AVI Global

AGT's shares trade on a wide double discount to the portfolio's underlying NAV...

Update
09 April 2021

Summary

AVI Global Trust (AGT) – previously named British Empire Trust (BTEM) – seeks to generate capital growth for investors through investment in a concentrated portfolio of companies trading at a wide discount to NAV.

AGT currently trades on a share price discount of c. 7.9% (as at 26/03/2021). However, when the discount to fair-value of the underlying holdings is accounted for, AVI estimates that the trust trades on a 'double-discount' of c. 39% (as at 28/02/2021), as discussed under **discount**. Historically such levels have proven attractive entry points, which we discuss under **performance**. Performance in recent months has indeed been very strong, boosted by astute tactical adjustments to positioning. Despite the relatively low allocations made to the US market for a global strategy and the outperformance of US equities compared to global peers, AGT has outperformed global equities over the past five years.

Since taking over as sole lead manager in 2015, Joe Bauernfreund has transformed the AGT process and portfolio. Joe and the team look to identify high-quality assets which are trading at a significant discount to their intrinsic value, often as a result of the holding's structure.

Since the second half of 2020, the team has been tilting the **portfolio** to increase exposure to 'recovery beneficiaries', anticipating economic acceleration as lockdown ends and pent-up demand is released back into the economy. They have been able to build positions which they note give them exposure to high-quality assets at substantial discounts to market-level fair value.

Gearing has been tactically utilised in recent months, and the team tell us the recent market volatility has continued to create new opportunities in high-quality assets.

Analysts:
Callum Stokeld
+ 44 (0) 203 795 9719

Analyst's View

Returns have been strong coming out of the crisis, and boosted by tactical decisions by the team. We note that the 'double-discount' on AGT's portfolio at its present substantial level has historically represented an attractive entry point, and thus we do not particularly fear any short-term mean reversion in relative returns after substantial outperformance in the market recovery. With COVID-19 cases seeing a resurgence in parts of the world and many parts of the global economy lagging in their vaccination programmes, having exposure to high-quality assets with strong pipelines of NAV growth at significantly discounted valuations seems attractive to us given the inherent uncertainty of the future. Markets remain volatile and, as we have seen in recent weeks and months, rotations in style outperformance can be sharp, reflecting the greater than usual uncertainties about the near-term future the world continues to face. In these circumstances in particular, we think there are clearly benefits to having a foot in each camp, as AGT's portfolio would appear to.

The themes driving much of the portfolio construction remain compelling to us over the long-term, in particular the Japanese allocation, where underperformance at the share price level does not reflect strong operational performance. Yet we note that, historically, periods of sharp market drawdown tend to see discounts widening within AGT too, and investors should be prepared that this could again prove a short-term headwind in a generalised sell-off (whilst likely creating more buying opportunities).

BULL
Double-discount remains wide by historic standards
Discounted access to high-growth and high-quality opportunities
Exposure to an array of otherwise hard-to-access, high-quality opportunities

BEAR
Underlying discounts have often been vulnerable to market reversals
Gearing can exacerbate downside (as well as amplify upside)
High level of KID RIY

Portfolio

AVI Global Trust (AGT) – previously named British Empire Trust (BTEM) – invests in listed equities around the globe, focussing on under-researched and overlooked companies. Under the sole lead management of Joe Bauernfreund since September 2015, AGT has been operating for c. 130 years.

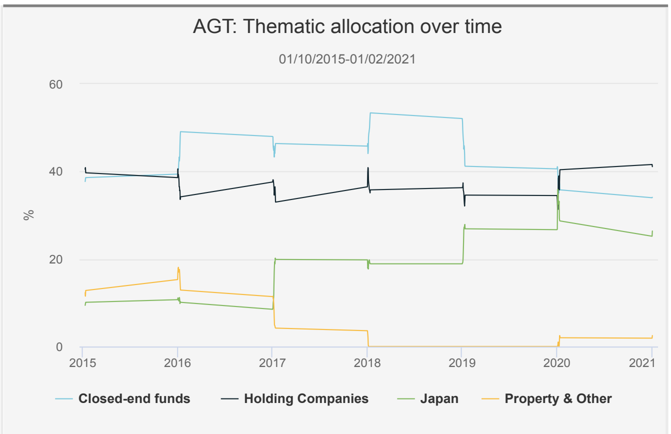
Joe and the team look to identify companies that are overlooked and/or under-researched, with low or no broker coverage, and thus more likely to display pricing inefficiencies. The managers look to build a concentrated portfolio of companies. They do sometimes consider certain baskets of stocks playing a theme as single positions when they have common drivers, as this allows them to better manage liquidity and profit from the theme. Taking this into account, the number of positions has indeed fallen in recent years under Joe's tenure.

