October 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

KKR and Apollo

The wider market has begun to better appreciate the high-quality characteristics of companies operating within the alternative asset management industry.

Read more below

EXOR

EXOR agreed to sell Partner Re to Covea (for the second time!).

Read more below

Other

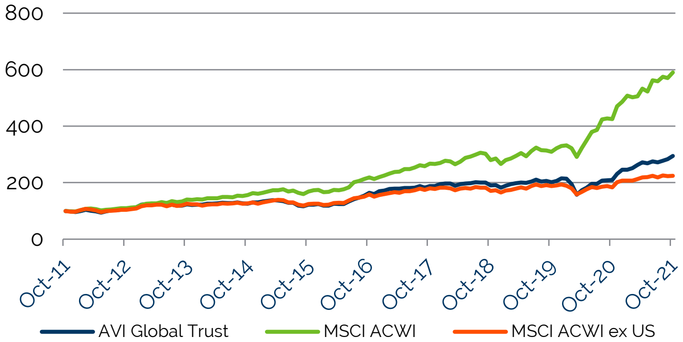
During the month we exited a successful investment in Secure Income REIT, and continued building a position in Wacom.

Read more below

PERFORMANCE
(Figures to 31 October 2021)

Share Price (pence)	1060.0
NAV (pence)	1141.5
Premium / (Discount)	-7.1%

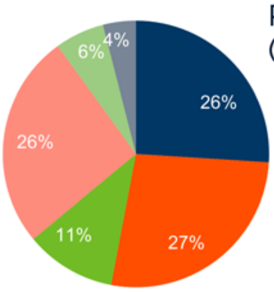
Performance Total Return OCT 2011 - OCT 2021



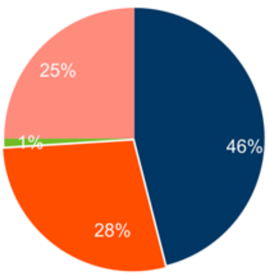
	Month	Fiscal Yr* to date	Calendar Yr to date
AGT NAV[1]	4.4%	4.4%	21.0%
MSCI ACWI Ex US[3]	0.7%	0.7%	8.1%
MSCI ACWI[1]	3.4%	3.4%	16.5%

THE FUND

Risk Region Breakdown# (% of net assets)



Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

Holding	%
Pershing Square Holdings	8.3
EXOR	7.0
Third Point Investors	6.4
KKR	6.3
Sony	5.4
Aker ASA	5.3
Oakley Capital Investments	5.3
Christian Dior	4.3
Fondul Proprietatea	3.9
Investor AB 'B'	3.9
TOTAL	56.1

#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 returned +4.4% in October. Key contributors were KKR, Apollo, Pershing Square Holdings, and EXOR. Fondul Proprietatea, and to a lesser extent Nintendo and FEMSA, detracted from returns. The portfolio weighted average discount narrowed 170bps over the month to 27.5%.

KKR	Share Price: +31%	NAV: +21%	Discount: -21%
Apollo	Share Price: +25%	NAV: +7%	Discount: -23%
US-listed alternative asset managers			

KKR & Co and Apollo Global Management were our two largest contributors over October, adding +1.5% and +0.7% to AGT's NAV on account of +25% and +31% increases in their respective share prices.

Driven by persistently strong results, we believe the wider market has begun to better appreciate the high-quality characteristics of companies operating within the alternative asset management industry, and the secular tailwinds at their back that we believe are likely to drive growth long into the future. While October was a good move in share price terms for all of the large listed US managers, KKR and Apollo's moves were particularly outsized.

There was no specific news during the month that drove KKR higher, although read across from the stellar results from early-reporting peer Blackstone (the first to report Q3 earnings) saw KKR's share price respond well. While Blackstone's results also doubtless aided Apollo, the latter's share price performance can be specifically attributed to its Investor Day.

Our investment case for Apollo has rested in part on what we perceive to be the market's continued misunderstanding of its annuity business Athene (recall that Apollo is merging with Athene), and its failure to appreciate the prodigious amounts of cash flow that the combined entity will generate (and the associated optionality provided by that cash-flow).

While the nature of Athene's business means it requires a sizable amount of capital on its balance sheet, we think two key points have been missed regarding its future funding requirements. Firstly, the "sidecar" arrangements put in place two years ago whereby third-party Apollo LPs contribute a portion of Athene's capital requirements; secondly, the growth and scale of Athene's earnings and resulting cash inflows. Relatedly, we think the recent rebasing of Apollo's dividend was more significant than the market fully understood.

Marc Rowan, Apollo's impressive CEO, brought all this together at the Investor Day by disclosing that Athene will only need to fund 55-60% of its annual growth with its own capital. When combined with cash-flows from the rest of the business, and in light of the new dividend policy, he expects Apollo to generate $15bn of cash-flow over the next five years (for context, Apollo's post-merger market cap will be ~$44bn at the current share price) with $5bn to be paid out under the new fixed dividend policy, $5bn ear-marked for additional shareholder returns via buybacks or special dividends, and $5bn set aside for "growth investments".

