



## Investment Review / Investment Manager's Review

# How AVI Invests Off the Beaten Track

JOE  
BAUERNFREUND

CEO & CIO



## OUR EDGE

Asset Value Investors specialises in finding companies which have been overlooked or under-researched by other investors.

Investments that for one reason or another are priced below their true value but can be made into profitable performers. AVI believes its strategy and investment style differentiate it from other managers in the market because of the following:

01. 40 years' experience of long-term outperformance following our distinctive investment style (annualised NAV total returns\* of +11.6% since 1985).
02. AVI actively looks for the catalyst within a company which will drive fundamental change.
03. AVI seeks to improve corporate governance through active engagement to unlock potential shareholder value.

\* Refer to Glossary on pages 110 to 114.

**Q** How does AVI Global Trust give investors diversification by investing off the "beaten track"?

**A** Over the past decade, the global equity market has become narrower with a handful of mega-cap stocks in the US driving returns. We have not been investors in these companies and have always focused on the misunderstood and under-researched parts of the market prone to pricing inefficiency. If you look at AGT's top 10 holdings, you will find names that are rarely found in other global strategies. This offers an important level of diversification to investors.

**Q** Can you give an example of how investors can benefit from your strategy of investing off the "beaten track"?

**A** South Korea is a good example of an undiscovered market, with the KOSPI index trading at a -39% and -67% discount to emerging and developed markets, respectively. We see a long-term re-rating opportunity in the corporate governance reform that is currently taking place in South Korea.



Please visit our website for more information:  
[www.aviglobal.co.uk](http://www.aviglobal.co.uk)

In the same way that we approached Japan over 10 years ago, we have conducted in-depth, bottom-up research to identify a universe of under-researched and undervalued companies. Our South Korean names now make up c.8% of AGT's portfolio, and trade at a weighted average discount of 54%\*\*.

**Q** You have been following this strategy for decades now, how does your team go about executing this strategy of investing off the "beaten track"?

**A** Unlocking value through active involvement is a big part of what we do. We start with an incredible amount of fundamental research on the target companies. We have in place a proprietary database that is customised to track our universe of companies. Not only does the team spend a lot of time researching the companies, but we also then engage with the companies in ways that many other investors won't or can't. Engaging on corporate governance and balance sheet items are some common areas but our involvement is bespoke and company-specific dependent on the needs. Activism and engagement are integral to AGT's approach, going beyond the balance sheet.

\*\* As at 30 September 2025.

The investment team has many years of experience researching and engaging with companies and this has stood us in good stead to deliver strong long-term returns to AGT shareholders.

**Q** You say activism and engagement are integral to your approach. How does it work with such a diverse and varied portfolio?

**A** Yes, our portfolio is diverse as we look in the under-researched parts of the market. This means that the level of activism or engagement will vary greatly for each company. Many of the companies we have in the portfolio are complex and challenging to understand but we embrace the complexity. We dig down to understand their governance structures, incentives, succession plans, hidden assets on the balance sheet and the drivers of their earnings. We can then engage with the companies on the areas that we think will help the company to be recognised by the market for their true value. It may be a dialogue on corporate governance concerns, or a discussion on exiting a minor line of business that is detracting resources from their main business. It can be as basic as engagement on how a company can improve their public image. We believe that these are valuable companies with durable businesses, and we work to uncover that hidden value.



# Overview of AVI's Investment Philosophy

The aim of AVI is to deliver superior investment returns. AVI specialises in investing in securities that for a number of reasons may be selling on anomalous valuations.

Our focus on buying high quality, growing businesses trading at wide discounts to their net asset value (NAV) has served us well over the long term. There are periods of time, however, when our style is out of favour and the types of companies in which we invest are ignored by the broader market. This requires us to be patient and to remain true to our style, so that when other investors begin to appreciate the value in those companies, we are well placed to benefit. In the short term, this means that there could be some volatility in our returns. However, we are confident that we own high-quality businesses, which are trading on cheap valuations.

Members of the investment team at AVI invest their own money into the funds that AVI manage. As at 30 September 2025, AVI's investment team owned 2,079,367 shares in AGT (2024: 1,962,608).