In addition to concentrating AGT's portfolio into higher conviction positions, Joe and the team have also looked to shift the underlying investment style slightly. The team now seek to place an increased focus on balancing value considerations with ensuring that the underlying holdings also exhibit quality characteristics and are likely to generate NAV growth. Nonetheless, AGT retains the value-focussed input, and looks to build exposure to these companies through investment vehicles whereby they gain exposure to the assets at a significant discount to tangible value, and where there is a perceived catalyst to value realisation. Thus, the underlying assets include exposure to assets with strong growth pipelines. This focus on ensuring the underlying assets are of high-quality and where the team believe they can identify a catalyst to both value realisation and NAV growth has been balanced with a recent move to increase exposure to 'recovery beneficiaries'.

When we **last updated on AGT**, we noted that the team had started to introduce a basket of names in the UK property space on the basis that these stood out as strong potential beneficiaries of a COVID-19 recovery rally with asymmetric downside support from the intrinsic values of the underlying assets (even using conservative valuation methodologies). This was, at the time of writing the previous note, prior to the announcement of the successful development and trials of COVID-19 vaccines, which subsequently proved a significant tailwind to the return profiles of many assets deemed to be beneficiaries of 'normalisation'. Given the extraordinary circumstances of the economic backdrop, AGT's turnover has been elevated as the team look to best tilt the trust for adapting circumstances, and AVI reports that FY 2020 turnover (to 30/09/2020) was c. 39.5%.

Holdings within AGT continue to fall within one of three categories: 1) closed-ended investment funds, 2) family-backed holding companies, 3) asset-backed special situations. Whilst marked separately below, the recent introduction of UK REITs falls within the team's classification of 'asset-backed special situations'. However, in the below table we have separated out the Japanese bucket of holdings, which stand as a separate allocation in the minds of Joe and the team.

Fig.1: AGT: THEMATIC ALLOCATION OVER TIME



Source: Asset Value Investors

Since our last conversation with the managers of AGT, we understand they have been further building their exposure to 'recovery' plays including, but not limited to, the aforementioned UK property exposure. The team note that data on household savings rates suggest significant pent-up demand, and that they anticipate the re-opening of the economy seeing a boom in consumer demand outstripping current consensus expectations. They have been exploring and introducing opportunities where they believe the underlying businesses can benefit in the immediate term from such dynamics, but where the team also believe the business possesses strong long-term structural advantages and is available at an attractive valuation at present.

REITs exposure was and is undertaken through a basket approach given the relatively limited liquidity in the securities. Holdings such as Shaftesbury and Capital & Counties, the team note, give them access to high quality underlying assets where management teams have worked with the underlying tenants to ensure the companies stand to benefit from any acceleration in trading as the economy reopens, yet which are heavily discounted at present on perceived economic risks. The end of lockdown policies alone should prove supportive of share prices, in their opinion, whilst any further acceleration in economic activity should be additive. As we discuss under **performance**, this tactical shift has been supportive of recent returns.

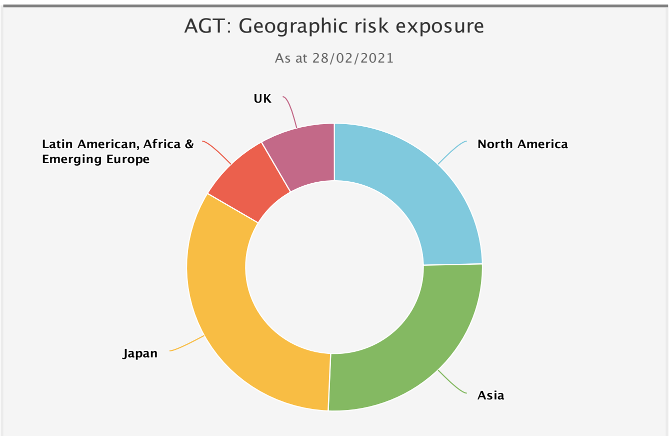
Many of the strongest performers in recent months, following the announcements around the development of COVID-19 vaccines, have been in companies where the expected end of lockdown has fundamentally changed market perceptions of their viabilities (where increased insolvency risks had been priced in). However, Joe and the team believe there are many companies owning high-quality assets which also offer beta to a recovery.

