ACWI ex USTR ³	2.6	34.3	22.9	65.9	87.9
MSCI ACWI TR ¹	4.0	38.9	43.1	93.8	178.7
Fiscal Yr Net Returns (%)	2020	2019	2018	2017	2016
Price ¹	2.0	-0.4	12.0	18.7	34.3
Net Asset Value ¹	0.0	2.1	10.0	18.8	31.0
MSCI ACWI ex US (£) ³	-1.8	4.5	4.7	15.8	27.4
MSCI ACWI ¹	5.3	7.3	12.9	14.9	30.6

Capital Structure	
Ordinary Shares	116,003,133
Shares held in Treasury	11,441,330
4.184% Series A Sterling Unsecured Note 2036	£30,000,000
3.249% Series B Euro Unsecured Note 2036	€30,000,000
2.930% Unsecured Note 2037	€20,000,000
JPY Revolving Credit Facility [#]	¥6,500,000,000
Gross Assets/Gearing	
Gross Assets	£1.2bn.
Debt at fair value (gross)	£129.6m.
Gearing (net) ⁴	8.4%

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 2013 the lead benchmark was changed to the MSCI ACWI ex US (£) Index. The investment management fee was changed to 0.7% of net assets and the performance related fee eliminated.

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.

** A basket of 14 stocks: Daiwa Industries, Fujitec, Kato Sangyo, Konishi, NS Solutions, Pasona Group, Sekisui Jushi, SK Kaken, Teikoku Sen-I, Toagosei, Digital Garage, DTS, Bank of Kyoto, Hazama Ando.

Libor + 1.025%. Capacity ¥9,000,000,000

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The share price can be found in The Times.

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.