# 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.

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.

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.

Please visit our website for more information:
www.aviglobal.co.uk

** As at 30 September 2025.

# 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.

Investment Review / Responsible Approach

# A Responsible Approach


It is our view that a responsible approach to the environment, society and governance is key to long-term sustainable businesses. This guiding principle is embedded not only in our investment philosophy but in how we manage Asset Value Investors as a company.

AVI was one of the original 200 investment firms to support the 10,000 black interns programme

## Diversity of Workforce:

| | 2025 Number | 2025 % |
|---|---|---|
| Male | 13 | 56.5 |
| Female | 10 | 43.5 |

Employees with Equity Ownership in AVI:

33.3%

We maintain a corporate website containing a wide range of information of interest to investors and stakeholders:www.aviglobal.co.uk

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## OUR PURPOSE

Helping our clients to make the most of their financial future.

At Asset Value Investors, we are dedicated to drawing on our long heritage, stewardship principles, and investment expertise to make investing responsible, transparent, and rewarding for all – from individuals and families to institutions and both private and listed companies.

While delivering strong financial returns remains central to our purpose, we also recognise the responsibility that comes with our influence. Through active engagement and thoughtful stewardship, we seek to challenge and improve the practices of the companies we invest in, contributing to a more sustainable future.

## OUR PHILOSOPHY

We are fundamentally committed to supporting long-term sustainable businesses that will grow and participate in the prosperity of the economy, with a responsible approach to the environment, society, and governance.

We believe that the integration of ESG and broader sustainability considerations into our investment strategy is essential to gaining a full and nuanced understanding of each investment's potential to generate sustainable, long-term value. By incorporating these factors into our analysis, we are better equipped to identify both risks and opportunities that may not be apparent through traditional financial metrics alone.

# A Responsible Approach continued

This approach supports our conviction that responsible investment is not only consistent with our fiduciary duty to clients but also fundamental to achieving enduring value creation.

## OUR PRINCIPLES

We are aligned with the PRI's belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation.

Such a system rewards responsible, long-term investment and ensures that the interests of investors are more closely aligned with the broader objectives of society. It encourages transparency, accountability, and resilience within financial markets and promotes corporate behaviour that supports environmental sustainability, social progress, and strong governance practices. By fostering these conditions, the financial system can contribute not only to sustained economic performance but also to the wellbeing of communities and the preservation of natural resources for future generations.

AVI became a signatory to the UN-supported Principles for Responsible Investment (PRI) on 9 April 2021. In doing so, we affirmed our belief in our duty to act in the best long-term interests of our beneficiaries and to advance a financial system that creates enduring value for both investors and society.

## OUR APPROACH

As research-driven value investors, we seek to truly understand each company in our portfolio and the context within which it operates on a case-by-case basis.

AVI has built ESG factors into its proprietary research database and established a structured framework to ensure that ESG considerations are embedded throughout the investment process. This integration begins at the research and due diligence stage, where ESG risks and opportunities are systematically assessed alongside traditional financial metrics. Insights gathered from this analysis inform investment decisions, portfolio construction, and ongoing monitoring.

In addition, AVI has developed processes to track and evaluate ESG performance over time, enabling us to identify areas for engagement and measure progress across our portfolio. By combining rigorous financial analysis with a thoughtful approach to sustainability and governance, we aim to make more informed, responsible investment decisions that enhance long-term value creation for our clients.

## DEFINING 'E', 'S' & 'G'

AVI has identified* the factors that we believe are the most material and relevant to our investments and developed a bespoke ESG monitoring system to track the performance and progress of our portfolio companies against defined ESG metrics.

We define **environmental** sustainability within the context of:

- Environmental Impact
- Tackling Climate Change
- Sustainable Management

Our **social** focus is divided into:

- Dignity and Equality
- Wellbeing and Development
- Community Engagement

Our approach to **governance** includes:

- Quality of Governing Body
- Corporate Strategy
- Ethical Behaviour

The metrics within each of these areas provide a comprehensive view of a company's governance practices, environmental impact, and social performance. They enable us to assess how effectively these factors are being managed and improved over time, helping to identify both risks and opportunities that may influence long-term value creation. This framework also guides our engagement priorities, ensuring that dialogue with portfolio companies is focused on driving measurable progress, enhancing sustainability, and supporting enduring financial and societal outcomes.

## OUR STEWARDSHIP

Good stewardship should be viewed as a continuous practice and is essential to preserving and enhancing long-term value.

Active engagement is at the core of our investment strategy and our ESG monitoring system plays an important role in helping us to identify potential areas of engagement.

As long-term investors, our aim is to build constructive relationships with the boards and management of the companies in which we invest, addressing issues and offering suggestions to sustainably improve corporate value in consideration of all stakeholders and in the best long-term interest of our clients.

### Controversy Monitoring

Supported by ISS Norms Based Research, we also closely monitor any controversies and potential violations of international norms and standards associated with our universe. Whilst our hope is that controversies do not occur, they can be a marker of how well a company's policies are integrated into business operations and culture, highlighting vulnerabilities or structural problems and indicating where improvements can be made. Through constructive engagement, we encourage and expect investee companies to take meaningful action in addressing weaknesses in the context of long-term value creation.

## ACTIVE ENGAGEMENT

We seek to be constructive partners and continue to maintain an active dialogue with the boards and management of our portfolio companies.

The majority of our engagements take place behind closed doors, where we believe constructive, private dialogue is often the most effective way to drive change. We aim to build mutual understanding and trust with company boards and management, supporting long-term improvements in governance, strategy, and sustainability.