For instance, in recent weeks we understand that they have introduced a position in Berkshire Hathaway, which has very significant financial strength. Yet the underlying assets offer exposure to many 'old economy' sectors. This includes holdings in railways, a sector where increased volumes of traffic are highly likely if and when the recovery accelerates. Joe and the team note that recent takeover activity in this sector suggests the value of the underlying exposure to railways is higher than in most analysts' models. With a huge cash pile, the team believe Berkshire retains significant optionality in the current straitened backdrop, and yet the stock can be acquired at a 20% discount (which they think is, in itself, understated, as the railway example demonstrates).

With the supportive evidence of the end of previous lockdown policies, the team have also introduced a position in Associated British Foods (ABF), the owner of the Primark clothes chain. In previous instances where lockdown policies have been eased or removed, Primark chains have instituted 24-hour opening policies to cope with the consumer demand, and the team anticipate the chain being a beneficiary again as lockdown restrictions are once again eased. Yet this, they believe, is only a fillip to an already otherwise compelling investment thesis. They note that ABF trades on a c. 31% discount to market-level valuations of comparable companies; in part, this discount perhaps reflects the structure of the company. ABF is a conglomerate, with the clothes retailing business amounting to c. 64% of NAV at present, and an ancillary grocery and ingredients business. With the obvious impairment to the clothing business over much of 2020, cash flows from the ingredients business proved a source of financial resiliency. Primark does not have a significant online offering, and as such suffered significant operational headwinds. However, the AGT team note that this is because the Primark model is simply not efficient to scale to an online model when the costs of returns are factored in; indeed, explicitly online businesses have found it impossible to 'eat' ABF's lunch in this regard due to the low margin high turnover business model.

Geographically, the thematic allocation to Japanese, asset-backed special situations companies means that AGT has a significant overweight to this region. Although, as noted above, the team recently added Berkshire Hathaway to the portfolio, AGT should ordinarily be expected to be underweight to the US market when compared to the c. 60% exposure typical in the MSCI World index. Whilst opportunities that align with the team's investment approach exist in the US, proportionally the market structure in the US means that they exist at a level unrepresentative to the US's proportion of global equity markets. Accordingly, AGT is benchmarked against a global index excluding the US, and is likely to be underweight the US market when compared to most peers.

Fig.2:AGT: GEOGRAPHIC RISK EXPOSURE



Source: Asset Value Investors

The thematic exposure to the Japanese market continues to represent a significant proportion of AGT's assets, as we can see above. As we have previously noted, within this Japan theme, AGT holds exposure to a basket of companies which themselves have net cash and investment securities on their balance sheets. This position of significant financial strength is allied to very low valuations. This has been true of the Japanese market, of course, for a number of years. However, Joe and the team note that the ongoing corporate governance reform program in Japan offers opportunities for active engagement with management teams with a view to driving value realisation in many of these companies. The Japanese Corporate Governance Code, which was first released in 2015 and proved the catalyst for changing companies' attitudes towards shareholders, is being revised this year which will see increased pressure on companies to improve governance and focus on shareholders. Coupled with pressure from the Tokyo Stock Exchange, which is revamping the market structure early next year, it seems there is no let-up in pressure on companies to improve shareholder returns and corporate governance.

So great do the team believe the opportunity set in Japan to be, they launched a separate vehicle, **AVI Japan Opportunity (AJOT)** specifically to access this theme. However, AGT and AJOT will have some differentiations in the nature and character of their holdings, with AGT likely to hold exposure to fewer, but larger, companies, given stricter liquidity criteria. The team are targeting four companies within the Japan Special Situations basket shareholder, preparing to submit shareholder proposals to their June AGMs, a notable increase from two public campaigns last year. In part this reflects proposals that were deferred from last year given the extraordinary circumstances of 2020. Yet also it reflects the increased receptiveness of management teams and the recent high-profile victories of activist investors, most notably with Toshiba losing an EGM vote and having to allow a formal independent investigation to review the voting procedures at its 2020 AGM.

