April 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

### Christian Dior

Christian Dior was this month's largest contributor to returns. Recent quarterly sales highlight that LVMH is trading very well, with strong pent-up demand from consumers driving +30% sales growth year-on-year.

Read more below

### Apollo Global Management

AGT initiated a position in Apollo Global Management, the US-listed alternative asset manager.

Read more below

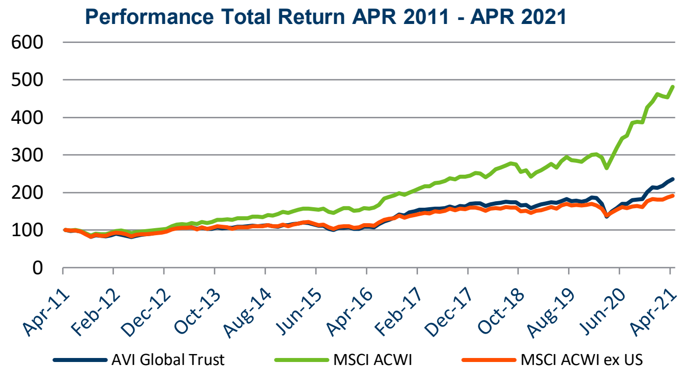
### Symphony International

We have launched a public campaign to remove and replace the Board of Directors of Symphony International. More details are available at a dedicated website www.savesymphony.com.

Read more below

## PERFORMANCE
(Figures to 30 April 2021)

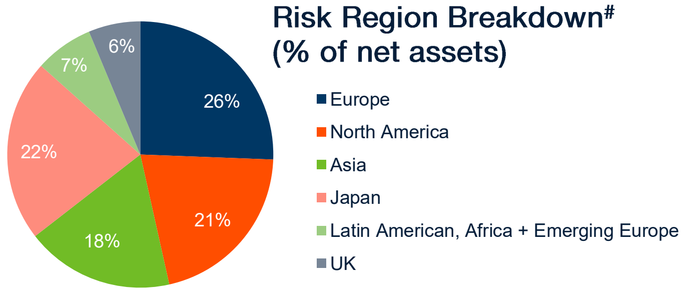
| | |
|---|---|
| Share Price (pence) | 1004.0 |
| NAV (pence) | 1055.4 |
| Premium / (Discount) | -4.9% |



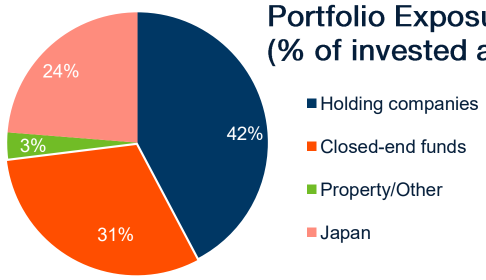

| | Month | Fiscal Yr* to date | Calendar Yr to date |
|---|---|---|---|
| AGT NAV[1] | 3.1% | 30.7% | 11.3% |
| MSCI ACWI Ex US[3] | 2.6% | 16.4% | 5.2% |
| MSCI ACWI[1] | 4.0% | 16.9% | 7.8% |

## THE FUND

### Risk Region Breakdown[#] (% of net assets)




### Portfolio Exposure (% of invested assets)




### Top Ten Equity Holdings

| Holding | % |
|---|---|
| Japan Special Situations** | 14.1 |
| Oakley Capital Investments | 6.4 |
| Pershing Square Holdings | 6.1 |
| Third Point Investors | 5.6 |
| Sony | 4.9 |
| EXOR | 4.7 |
| KKR | 4.7 |
| Fondul Proprietatea | 4.5 |
| Christian Dior | 4.2 |
| Naspers | 3.8 |
| TOTAL | 59.0 |

*[#]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 +3.1% in April, driven primarily by growth in underlying net asset values. Portfolio discount tightening and sterling weakness both provided a minor boost to returns. Significant contributors included Christian Dior, KKR, and Third Point Investors. Detractors included Sony Group, Godrej Industries and Naspers.

| Christian Dior | Share Price: +19% | NAV: +11% | Discount: -15% |
|---|---|---|---|

Christian Dior (CDI) is a holding company whose sole asset (100% of NAV) is a 41% stake in LVMH, the European luxury goods conglomerate. CDI is 98% owned by Bernard Arnault, CEO of LVMH and Europe's richest man. As a single-asset holding company, CDI typically traded at a tight discount to NAV; however, the market volatility in March last year saw the discount widen. We took advantage of this to initiate a position in CDI at discounts of 20-25%.