Investment Review / Responsible Approach continued

# A Responsible Approach continued

However, when private engagement does not yield sufficient progress or when issues of significant shareholder importance are not addressed, we are prepared to raise our concerns publicly. This is done to increase transparency, mobilise broader shareholder support, and encourage meaningful, lasting change.

Our approach to engagement is highly bespoke and informed by in-depth research and analysis. ESG priorities are identified on a case-by-case basis, reflecting each company's unique context, risks, and opportunities. Rather than offering generic guidance, we focus on diagnosing the root causes of underperformance or governance weaknesses and provide targeted, practical recommendations. Through persistent, evidence-based dialogue – and, when necessary, public advocacy – we seek to enhance accountability, strengthen governance, and support the creation of enduring shareholder and stakeholder value.

## BESPOKE ENGAGEMENT

Every engagement is different. Not only do our engagements cover a broad range of topics, but we employ a wide variety of engagement methods to ensure our views are clearly understood and there is opportunity for constructive dialogue. During 2025, our team visited a number of companies for in-person meetings including Chrysalis Investments, Gerresheimer, and trips to our South Korean companies such as Amorepacific Holdings; meeting with several layers of the companies including chairperson, CEOs and external board members.

Whilst the majority of our engagements are long-distance, face-to-face discussions can be invaluable in strengthening collaborative relationships and deepening our engagements.

## COLLABORATIVE ENGAGEMENT

We recognise the value of collaborative engagement in addressing collective issues.

We continue to participate in CCLA's collaborative initiative to improve corporate approaches to workplace mental health globally. AVI joined the initiative in 2023, and since then LVMH (which AGT has exposure to through Christian Dior) has made notable progress in demonstrating its commitment to employee mental health. In FY25, AVI also joined the International Corporate Governance Network (ICGN) to collaborate on advancing corporate governance standards and sits on its Emerging Markets Working Group, reflecting our active stewardship and engagement in markets such as South Korea.

ICGN MEMBER
Inspiring global governance standards
www.icgn.org

Corporate Mental Health Benchmark
CCLA

### Pre-Investment

**Exclusionary screening** is not our guiding framework, however there are certain exceptions to this. AVI will not invest in a company with direct involvement* in:

- Tobacco
- Controversial Weapons
- Pornography

Or companies that engage in child labour or human exploitation as defined by the relevant ILO conventions.

Prior to investment we:

Assess a company's **exposure to ESG risks and opportunities**, including climate-related risks and opportunities.

Identify whether the company is involved in any actual or potential violations of international norms and standards supported by **ISS^ Norms-based Research**.

### Investment Period

**ESG monitoring system** built into our proprietary database to ensure ESG factors are considered alongside financial analysis.

**Ongoing ESG assessments** of portfolio companies' performance against defined ESG metrics. A scoring system is used to assess trends and highlight potential areas for engagement.

**Tailored questionnaires** sent to all companies based on our assessments to request additional ESG information and promote improved sustainability disclosure.

**Ongoing controversy monitoring** following a clear engagement pathway if companies are flagged.

**Constructive engagement** with boards and management to help sustainably increase corporate value by building resilience to ESG risks and promoting responsible business practices.

PRI Principles for Responsible Investment

AVI became a signatory to the UN-supported Principles for Responsible Investment (PRI) on 9 April 2021.

* Whereby more than 5% of that company's NAV is derived from these activities.

^ Institutional Shareholders Services group of companies.

Useful resources:
www.ccla.co.uk/mental-health
www.assetvalueinvestors.com/process/esg-approach/
www.issgovernance.com/esg/screening/

Investment Review / Responsible Approach continued

# A Responsible Approach continued

## HIGHLIGHTS FROM 2025

01. AVI published its first annual ESG Report, sharing both qualitative and annual quantitative insights into how we integrate ESG throughout our investment process

02. AVI joined the International Corporate Governance Network (ICGN), reinforcing its commitment to advancing global corporate governance standards and active stewardship

03. AVI celebrated one year of quarterly Stewardship and Sustainability Risk Committee meetings, chaired by our Director responsible for ESG

04. AVI has enhanced its proprietary ESG data collection, allowing AGT investment teams to better track and measure engagements and outcomes

Policies and reports can be found on our website: www.assetvalueinvestors.com/agt/#responsibleinvesting

## AGT 2025 ENGAGEMENTS

| Engagement Method | Number of Engagements | Number of Companies Engaged |
|---|---|---|
| Meeting | 61 | 10 |
| Letter | 5 | 5 |
| Collaborative Engagement | 1 | 1 |
| Presentation | 4 | 4 |
| Shareholder Resolution | 1 | 1 |

## AGT 2025 PROXY VOTING RECORD**

Total voted:
100%
100%*

Voted against management:
9%
9%

Voted with management:
91%
91%

* 9% of these votes were not officially counted for technical reasons.
** As at 30 September 2025.

## ENGAGEMENT BREAKDOWN*

Governance:
74%
74%

Social:
17%
17%

Environmental:
9%
9%

* % breakdown of total ESG engagements (82) during FY25.

## WACOM

### Strengthening governance to unlock shareholder value

In May 2025, AVI launched the "Draw Wacom's Future" (www.drawwacomsfuture.com) campaign, highlighting the need for stronger governance at Wacom Co., Ltd., Japan's leading digital pen and tablet manufacturer. AVI, Wacom's largest shareholder, has long engaged with the company to address concerns over board effectiveness, transparency, and strategic accountability.