The Japanese special situations holdings are treated as a bucket, and together represent the largest single exposure in AGT. Engagement is undertaken in a collaborative, rather than confrontational, manner, and thus the team look to ensure they have a manageable number of engagement strategies at any one time. We can see the broader move towards increased concentration and higher conviction positions when we compare the largest holdings currently with those from October 2015, when Joe took over sole lead management of the trust.

AGT: TOP-TEN HOLDINGS, OCTOBER 2015 VS FEBRUARY 2021

AS AT 30/09/2015		AS AT 28/02/2021		
Holding	**% of NAV**	**Holding**	**% of NAV**	**Discount (%)**
Investor AB 'A'	5.8	Japan Special Situations	14.3	-41
Sofina	4.8	Oakley Capital Investments	7.0	-28
NB Private Equity	4.5	Pershing Square Holdings	6.2	-27
HarbourVest Global Private Equity	4.3	Sony	5.5	-34
Kinnevik 'B'	4.0	Fondul Proprietatea	5.1	-8
Jardine Matheson	3.9	EXOR	5.0	-35
AP Alternative Assets	3.3	Third Point Offshore Investors	4.9	-16
Mitsui Fudosan	3.3	KKR	4.2	-11
DWS Vietnam	3.2	Naspers	4.2	-30
Wendel	3.2	Christian Dior	3.5	-24
Total:	**40.3**	**Total:**	**59.9**	

Source: Asset Value Investors, as at 30/09/2015 and 28/02/2021

As we have detailed under **performance**, the 'double-discount' of AGT on a look-through basis remains wide, at c. 39% as at 28/02/2021. The double discount accounts for the discount of the underlying holdings, using market prices for listed holdings, and peer group multiples (amongst other valuation techniques) for the underlying unlisted holdings.

Gearing

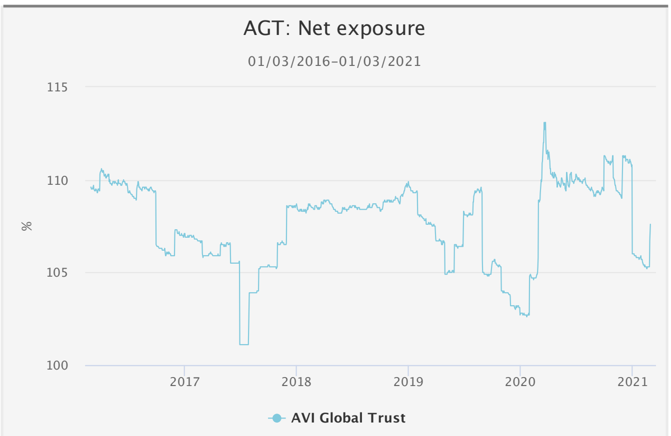
AGT currently has net reported gearing totalling c. 7% in place (as of 26/03/2020), though we understand this figure is likely now higher following further purchases made using gearing subsequent to the most recently announced figures. Gearing is undertaken in part through long-term debt in sterling and the euro, and with further gearing available via a revolving credit facility in yen. Long term sterling and euro debt is held through long-term loan notes: 2036 (4.184% p.a. and 3.249% p.a.) and 2037 (2.93% p.a.) maturities. A total of c. £30m and €50m in loan notes were issued, with their value at issuance equating to approximately 6.8% of current net assets (based on current FX rates at the time of writing). We estimate the weighted average interest cost of these at this time to be c. 3.6% at this time (using GBPEUR FX rates as at 25/03/2021).

The revolving credit facility in yen was expanded in March 2020, having been originally entered into in April 2019. This expanded the borrowing facility from a previous limit of ¥4bn to ¥9bn (c. £60m as of 26/03/2021), up to 50% of which may be drawn in GBP, USD or EUR. This facility was expanded in recognition of the additional flexibility it would afford the management team in the volatile market environment, with significant optionality deemed available in certain share prices, in the managers' view, indiscriminately marked down in the liquidity squeeze of Q1 2020. In total, we estimate that gearing facilities amount to c. 12% of current NAV.

As noted above, gearing remains primarily driven by the opportunity set at a stock specific level the management team are identifying. In recent weeks, we understand that the use of gearing has been expanded to introduce or increase exposure to particular stocks deemed attractive. Gearing levels had previously been reduced in early 2020, largely on a deemed relative paucity of enticing opportunities and a cognisance that the extended low volatility backdrop at the time was deemed likely to give way to an environment where more attractive opportunities would arise. Similarly, the team opted to reduce gearing ahead of the US Presidential election on the expectation that any associated volatility would be likely to give rise to attractive stock specific opportunities.