LVMH is the owner of a collection of luxury houses, across such diverse areas as Fashion & Leather, Wine & Spirits, hard luxury, specialty retail and beauty. Its brands – to name but a few: Louis Vuitton, Moët & Chandon, Dom Pérignon, Christian Dior, Bulgari, and, more recently, Tiffany – have long heritages spanning hundreds of years, and as such cannot be replicated. This translates into high demand for its products, pricing power, attractive margins, and superior returns on capital.

The pandemic has had a harsh impact on the luxury industry. However, our thesis was that high-quality brands would emerge stronger, having entered the crisis with strong balance sheets, more flexible cost structures, and a greater capacity to invest in digital. This appears to be playing out. During the month LVMH reported first quarter sales well ahead of consensus expectations, with sales growing +30% year on year (+8% versus 2019). Pent-up consumer demand appears very strong, and we expect healthy growth to continue through the year as physical economies continue to re-open and travel restarts.

CDI was, and remains, a classic AVI investment. LVMH is a high-quality asset with great growth potential, and we also expect to benefit from discount tightening, either through a continued normalisation of the CDI discount to the pre-COVID range or a collapse of the holding structure completely. We remain enthusiastic shareholders.

| Sony Group | Share Price: -6% | NAV: +1% | Discount: -33% |
|---|---|---|---|

Sony Group reported full year results towards the end of the month, posting profits of almost JPY1 trillion – an all-time high for the company. Barring the Images & Sensors division, average profits for each segment grew by +39%. As a reminder for investors, Sony's four core businesses are: Gaming, Music, Pictures, and Images & Sensors. We estimate that these segments account for *c.* 80% of the value of the group.

The best-performing division was the Gaming segment, where sales grew by +15% and margins expanded from 10% to 13%, driving total profit growth of +44%. This was achieved despite the launch of the new PS5 console, which is typically a costly affair. As we have been saying for some time, Sony's Gaming division is transitioning from a hardware-driven, cyclical business model to a digital-focused model that emphasises recurring transactions. It was therefore encouraging to see a further shift away from physical CDs: digital games accounted for 65% of total sales, up from 53% last year. PlayStation Plus also saw subscriber numbers grow +15% to 48 million. As this transition continues, we expect further profit growth, driven by a higher mix of digital downloads and recurring transactions, which are higher margin. These types of revenues are also likely to be awarded a higher multiple by the market given their increased stability and visibility.

Despite good performance from the group, Sony's shares fell in the days following the results, reflecting management's guidance that profits would be -4% below consensus estimates for the following year. However, it is worth noting that Sony has a conservative bent in its estimates: over the past five years, Sony's profits have, on average, been one-third higher than management's forecast.

We initiated a position in Sony approximately two years ago, since when it has generated an IRR of +39%. Today, Sony trades on an EV/EBIT multiple of 13x, or a discount of *c.* -30% to our estimate of net asset value. We believe that Sony deserves to trade at a permanently tighter discount to NAV for a number of reasons: (1) the growth prospects and quality of the four core businesses; (2) the quality of management, which successfully launched the PS5 in the face of criticism that consoles are dying out; transitioned the Gaming division to a higher-quality model; and improved margins at the Pictures and Electronics divisions; and (3) the ability to drive synergies between divisions, which argues for the group remaining whole rather than being run as separate businesses.

We retain high conviction in the stock and its weighting in AGT's portfolio, viewing it as a core, long-term holding.

## MANAGER'S COMMENT

**Apollo Global Management** Share Price: +18% NAV: +2% Discount: -32%

During the month, we initiated a position in Apollo Global Management (APO), the US-listed alternative asset manager. The APO investment thesis is built on several pillars:

1. **Cheapness:** APO trades on the lowest valuation of its peers despite a strong recovery from the lows seen in late 2020. We estimate that the fund management business is being valued by the market at an implied 23 times fee-related earnings with no value assigned to future carried interest/performance fees. APO's share price has lagged peers due in part to the associations of now-departed founder Leon Black with Jeffrey Epstein, which came on top of concerns surrounding the hit to accrued carry as a result of the H1-20 market falls.
2. **High quality earnings:** 60% of APO's assets under management are permanent capital, the highest among its listed peers, leading to predictable visible earnings that in our view are deserving of a higher multiple than peers.
3. **Exposure to Athene:** Athene Holding is a listed fixed annuity provider currently ~30% owned by APO, with APO being the appointed investment manager for Athene's investment portfolio. Over the course of its listed life, Athene has suffered from generalised market concerns about life insurers (which we believe were unfairly applied to Athene), and specific concerns about conflicts of interest between Apollo's role as manager and as its largest shareholder. In Mar-21, APO announced an all-stock merger between itself and Athene to be completed later this year. Athene is an attractive business, operating in a sector with strong demographic tailwinds and with a strong balance sheet free from legacy liabilities that will continue to allow it to play a central role in restructuring across the life insurance industry. We know Athene well, having owned it via our successful investment in AP Alternative Assets several years ago.
4. **High visibility on future growth:** Athene has a significant amount of excess capital which can be invested to earn returns. We estimate that Athene's USD8 billion of excess capital could support USD80-100 billion of additional investments. The fee-related earnings from this would significantly boost APO's bottom line.
5. **Exposure to a re-inflating economy:** While we primarily are invested in APO because of its attractive long-term earnings potential, it also offers the opportunity to benefit from a re-inflating economy. This is true for two reasons: (1) Its private equity portfolio is, in our view, firmly in the "value" camp in terms of valuation and sector exposures, and should benefit disproportionately as the US economy re-opens; and (2) Athene should be a beneficiary of higher rates by virtue of the sector in which it operates and due to its overweight position in floating-rate loans.
6. **Index Inclusion:** It is likely that, following the removal of its dual share-class structure, APO will be eligible for S&P 500 inclusion. This will spark buying from index funds which, at the margin, is supportive of the share price.

APO sits comfortably in the AGT portfolio, adding to the exposure already provided by KKR. As a reminder to readers, we believe the alternative asset management industry to be a fundamentally attractive long-term investment opportunity, with defensive, high-quality earnings from long-duration assets under management, and growth prospects underpinned by institutional investors' growing demand for alternative assets. Within this secular trend, we expect larger managers to continue to take market share.

**Symphony International Holdings** Share Price: -8% NAV: -3% Discount: -53%

At the end of the month, we launched a public campaign to remove and replace the Board of Directors of Symphony International Holdings (SIHL). Our rationale for doing so, along with supporting materials, can be found at www.savesymphony.com. We encourage all SIHL shareholders to get in touch with us at tom.treanor@assetvalueinvestors.com.

## STATISTICS

## Contributors / Detractors (in GBP)

| Largest Contributors | 1-month contribution bps | Percent of NAV |
|---|---|---|
| Christian Dior | 77 | 4.2 |
| KKR | 66 | 4.7 |
| Third Point Investors | 41 | 5.6 |
| Kinnevik | 40 | 3.3 |
| Pershing Square Holdings | 34 | 6.1 |

| Largest Detractors | 1-month contribution bps | Percent of NAV |
|---|---|---|
| Sony | -28 | 4.9 |
| Godrej Industries | -27 | 3.0 |
| Naspers | -20 | 3.8 |
| Symphony International Holdings | -18 | 1.9 |
| EXOR | -15 | 4.7 |

| | % 1 mo | % 1 yr | % 3 yr | % 5 yr | % 10 yr |
|---|---|---|---|---|---|
| Share Price TR[2] | 6.2 | 68.7 | 48.9 | 136.3 | 141.6 |
| Net Asset Value TR[1] | 3.1 | 57.9 | 38.9 | 115.5 | 131.7 |
| MSCI ACWI ex US TR[3] | 2.6 | 30.3 | 21.8 | 69.1 | 91.3 |
| MSCI ACWI TR[1] | 4.0 | 32.8 | 44.8 | 102.4 | 189.8 |
| **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[#] | ¥9,000,000,000 |
| **Gross Assets/Gearing** | |
| Gross Assets | £1.3bn. |
| Debt at fair value (gross) | £147.1m. |
| Gearing (net)[4] | 7.5% |

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

**Investment Manager – Joe Bauernfreund**

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The share price can be found in The Times.

Information may be found on the following websites:
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www.assetvalueinvestors.com