Following extensive private engagement, AVI submitted shareholder proposals at Wacom's 2025 AGM, calling for the establishment of a Transformation Plan Supervisory Committee, the appointment of an independent director with capital markets expertise, and amendments to the Articles of Incorporation to strengthen oversight. When these concerns were not adequately addressed, we launched the public campaign to promote enhanced governance and long-term value creation.

AVI are encouraged by shareholder engagement and Wacom's receptiveness to our proposals. This campaign underscores the importance of strong corporate governance and demonstrates how targeted shareholder activism can drive accountability and support sustainable value creation.

Investment Review / Investment Manager's Report

# Performance Review

JOE BAUERNFREUND
Chief Executive Officer,
Chief Investment Officer

Portfolio Manager of AVI Global Trust since September 2015

**Length of service:**
23 years (10 years as Portfolio Manager)

During the last financial year there has been no shortage of news flow. Trump 2.0, lingering and rising inflation, escalating geo-political tension – take your pick: the world is abundant in identifiable risks and worries.

Despite this, global equity markets have delivered strong returns.

In this context, AGT delivered respectable absolute performance, with a NAV total return of +12.4% and share price total return of 15.4%. In relative terms, this was less impressive – the MSCI AC World Index (our Comparator Benchmark) returned +16.8%.

At the start of September 2025, returns for AGT were fractionally ahead of the benchmark over the financial year, however we came unstuck in the final month, underperforming by -410bps. This was a function of what we did own (most notably D'Ieteren and Gerresheimer) and what we didn't own (over half of the index return in September came from the Mag-7 and a handful of AI related stocks).

If a poor craftsman blames his tools, a poor fund manager bemoans what he doesn't own – and certainly that is not what we are doing. Rather we add this to try to contextualise performance as, over short periods of time, our concentrated and differentiated approach will suffer bouts of underperformance. This is a feature, not a bug of our strategy: differentiation is a prerequisite for long-term outperformance, and our history attests to this fact. Indeed, over the last five years your Company is ranked as the 2nd best performing Investment Trust in its peer group, with a NAV total return of +86.0%.

Returning to the financial year, D'Ieteren was the standout performer, adding +240bps to your Company's NAV. As discussed in last year's annual report, following the announcement of a special dividend by the company in September 2024, we increased our position by more than 70% (at peak becoming close to a 10% position) to take advantage of technical selling pressure and our perceived view of mispricing. Ultimately this call was proven right, as the shares re-rated upon trading ex-dividend. We believe this to be indicative of AGT's bold approach and the idiosyncratic returns it can generate.

At the other side of the ledger is Gerresheimer, which detracted -405bps. We expand upon the reasons for this in the Investment Manager's commentary, but suffice to say such dire returns do not sit well with us. The company remains at a critical juncture, and, as we always do, we are rolling up our sleeves, engaging with the board, management and other shareholders to enact change and unlock the considerable value trapped within the company.

As we have said for some time now, the parts of the market upon which we focus remain neglected by other investors. This has led to a widening of the portfolio weighted average discount over multiple years, and it now stands at -37.4%. This is wide by historic standards and a level previously observed during times of market stress – not the relatively ebullient equity environment in which we currently find ourselves.

> As we look ahead, we remain cautiously optimistic. Valuations remain highly compelling, with numerous catalysts and events across the portfolio to help narrow discounts.

In the interim report we wrote "we are also cautiously optimistic that the weight of capital retreating from the US generally, and the so-called Magnificent 7 specifically, has the potential to be a tailwind for narrowing discounts in our universe". This has yet to come to pass and only reiterates the importance of focusing on activism, corporate events and catalysts, as a means to generate returns for us.

In this context, the opportunity set across all parts of our investment universe remains highly compelling and the competition for capital for new and existing ideas remains intense.

Investment Review / Investment Manager's Report continued

# Performance Review continued

One particularly exciting area of opportunity is South Korea, which now accounts for 8% of NAV. Our lesson from Japan is that there will likely be many false dawns and disappointments along the way. The potential prize, however, is great, and we believe that nimble, focused, bottom-up fundamental investors, with experience of actively engaging with companies are best positioned to capture this.

In order to fund the investments in South Korean names, we have continued to recycle capital. During the financial year we exited successful investments in Apollo, FEMSA and Reckitt where discounts had narrowed, whilst we also cut our losses in IAC and Softbank. We have also realised capital selectively in Japan, which now accounts for 19% of the portfolio.

As we look ahead, we remain cautiously optimistic. Valuations remain highly compelling, with numerous catalysts and events across the portfolio to help narrow discounts. On an underlying basis we see strong NAV growth potential, which in the long term will form the bedrock of our returns. Our history – which is now over 40 years as manager of AGT – suggests that these two facts stand us in good stead to generate attractive long-term returns.