With most/all gearing non-GBP denominated, variations in the GBP exchange rate will have a mechanical impact upon the gearing ratio. Declines in GBP relative to the currencies (USD, EUR and JPY) in which debt is denominated will typically increase the relative value of gearing, whilst the converse also holds true.

Fig.3: AGT: NET EXPOSURE

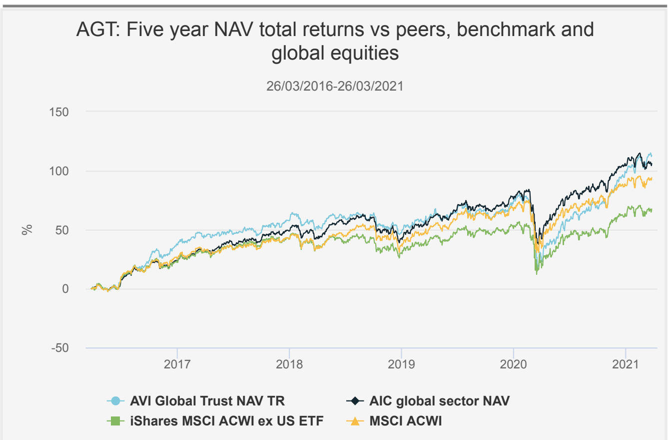


Source: Morningstar

Returns

Over the five years to 26/03/2021, AGT has outperformed the benchmark index (represented in this section by the iShares MSCI ACWI ex-US ETF, a passive strategy replicating the benchmark), with NAV and share price total returns of c. 113% and c. 127.4% respectively against a benchmark return of c. 67.5%. Over this same period, we calculate that the unweighted average return from the AIC global sector was c. 106% and c. 122.6% on a NAV and share price total return basis respectively.

Fig.4: AGT: FIVE-YEAR NAV RETURNS VS AIC PEER GROUP AVERAGE AND BENCHMARK



Source: Morningstar, Kepler calculations

Past performance is not a reliable indicator of future results.

AGT has also outperformed the broader global stock market over this period, with the MSCI ACWI index returning c. 94% over this same period. Given the significant outperformance of the world index to the world ex-US index/universe that AGT's managers invest within, driven by US outperformance, we think this is a notable achievement.

Whilst cumulative returns over the five years to date have been positive, AGT has faced some challenging periods over this timeframe relative to the wider peer group. In large part, this would appear to have been a result of the outperformance of the US market. As we discuss under **portfolio**, AGT is benchmarked against an ex-US index given the managers typically identify a relatively limited opportunity set for their investment approach within the US market.

As we note under **discount**, AGT's 'double-discount' as estimated by AVI is presently wide by historic standards at c. 39%. This compares to an average, since March 2006, of c. 33%. As we have previously noted, periods where the 'double-discount' has reached similar levels have tended to be associated with strong subsequent return profiles for AGT on both an absolute and relative basis. We can see this in the table below, which looks at the average subsequent 12-month returns enjoyed on an absolute basis and relative to the benchmark depending on the width of the 'double-discount'.

AGT: AVERAGE SUBSEQUENT 12-MONTH RETURNS DEPENDING ON LEVEL OF DOUBLE DISCOUNT, 03/2006-02/2020

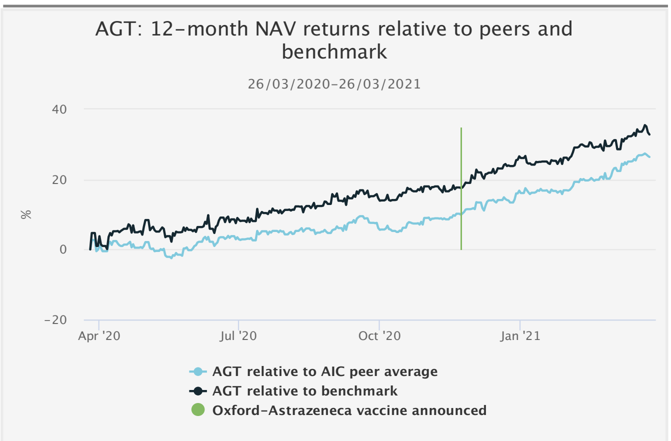
	DOUBLE DISCOUNT WIDER THAN AVERAGE	DOUBLE DISCOUNT NARROWER THAN AVERAGE	DOUBLE DISCOUNT WIDER THAN 39%
AGT NAV relative to benchmark (%)	1.5	-0.8	4.4
AGT NAV absolute (%)	10.7	2.7	18.1