This last point is of most interest. In the words of its CEO, Apollo is "a growth business that has starved itself of capital" in the past. We concur – the company's historical pass-through dividend policy has translated to very little retention of capital. With exciting growth opportunities in the mass affluent retail market, where Blackstone's early success (now running at a remarkable >$3bn of inflows per month) has made its peers sit up and take notice, it makes sense for more capital to be retained and reinvested in the business. We note that KKR was earlier in recognising the benefits of using its balance sheet to accelerate growth, and that KKR have also expressly identified the retail market as a top priority. With their strong brands and distribution networks via their insurance divisions, we are optimistic for the prospects of both companies in this still-nascent growth area.

Apollo also laid out five-year targets for doubling AUM, increasing fee revenue by 2.25x, and increasing fee-related earnings by 2.5x. None of these forecasts/targets should have been a particular shock given the business strength and tailwinds, but Apollo has been very much a sector laggard in share price terms (in part due to the fall-out from the Leon Black/Jeffrey Epstein controversy) and its valuation discount vs peers was looking increasingly untenable.

MANAGER'S COMMENT

EXOR	Share Price: +12%	NAV: +7%	Discount: -36%

Italian family-backed holding with exposure to autos, luxury, and capital goods

During the month EXOR announced an agreement to sell reinsurer Partner Re (25% of NAV) to Covea for $9bn. This is the second (and hopefully last!) time such a deal has been agreed.

As readers will remember the same deal was agreed in March 2020, only for Covea to renege on their offer a little while later. John Elkann, EXOR's chairman, stood firm and did not allow Covea a cut-price deal.

EXOR, Partner Re, and Covea did manage to stay on amicable terms, keeping the relationship open through an agreement for Covea to invest in special purchase reinsurance vehicles managed by Partner Re. In turn this, combined with Covea's lack of other credible means through which to enter the reinsurance business, meant a new deal was agreed this October.

In relative terms Partner Re was not an especially successful investment for EXOR, returning an estimated +45% inclusive of dividends, versus a +109% return for the MSCI ACWI ($). That said, we felt it provided a useful counter-weight to the inherent industrial cyclicality found in other parts of EXOR's NAV. Certainly though, reinsurance was a harder business than EXOR anticipated, and their ownership period coincided with what was an unusually difficult operating environment.

Post-deal (inclusive of EXOR's purchase of Covea's special purpose reinsurance fund interest), EXOR will have gross cash of €8.1bn (26% of NAV), and net cash of €3.9bn (13% of NAV). Rumours continue to swirl that EXOR will make a sizable investment in the luxury goods industry. Time will tell and the devil will be in the detail, but directionally it seems the re-orientation of EXOR's portfolio to higher quality assets bodes well for the discount. EXOR shares jumped +12% over the month yet still stand at a 36% discount. There seems ample room for this to tighten and we look forward to hearing more about Mr. Elkann's capital allocation plans at the upcoming Investor Day later in November.

Other activity:

We have continued to add to Wacom, the global number one graphics tablet company. Since the appointment of Nobu Ide as Global CEO in 2018, sales have grown by an annualised +6% and operating margins improved from 7% to 12%. Wacom benefits from c.80% market share in the high-end creator segment, while also boasting robust relationships with Samsung, Lenovo, Disney, and other large clients, all of which use Wacom's digital pen technology. Wacom trades at 9.4x EV/forecast EBIT while listed peers traded on an average 15.6x. Across AVI funds we own over 5% of the Company and are using our increased influence to constructively engage with the Company. Having established some early rapport with management, we are excited by the prospect of future engagement on operational and capital efficiency issues, estimating a conservative potential upside in the region of +60%.

As well as this, during the month we exited a successful investment in Secure Income REIT. We initiated a position last October as part of a broader UK "re-opening trade", taking stakes in a handful of economically sensitive companies likely to benefit from the re-opening of physical economies. Over the life of the investment AGT earned a +52% IRR, which compares favourably to the MSCI ACWI ex-US (+11) and EPRA UK REIT index (+25%).

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	Percent of NAV
KKR	146	6.3
Apollo Global	72	3.7
Pershing Square Holdings	71	8.3
EXOR	65	7.0
Aker ASA	58	5.3

Largest Detractors	1-month contribution bps	Percent of NAV
Fondul Proprietatea	-42	3.9
Nintendo	-34	2.6
FEMSA	-20	2.7
Keisei Electric Railway	-17	2.8
Fujitec	-12	1.5

	% 1 mo	% 1 yr	% 3 yr	% 5 yr	% 10 yr
Share Price TR[2]	3.9	48.1	58.0	85.4	187.9
Net Asset Value TR[1]	4.4	42.1	52.8	77.1	188.3
MSCI ACWI ex US TR[3]	0.7	22.3	31.0	42.0	124.4
MSCI ACWI TR[1]	3.4	29.5	51.1	77.0	244.2
Fiscal Yr Net Returns (%)	**2021**	**2020**	**2019**	**2018**	**2017**
Price[1]	40.2	2.0	-0.4	12.0	18.7
Net Asset Value[1]	36.2	0.0	2.1	10.0	18.8
MSCI ACWI ex US[3]	18.8	-1.8	4.5	4.7	15.8
MSCI ACWI[1]	22.2	5.3	7.3	12.9	14.9

Capital Structure	
Ordinary Shares	116,003,133
Shares held in Treasury	14,240,359
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)	£146.0m.
Gearing (net)[4]	6.2%

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

All return figures in GBP.

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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