## EQUITY PORTFOLIO VALUE BY MARKET CAPITALISATION*

| | 2025 % | 2024 % |
|---|---|---|
| <£1 billion | 34 | 37 |
| >£1 billion – <£5 billion | 30 | 20 |
| >£5 billion – <£10 billion | 15 | 10 |
| >£10 billion | 21 | 33 |

Weighted Average Discount*:

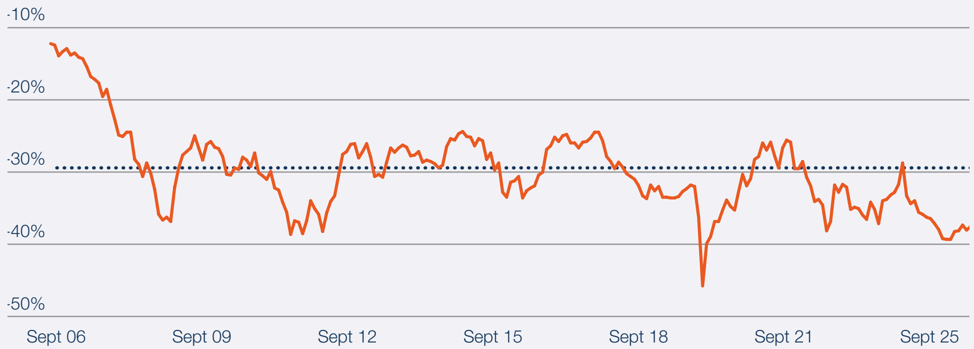
-37.4%

Annualised NAV 10 Year Total Return per Share*:

+12.5%

* For definitions, see Glossary on pages 110 to 114.

## PORTFOLIO WEIGHTED AVERAGE DISCOUNT*




Investment Review / Investment Manager's Report continued

## CUCKOO HOLDINGS

### Investing Off the Beaten Track

In South Korean homes, there's a sound which marks the moment when rice has reached cooking completion and dinner is ready to be served: the distinctive two-note call of the Cuckoo bird.

Founded in 1978 as SungKwang Electronics, Cuckoo was originally an OEM supplier to LG, Phillips and Panasonic, building up deep manufacturing expertise and quality, before launching its own "Cuckoo" rice cooker product range in 1998. Cuckoo's rice cookers have become synonymous with the bird's memorable call to the dinner table, and the company has transformed itself into one of South Korea's most iconic appliance brands.

AVI first invested into Cuckoo Holdings (Cuckoo) in July 2025, a Korean-listed, electronics-appliance focused holding company, controlled by the Koo family.

Cuckoo offers many of the qualities that AVI looks for in holding companies, with significant asset backing through a net cash position and investment property, a listed stake in an equity affiliate – Cuckoo Homesys – worth 24% of market cap, and a lowly implied valuation on its stub – Cuckoo Electronics – a high-quality, unlisted home appliance business.

Today, Cuckoo Electronics continues to manufacture its iconic rice cookers, boasting an extraordinary 80% domestic volume market share, competing only against small South Korean and Chinese manufacturers, having displaced all other major competitors. Crucially, Cuckoo's premium rice cookers (£300–800) make up c. 60% of the company's rice cooker sales volumes and generate an impressive 15%+ operating margin. The company's successful premiumisation strategy has spurred revenue growth of +10% YoY over the last five years. Cuckoo's Electronics' financial track-record is enviable, with minimal capex requirements leading to high free-cash flow generation and a strong return on invested capital.

Outside of its domestic stronghold, Cuckoo Electronics has been delivering strong international growth, now representing 25% of company revenues, with 30%+ YoY growth in Vietnam and USA, as the company's strong brand equity spreads overseas.

Despite the company's underlying quality, Cuckoo has just one local broker covering the name and zero English disclosure. With a complex holding company structure and low investor awareness, Cuckoo Electronics trades at just 4x EBIT*, versus close peers at 12x.

We believe that the ongoing Value-Up corporate governance reforms in South Korea will drive a direct incentive for the Koo family to close the discount at which its shares trade. Until this occurs, we take comfort in the company's stable profitability and free cash conversion, affording us patience while we wait for the corporate governance reforms of the current government administration to take effect.

* Refer to Glossary on pages 110 to 114.


**Source** / Cuckoo

# Portfolio Review

## TOP 20 LOOK-THROUGH COMPANIES

AGT invests in holding companies and closed-ended funds that in turn invest in listed and unlisted companies. We show opposite the top 20 holdings on a 'look-through basis', i.e. the underlying companies to which we have exposure. For example, AGT owns a stake in Aker ASA, a Norwegian-listed holding company, that accounts for 4.1% of AGT's NAV. One of Aker ASA's holdings is Aker BP, a Norwegian Oil & Gas company, which accounts for 51.2% of Aker ASA's own NAV. This translates to AGT having an effective exposure to Aker BP of 2.1% of AGT's NAV. The table alongside is an indication of the degree of diversification of the portfolio.

| Look-through companies | Underlying look-through weight | Parent company | Look-through holding sector |
|---|---|---|---|
| Universal Music Group | Vivendi, Bolloré | 6.7% | Movies and Entertainment |
| Belron | D'Ieteren Group | 4.3% | Specialised Consumer Service |
| Online Operations | Entain | 4.0% | Casinos and Gaming |
| Rohto Pharmaceutical Operating Business | Rohto Pharmaceutical | 4.0% | Personal & Beauty Products |
| Starling | Chrysalis Investments | 3.7% | Diversified banks |
| Containment Solutions | Gerresheimer AG | 3.3% | Health Care Equipment |
| REA Group | News Corp | 3.1% | Interactive Media & Service |
| Emitel | Cordiant Digital Infrastructure | 2.6% | Television Broadcasting |
| Dow Jones | News Corp | 2.5% | Publishing |
| LVMH | Christian Dior | 2.2% | Apparel, Accessories and Luxury Goods |
| Delivery Systems | Gerresheimer AG | 2.2% | Health Care Equipment |
| Aker BP ASA | Aker ASA | 2.1% | Oil and Gas Exploration and Production |
| CRA | Cordiant Digital Infrastructure | 2.0% | Infrastructure |
| Electronics | Dai Nippon Printing | 2.0% | Electronic Components |
| Wacom Operating Business | Wacom | 1.8% | Specialty Retail |
| Frasers Retail Operations | Frasers Group | 1.8% | Specialty Retail |
| Tokyo Gas Operating Business | Tokyo Gas | 1.8% | Gas Utilities |
| Smart Pension | Chrysalis Investments | 1.2% | Application Software |
| Moulded Glass | Gerresheimer AG | 1.1% | Metal, Glass and Plastic Containers |
| Klarna | Chrysalis Investments | 1.1% | Transaction and Payment Processing Services |