Source: Asset Value Investors, Morningstar, Kepler calculations

Past performance is not a reliable guide to future returns

With the double discount having reached a level of c. 51% by the end of March 2020, the backdrop seemed likely to prove supportive on at least a relative basis (with the valuation cushion, by that extended level, offering a margin of safety). So it has subsequently proven, with AGT generating 12-month NAV and share price total returns of c. 62.5% and c. 71.9% respectively to 26/03/2021 (we would note that this period commenced shortly after risk markets in general troughed). This represents very significant outperformance of the AIC global sector unweighted average, and of the benchmark index and global equities. This outperformance has been incremental but, as we can see below, somewhat accelerated after the announcement of the successful trials of the Oxford-AstraZeneca vaccine.

Fig.5: AGT: 12-MONTH NAV RETURNS VS AIC PEER GROUP AVERAGE AND BENCHMARK

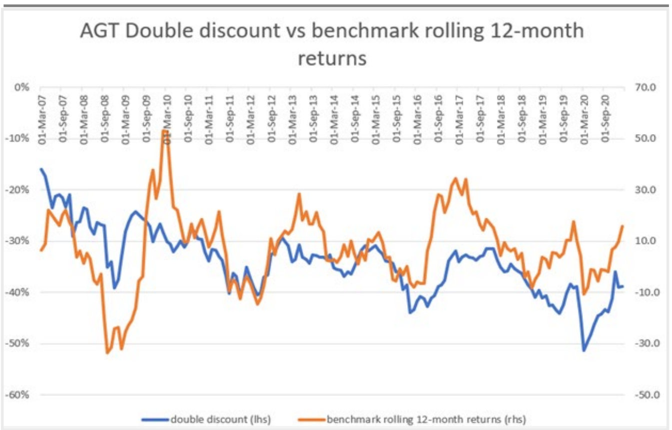


Source: Morningstar, Kepler calculations
Past performance is not a reliable indicator of future results.

Tactical allocations to initially focus on increasing the 'quality' of the look-through book, and to then pivot towards 'recovery beneficiaries' have been additive to relative returns. Over the course of 2020, however, it was in many cases relatively long-standing holdings (which the team added to materially during the market sell-off) such as Pershing Square, Kinnevik B, and Softbank Group which were amongst the major contributors, whilst a successful activist engagement by AVI in Fujitec helped drive returns from this position. More latterly, 'recovery' plays such as Aker ASA and EXOR have been amongst the major contributors.

Whilst AVI reports that its internal metrics indicate that portfolio turnover has been substantially additive to returns over 2020, they also note that the portfolio in general behaved in line with their general expectations. The team would ordinarily expect AGT's NAV to underperform to the downside in sharp sell-offs; this is not a result of an approach that necessarily seeks a high level of beta (we estimate AGT had a median beta of 0.9 to the benchmark over the last five years), but more a recognition that periods of sharp market dislocation are likely to drive the underlying discounts substantially wider. As market conditions normalise, typically they would expect recognition of the intrinsic value of their positions to be reflected in discount narrowing and to help drive outperformance along with rebounding NAVs. In addition, in many instances AGT holds positions which vicariously represent exposure to high-quality franchises, and offer quasi-arbitrage opportunities to informed investors. We can see the impact of market direction on the 'double-discount' in the graph below, where we show the double discount against the rolling 12-month returns of the benchmark. Periods of weaker benchmark performance tend to see the double-discount widen, as underlying share prices underperform underlying NAVs.