## Introduction to the Strategy

Asset Value Investors invests in overlooked and under-researched companies, which own quality assets and trade at discounts to NAV. This philosophy typically leads us to invest in structures such as family-controlled holdings companies, closed-ended funds and asset-backed special situations. However, our views on the types of structures through which we invest are entirely agnostic, and portfolio weightings are determined solely by the opportunity set and our judgement of the risk-reward potential.

Our research process involves conducting detailed fundamental research in order to: (a) understand the drivers of NAV growth; and (b) assess the catalysts for a narrowing discount. We often engage actively with management, in order to provide suggestions for improvements that we believe could help narrow the discount or improve operations.

## Holding Companies

When we consider a holding company as an investment, we seek several characteristics. Firstly, a high-quality portfolio of listed and/or unlisted businesses with the potential for sustained, above average, long-term growth. Many of the underlying companies that we have exposure to are world-famous brands, and include: LVMH, Ferrari, Dow Jones, Universal Music Group, Samsung Electronics, Aker BP and Belron.

Secondly, we look for the presence of a controlling family or shareholder with a strong track record of capital allocation and returns in excess of broader equity markets. Long-term shareholders provide strategic vision; many of our holding companies have been family-controlled for generations. This combination of attractive, quality assets managed by long-term capital allocators creates the potential for superior NAV growth.

Finally, we invest at a discount to NAV, preferably with a catalyst in place to narrow the discount. This provides an additional source of returns. We estimate that historically about three-quarters of our returns from holding company investments have come from NAV growth and one-quarter from discount tightening.

## Closed-ended Funds

Similar to holding companies, we look for certain qualities when we consider a closed-ended fund investment. Most importantly, we look for portfolios of high-quality assets (both listed and unlisted) with good growth potential. Our portfolio of closed-ended funds gives us indirect exposure to many quality companies, such as Starling Bank, Klarna, IU Group and Phenna Group. We also focus to a great extent on the discount to NAV at which the closed-ended fund trades. In a nuanced distinction from holding companies, we usually insist on a high probability of the discount narrowing or vanishing entirely before we will consider making an investment. In accordance with this, our stakes in closed-ended funds are larger, and we engage with management, boards, and other shareholders to enact policies to help narrow discounts and boost shareholder returns. Historically, our portfolio of closed-ended funds has generated half of its returns from discount narrowing.

## Asset-Backed Special Situations

The majority of this portion of the portfolio consists of investments outside of holding companies and closed-ended funds. For several years now, these investments have largely been in Japanese cash-rich operating companies. At present, we hold positions in nine Japanese companies which have, on average, 54% of their market value in cash and listed securities. Japanese companies have a reputation for overcapitalised balance sheets, but we believe that the winds of change are blowing in Japan. The Japanese government has been championing efforts to improve corporate governance and enhance balance-sheet efficiency, and this programme is beginning

to have an effect. Major pension funds have signed up to a new Stewardship Code, boards of directors are guided by the principles of an updated Corporate Governance Code, and there is an identifiable uptick in the presence of activist investors on Japanese share registers.

We can see evidence of this change in increasing payout ratios, buybacks, and more independent directors. We believe that our Japanese holdings stand to benefit from this powerful trend, and that the market will assign a much higher multiple to these companies if it reassesses the probability of the excess cash and securities being returned to shareholders. We are active in pursuing this outcome and engage continuously with the boards and management of our holdings to argue for a satisfactory outcome for all stakeholders.

The focus is on quality, cash-generative businesses with low valuations (our current portfolio trades on just 7.7x EV/EBIT\*). These are the sorts of businesses that one should be happy to own; as such, we can afford to take a long-term view on our holdings as we engage with boards and management to create value for all stakeholders.

## Summary

Our strategy centres upon investing in companies which own diversified portfolios of high-quality assets. In each case, we have sought to invest in companies where the market has misunderstood or overlooked the value on offer, and where our analysis shows that there is a reasonable prospect of this being corrected. The historic returns from this strategy have been strong and came from a combination of discount narrowing and NAV growth.

\* Refer to Glossary on pages 110 to 114.