## NEWS CORP: HOW THE LOOK-THROUGH ANALYSIS WORKS

News Corp is a US-listed Holding Company in which AGT invests. Although News Corp is just one company, it has investments in multiple different companies, providing your Company's portfolio with exposure to a diversified collection of businesses.

| Look-through companies | Geography | Estimated % of News Corp's portfolio | Sector |
|---|---|---|---|
| REA Group | Oceania | 43.2% | Interactive Media and Services |
| Dow Jones | Global | 34.9% | Publishing |
| Harper Collings Publishing | Global | 9.6% | Publishing |
| Move Inc | North America | 5.7% | Internet Services and Infrastructure |
| Other | Global | 6.6% | Miscellaneous |

Investment Review / Portfolio Review continued

# Contributors

## 01. D'Ieteren Group

Holding Company

% of net assets[1]
6.5%

Discount
-49%

% of investee company
1.0%

Total return on position FY25 (local)[2]
18.3%

Total return on position FY25 (GBP)
21.4%

Contribution (GBP)[3]
240bps

ROI since date of initial purchase[4]
32.6%

C

D'Ieteren was the standout performer adding +240bps to NAV, with the position returning +21% including £35m of dividends received.

In last year's annual report, we discussed the company's announcement of an extraordinary €74 per share special dividend, equivalent to nearly 40% of the company's then market cap. Selling pressure from tax-sensitive, domestic investors – who faced Belgian tax rates of up to 30% vs. AGT's 10% net rate – pushed the share price down from €226 to a low of €188. During this period, we increased our position by more than 70% at an average price of just under €200 per share. This made D'Ieteren the largest position in the portfolio at a more than 9% weight on 9 December 2024, when the shares closed at €200 per share. On 10 December 2024, the company traded ex-dividend of the €74 per share special dividend, yet closed the day at €160 i.e. some +27% above the implied ex-dividend price of €126. We believe that this series of events highlights AGT's high conviction-led approach and the idiosyncratic returns it can generate.

Despite strong performance we continue to see attractive upside underpinned by Belron (70% of NAV). In May 2025 we attended D'Ieteren's capital markets day, which included a presentation from Belron's new(ish) CEO, Carlos Brito. The day served to highlight the company's continued long growth runway, stemming from increased windshield complexity and ADAS recalibration, as well as opportunities for growth. Management guide that this should translate to mid-to-high-single-digit revenue growth through to 2028. The continued positive sales mix effect should drive margins above 25%, resulting in ~12% annual growth in operating profit.

D'Ieteren shares currently trade at €159, which represents a -49% discount to our estimated NAV. In October 2024, we saw a transaction between Belron minority shareholders which valued the company at a €32bn enterprise value ("EV"). This pegs D'Ieteren's 50% equity stake at €221 per D'Ieteren share. We believe that this puts a line in the sand for future, more meaningfully sized transactions in Belron's equity.

Notably, we believe that investors are underestimating the clear signposts from the capital markets day towards a Belron IPO – which we believe would help to narrow D'Ieteren's discount.

The combination of strong NAV growth prospects and a potential narrowing of D'Ieteren's, still very wide, discount bode well for future returns.

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.
4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.


TVH Parts: 9.0% of D'Ieteren's NAV

Source / TVH

Investment Review / Portfolio Review continued

# Contributors continued

## 02. Aker ASA

Holding Company

% of net assets[1]
4.1%

Discount
-12%

% of investee company
1.1%

Total return on position FY25 (local)[2]
55.2%

Total return on position FY25 (GBP)
62.8%

Contribution (GBP)[3]
232bps

ROI since date of initial purchase[4]
89.1%

C

Having been one of the largest detractors from performance in the last two financial years, Aker was the second largest contributor to returns in 2025. Over the course of the year, shares in Aker returned +59% on a total return basis, which was split roughly evenly between NAV growth (+31%) and discount narrowing (from 25% to 12%). The +5% appreciation of the Norwegian Krone versus sterling added a further polish to returns.

Starting with the NAV, the largest contributor was Aker BP, the Norwegian oil and gas exploration and production company, which accounts for 51% of Aker's NAV. Shares in Aker BP returned +25%, standing in stark contrast to a -9% decline in the oil price over the period. Performance at the Johan Sverdrup oil field has continued to exceed expectations, assuaging prior investor concerns and helping support the heavy lifting of the current capex cycle, as Aker BP remains one of the few Western oil companies investing for growth. Indeed, in February 2025 the company issued encouraging new long-term guidance.

Management expects production to increase from 439k barrels per day in 2024 to 525k in 2028 and then remain above 500k into the 2030s. Whilst oil prices remain relatively depressed currently, and the outlook murky, we believe a long-dated production schedule and industry leading production will prove themselves to be highly valuable as we move through the decade. Combined with a current dividend yield of 10%, the prospects for Aker BP and in turn Aker's NAV appear compelling.