Fig.6: AGT: DOUBLE-DISCOUNT VS ROLLING 12-MONTH BENCHMARK RETURNS



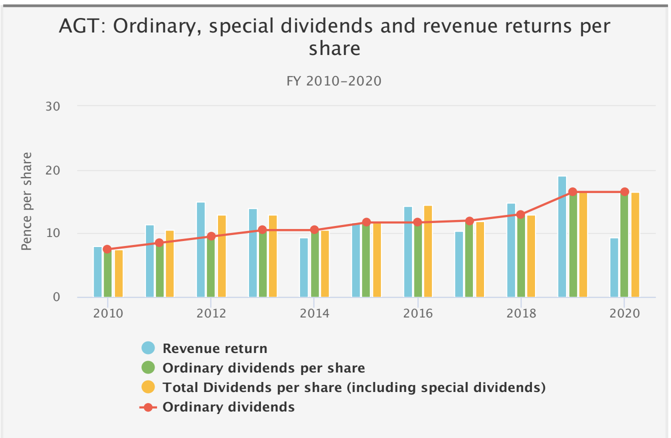
Source: Morningstar, Asset Value Investors

Dividend

AGT currently yields c. 1.8% (as of 26/03/2021). AGT has an investment objective to generate capital growth, with income a secondary consideration in general. Despite this, the trust has a track record of gradually increasing dividends over the longer term, with ordinary dividends having been maintained or increased every financial year since financial year (FY) 2009. In the previous financial year (FY 2020), dividends were ultimately flat on the previous year at 16.5p per share. The board supported dividends over FY 2020 through use of revenue reserves, with revenue returns having dipped by c. 51% when compared to FY 2019 and proven insufficient to cover the dividend fully (with FY 2020 revenue returns per share of c. 9.36p per share against a dividend of 16.5p per share).

Since 2017, it has been possible for the board to distribute as dividends capital profits generated within AGT. As we discuss under portfolio, AGT's investment strategy includes looking for routes to value realisation. This may, in many instances, be via methods such as increased or special dividends from the underlying companies. Revenue generation thus has the potential to display a high degree of variability if changes in the background environment make such returns of capital more or less desirable to the underlying companies. The need to distribute at least 85% of net income means that, were AGT to receive a significant revenue boost from underlying special dividends or similar, this could in any one year skew the dividend to a level on which annual growth is likely to prove unsustainable over the long term (as can be seen in the graph below in FY 2016, for example). Yet, as FY 2020 demonstrated, the board is keen for 'core' dividends (i.e. ordinary dividends excluding special dividends) to be at least maintained or grown on a year-on-year basis. We can see this in the graph below.

Fig.7: AGT: ORDINARY DIVIDENDS, REVENUE RETURNS PER SHARE, AND TOTAL DIVIDENDS PAID



Source: Asset Value Investors

Management

Joe Bauernfreund has been sole named manager of AGT since October 2015. Joe is CEO and CIO of Asset Value Investors (AVI), and has been with the group since 2002, starting as an analyst working on European holding companies. He became co-manager of AVI Global Trust (then British Empire Trust) in 2013 before becoming sole named manager in October 2015.

Joe is supported by Tom Treanor, Head of Research and an AVI director since 2017. Tom leads on closed-ended fund research and activism engagement, with significant experience in various roles covering closed-ended fund analysis. They are further supported by a team of dedicated analysts, and have been adding significant analytical resources in recent years.

AGT (and BTEM, as it was previously) has seen low managerial turnover, with only three portfolio managers over the previous c. 35 years. The board remains involved in oversight of the investment strategy and, whilst there is evolution of the investment process, the board has been keen to ensure that any changes are part of a natural progression. There is substantial investment trust experience on the board.

AVI are an international equity boutique founded in 1985, which is majority-owned by employees. Part of the strategic transition they and AGT have undertaken in recent years has included partnering with Goodhart Partners, an independent multi-boutique that has helped provide resources to support the growth of AVI.

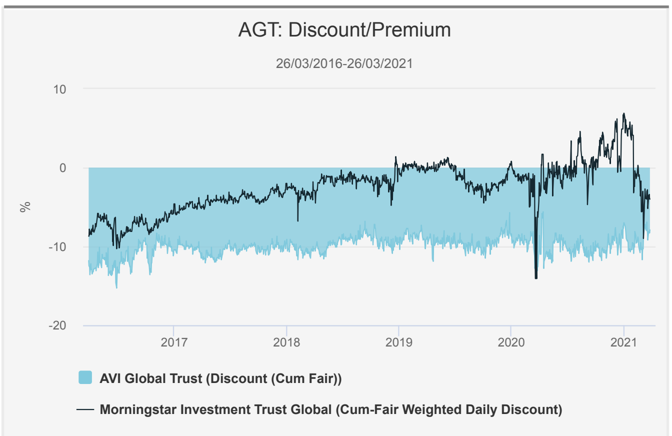
Discount

AGT currently trades on a discount of c. 7.9% (as of 26/03/2021). This does not account for the underlying 'double-discount'; as we discuss under **performance**, the underlying assets themselves often trade at discounts to fair market value. When we examine this, we can see a significantly greater 'double-discount' of c. 39%.

Even the standalone discount is wider than the equal weighted average discount of the sector as a whole, which currently stands at c. 4.2%.

The board has taken steps to try and narrow the discount, having repurchased c. 937k shares thus far in the current financial year (from 01/10/2020 to 26/03/2021) at what we estimate to be a weighted average discount of c. 10%. This has followed sizeable buyback activity over the course of FY 2020, amounting to net buybacks of c. 4.8m shares repurchased at a weighted average discount of c. 10.4%. Excluding shares in treasury, we estimate this represents c. 4.4% of shares that were in issuance at the commencement of FY 2020 (30/09/2019), whilst the buybacks undertaken thus far in FY 2021 represent, we estimate, a further c. 0.9% of shares in issue at the start of the financial year excluding shares in treasury. The directors have authority to buy back up to 14.99% of ordinary shares in issue in the current financial year.

Fig.8: AGT: DISCOUNT/PREMIUM

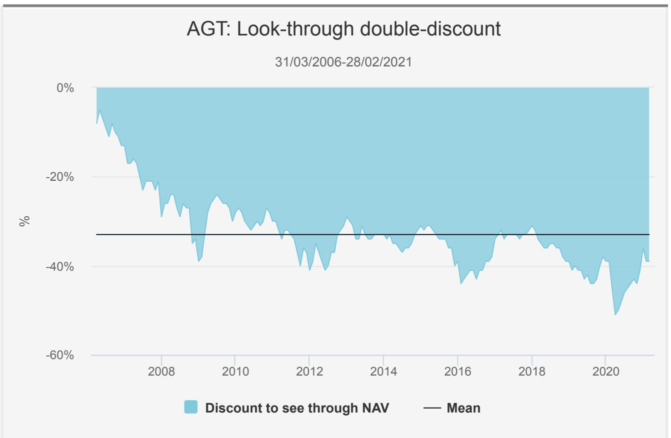


Source: Morningstar

Whilst recent months have seen some narrowing of the 'double-discount', the current 'double-discount' of c. 39% remains wide relative to history, with an average level of c. 33% over the previous 15 years.

As we have noted under **performance**, a double-discount of similar or greater levels to the current level has typically seen strong subsequent returns on both an absolute and relative basis for AGT on a NAV and share price basis.

Fig.9: AGT: LOOK-THROUGH DOUBLE DISCOUNT



Source: Asset Value Investors

Charges

AVI is paid a management fee of 0.7% of NAV per annum on the first £1bn of assets and 0.6% thereafter, and no performance fee. The OCF is currently 0.89%, compared to an unweighted average of 0.65% for the sector (Source: JPMorgan Cazenove) (though this sector figure is skewed by a large outlier to the downside). The KID RIY figure is 3.45%, compared to a 1.4% unweighted average for the AIC global sector, although we would caution that different managers use differing methodologies to calculate this figure. AVI notes that these charges reflect costs of gearing at investee closed-ended funds, and contend it is inappropriate to consider solely the costs of leverage without also taking into account its beneficial impact on returns. Similarly, performance fees on underlying holdings inflate these figures and, where incurred, are reflective of strong returns.

ESG

AGT's investment process places a premium on governance and sustainability considerations, and this is considered a key input of the thematic driver of the Japanese allocation. We understand that the team are increasingly engaging managements of the underlying companies on matters pertaining to corporate governance, and to ensure that company management teams are aware of their responsibilities to shareholders. This is not a rigid exclusionary policy, however, and the greater focus is on trying to understand the system that holdings are operating within. AVI is keen to ensure that minority shareholder rights are properly respected, and also seeks to engage to understand incentivisation and compensation of employees and management within a firm. Holdings such as the relatively new position in ABF emphasise to the team the importance of understanding how a firm deals with issues such as their supply chains, with the team noting that ABF has very stringent requirements of its suppliers to seek to prevent situations such as the recent issues uncovered at a supplier for Boohoo in Leicester.

As an output, AGT currently has an 'average' score on Morningstar Sustainalytics. We would suggest that the trust is likely to meet the ESG requirements of most investors, but those seeking 'positive impact' strategies might regard this as insufficient.

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