As well as this, it has been a busy period elsewhere in Aker's portfolio. As we wrote in the interim report, the company has made a concerted effort to unlock value and realise capital from smaller assets in the portfolio, such as the sale of Aker BioMarine's Feed Ingredients business.

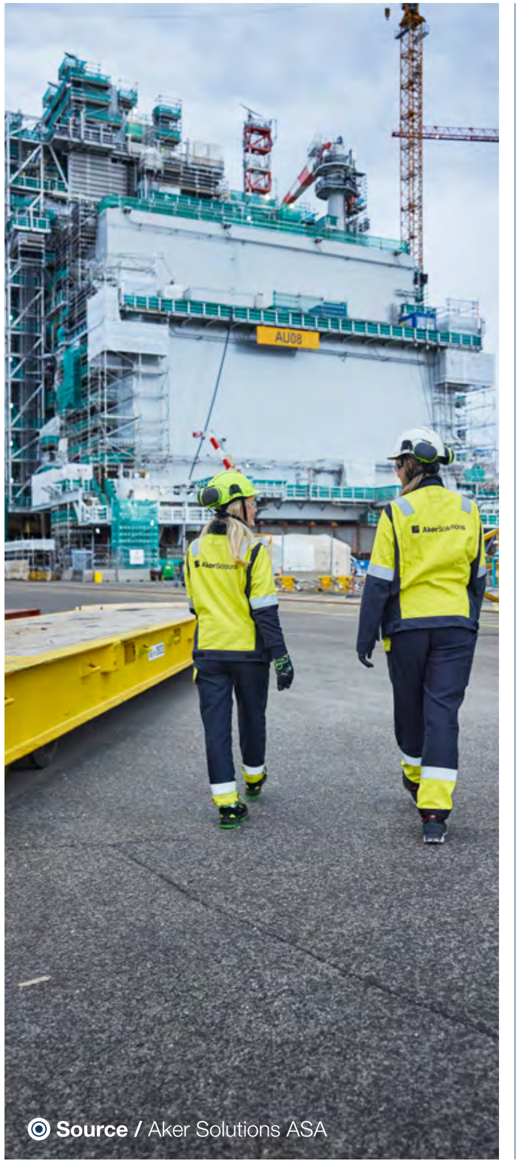
In 2025, capital allocation has also been more front footed – most notably in August the company announced Stargate Norway – a JV with NuScale and OpenAI to build a renewable-powered data centre in Narvik, Northern Norway.

Whilst we remain sceptical about the vast build out of AI-related infrastructure and the capital cycle, from Aker's perspective the capital outlay is modest at c.2% of NAV.

More meaningful, however, has been the impact on Aker's shares, which rose +9% on the day of the announcement. Since this point, we have seen a continued narrowing of the discount, which has gone from 25% a year ago to 12% today. We have taken advantage of this and reduced the position by about a quarter in recent months (and indeed by more following the end of the financial year).

We continue to be attracted by the controlling shareholders' track record of value creation and the assets the company owns. The narrowing of the discount tempers our enthusiasm, and this has been reflected in the reduced position size. The company's history and our own trading history suggests that the future path of the discount will be volatile and we will endeavour to exploit this if the opportunity arises.

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.
4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.




**Source /** Aker Solutions ASA

Investment Review / Portfolio Review continued

# Contributors continued

## 03. Chrysalis Investments

Closed-ended Fund

% of net assets[1]
8.3%

Discount
-29%

% of investee company
15.4%

Total return on position FY25 (local)[2]
28.6%

Total return on position FY25 (GBP)
28.6%

Contribution (GBP)[3]
208bps

ROI since date of initial purchase[4]
48.6%

C

Chrysalis was the third largest contributor to NAV in FY25, adding +208bps.

Over the period, Chrysalis' shares generated a total return on the position of +29% for AGT, driven by a +17% appreciation in the NAV and a tightening of the discount from -36% to -29%.

Readers of our newsletters will recall that AVI first initiated the position in Chrysalis in January 2024, with an investment case predicated on the following four factors.

Firstly, Chrysalis traded at an abnormally wide 48% discount to a heavily written-down NAV, which we felt provided some downside protection to the lofty valuations seen in the private tech space in 2021. Chrysalis' portfolio had also become increasingly concentrated with its top five holdings, accounting for 69% of NAV, all being mature companies and (mostly) performing strongly. We felt that there were multiple credible prospects for liquidity events offering significant potential for carrying value uplifts.

And, finally, a new capital allocation policy had been agreed upon by shareholders, promising £100m of buybacks (24% of the prevailing market cap), which would be triggered once cash reserves from exits reached £50m.

It is therefore pleasing for us that Chrysalis' contribution has been driven by the very factors which first attracted us to the company.

Firstly, two exits in quick succession meant that Chrysalis hit the £50m cash buffer threshold, commencing its £100m buyback programme. This started on 30 September 2024, with the company spending c. £83m over the financial year, to purchase some 83m of its own shares, at a weighted average discount of -35%. Secondly, the NAV/share return of +17% over FY25 has been led by (1) a +49% write-up in the valuation of Starling Bank, driven by the strong fundamentals underpinning the business, and (2) a +14% markup in Klarna, which listed on 10 September 2025 on the New York Stock Exchange.

Following the company's write-up over the course of 2025, Starling Bank now represents 44% of Chrysalis' NAV.

From AVI's research on the company, including meeting with current management and ex-employees, it is our belief that Starling Bank boasts the characteristics of a best-in-class, digital-first neobank, but with the added optionality of a tangible SaaS† offering through the Engine Platform. Starling's banking operations were built from the ground-up as a digital-first business. This not only drives significant cost advantages compared to incumbent UK high-street banks, but it has enabled Starling to develop and launch new products far more quickly as a result. Being digital-first, Starling's customer acquisition cost is only £40 versus £250 for traditional banks – with their numerous high-street branches to pay for – and the customer payback period is only 2.5 months. This low-cost operational model also generates far superior returns, boasting a ROTE†† of c. 45% (assuming NAV net of excess capital) versus UK peers at 17%. Starling's banking business is also the perfect case study for the company's SaaS offering, the Engine platform being built on the exact architecture that Engine offers to new potential clients –100% API††† uptime, zero customer downtime, and the industry-leading Net Promoter Score. We believe that the Engine platform represents a compelling growth opportunity, with management targeting c. £100m in ARR†††† within two years. Admittedly, Engine has just two clients to date, Salt Bank in Romania and AMP Bank in Australia, which contributed just c. £9m in fee revenue in FY25. However, Starling management recently disclosed that they have signed a "Globally Systematic Financial Institution" for a deal potentially worth £50m ARR, with an additional five deals still "in discovery".

At the current carrying value, AVI estimates Chrysalis' position in Starling Bank to be worth £3.3bn, or c. 3.2x trailing book value. This compares to 1x for the UK incumbent banks. Although this is a premium multiple, we believe that Starling's exceptional unit economics and growth potential more than justify it. Should we see Engine formally announce new major clients, we believe there could be significant further upside.

Elsewhere, we remain excited by Chrysalis' position in recently listed Klarna (13% of NAV), and believe that the market continues to undervalue the company relative to its primary peer, Affirm. This is despite Klarna being the number one global player in Buy-Now-Pay-Later financing, leveraging its fixed-term bank deposit-driven funding model to extend its short duration loan-book to consumers.

Chrysalis closed the period at a -29% discount to its NAV. We continue to engage with the board on the company's future strategy, AGT owning over 12% of the company.

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.
4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.
† Software as a Service.
†† Return on tangible equity. For definition, see Glossary on pages 110 to 114.
††† For definition, see Glossary on pages 110 to 114.
†††† Annual Recurring Revenue. For definition, see Glossary on pages 110 to 114.

Investment Review / Portfolio Review continued

# Contributors continued

## 04. Apollo Global Management

Holding Company

**% of net assets**[1]
N/A*

**Discount**
N/A*

**% of investee company**
N/A*

**Total return on position FY25 (local)**[2]
42.1%

**Total return on position FY25 (GBP)**
49.3%

**Contribution (GBP)**[3]
202bps

**ROI since date of initial purchase**[4]
166.0%

C

Despite only being held for little more than the first two months of the financial year, Apollo ("APO") was one of the largest contributors with a share price increase of +47% in GBP over this short period. Buoyed first by stellar Q3 2024 results and then – just a day later – by a US election result that poured rocket fuel on the US financials sector as a whole – and the alternative asset managers (AAMs) in particular – on optimism around a revival of deal activity and the prospect of a more benign regulatory environment.

We believe APO's share price led the post-election charge amongst its peers for two specific reasons. Firstly, there had been growing concerns that its life insurance business, Athene, (more accurately described as Retirement Services), might become subject to increased regulatory oversight given an increasing media focus on "private equity owned insurers". While even this label is highly misleading, suggesting as it does that insurers like Athene either sit within limited life funds – they do not – and/or that their balance sheets are loaded with private equity investments managed by their owner – in most cases, certainly in Athene's, they are not – the fact is that the election result reduced the probability of tightened regulation to close to zero.

Secondly, the change in administration raised the prospects of alternative investments being allowed into the $12trn 401(k) US pension market. While there were no legal restrictions on such pension plans investing in private assets, fears of litigation had prevented any such moves to date. We note that a subsequent executive order in August 2025 unequivocally laid the grounds for removing "the regulatory burdens and litigation risk" around such investments.

With its experience in retirement services, via its ownership of Athene, and having been first to identify what Rowan terms the "Fixed Income Replacement Opportunity" (replacing a portion of the ~$40trn public investment grade market with private investment grade credit), APO is arguably the best placed of all its peers to capitalise on an opening up of the 401(k) market.

We bought APO in 2021, at a time when we believed the AAM sector was misunderstood and undervalued; when valuations for balance sheet heavy companies like APO and KKR (note AGT also owned KKR for four years up until mid-2024) within the sector were overly penalised; and when APO's share price was suffering from the scandal around former CEO Leon Black's links to Jeffrey Epstein. Our thesis was that the market viewed the companies as levered plays on financial markets when, in fact, the bulk of their value resides in their high-quality, visible, recurring, and predictable streams of fee-related earnings derived from management fees charged on long duration capital.

In the specific case of APO, there were also concerns ahead of its merger with its sister company, Athene. Life insurance businesses are, understandably, often lowly rated by the market. But the reasons why they are so – unpredictable liabilities with tail risks (e.g., long-term care) and hard-to-hedge liabilities such as Variable Annuities – simply do not apply to Athene which has a highly focused business model predominantly centred on fixed annuities.

As such, Athene can be looked at as effectively a spread-lending business, earning a spread between the rates paid on annuities and the yields earned on its investments. Its fixed income portfolio (95% of total assets) is 96% investment-grade, with Athene seeking to earn a return premium from complexity and illiquidity rather than from taking duration or additional credit risk and targeting a mid-to-high-teens return on equity. Life insurance businesses are also correctly perceived as being capital intensive, and this was a source of some disquiet when the Apollo/Athene merger was announced. But capital intensity is not a bad thing if one is earning high returns on that capital; and, as we understood at the time, an increasing proportion of Athene's growth was likely to be funded by third-party "sidecar" vehicles.

While consensus estimates of forward earnings increased over our holding period, the bulk of returns came from multiple expansion as the market favourably reassessed the company's earnings quality and the duration of its growth opportunity.

With our view and that of the market much more aligned, we sold our position in December 2024, just after the announcement of APO's inclusion in the S&P 500. This long-awaited event was met with a disappointing reaction by the market, perhaps because the shares being on the cusp of inclusion for so long meant it was more priced in than we had assessed. We were still pleased with overall returns of +166% and an IRR of +41% over our three-and-a-half year holding period vs. +28% / +9% for the MSCI ACWI and +42% / +13% for the S&P 500. We note that, at the time of writing, Apollo's shares sit -27% below where we sold the last of our holding. We continue to monitor Apollo and the wider peer group as part of our investment universe.

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.
4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.
* The Company no longer had a position in this investment as at 30 September 2025.

Investment Review / Portfolio Review continued

# Contributors continued

## 05. Toyota Industries

Asset-backed Special Situation

% of net assets[1]
1.8%

Discount
-37%

% of investee company
0.1%

Total return on position FY25 (local)[2]
51.9%

Total return on position FY25 (GBP)
47.9%

Contribution (GBP)[3]
153bps

ROI since date of initial purchase[4]
25.0%

C

Toyota Industries was AGT's fifth largest contributor over the financial year, adding +153bps to NAV. The investment delivered strong returns following Akio Toyoda's proposal for Toyota Industries to be taken private, vindicating our long-held thesis that the market was fundamentally mispricing the value trapped within the Toyota Group's complex cross-shareholding structure.

By way of reminder, we initiated our position in Toyota Industries in November 2023, with an investment case predicated on the low implied valuation of the Toyota Industries stub, due to the outsized value of the Toyota Group cross-shareholdings, which accounted for 93% of the company's then market cap. We were also attracted to the company's dominant market position as the number one supplier of forklift trucks (30% global share) and auto AC compressors (50% share globally), with long-term growth potential in logistics solutions from the continued expansion of e-commerce.

It was our opinion at the time that Toyota's management were under significant pressure to correct the company's lowly valuation and capital inefficiencies.

This followed the requests made by the Tokyo Stock Exchange for companies trading under 1x book value to disclose value improvement plans, as well as the mounting scrutiny from Toyota shareholders, as evidenced by the Toyota Motor Chairman's historically low approval rating of 72% in 2024 (or just 57% if excluding Toyota Group companies).

Our thesis materialised in April 2025, when initial reports began circulating that Akio Toyoda, Chairman of Toyota Motor and grandson of Toyota's founder, wanted to take Toyota Industries private in a rumoured $42bn transaction – one of the largest such deals in history. The potential proposal represented a seismic shift for Japanese corporate governance, with Toyota long seen as the ultimate symbol of resistance to reform.

However, the outcome was not without disappointments.

The formal offers then arrived some six weeks later at just ¥16,300 per share ($33bn), representing an 11% discount to the prevailing market price and a lowly +23% premium to the undisturbed share price.

This offer reflects the risks of insider-led transactions rather than competitive auction processes. The deal, while still addressing the cross-shareholding issues that had long frustrated value-oriented investors, prioritised the interests of the Toyota founding family and group companies over minority shareholders. The offer came in well below what we felt was a fair value for Toyota Industries, with the AVI estimate nearer ¥20,000 per share (a c.+50% premium from the undisturbed price).

Given the material re-rating in the shares when the potential deal was first leaked, we took the decision at the time to reduce our stake by 50%, cutting our weighting from 4% to 2% of AGT's NAV by the end of June 2025. This allowed us to crystallise substantial gains at a premium to the eventual tender offer price, while maintaining exposure to what we believe remains one of the most significant corporate governance stories in modern Japan.

We continue to believe that the Toyota Industries deal will be remembered as a watershed moment for Japanese corporate governance, demonstrating that even the most entrenched resistance to reform can ultimately yield to sustained activist pressure and changing market dynamics.

Although we remain disappointed by the pricing and structure of the deal as it stands, the investment in Toyota Industries exemplifies how AVI's approach of patient capital deployment into mispriced situations, where there is room to engage constructively with management teams, can provide real catalysts to unlock significant trapped value. Over the course of our investment, we have earned an IRR/ROI† of +20%/+25%.

**Source /** Gorodenkoff via Shutterstock

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.
4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.
† Internal Rate of Return/Return on Investment.

Investment Review / Portfolio Review continued

# Detractors

## 06. Gerresheimer AG

Holding Company

% of net assets[1]
3.8%

Discount
-62%

% of investee company
4.1%

Total return on position FY25 (local)[2]
-50.3%

Total return on position FY25 (GBP)
-48.2%

Contribution (GBP)[3]
-405bps

ROI since date of initial purchase[4]
-48.2%

D

Gerresheimer ("GXI"), the German conglomerate, was the largest detractor from your Company's performance, costing -405bps, with a return of -48% in GBP.

By way of reminder, we started building a position in GXI in late 2024 and early 2025. At the time, our thesis was simple: GXI offers exposure to a leading player in the oligopolistic pharmaceutical primary packaging market, with high barriers to entry and attractive growth prospects. However, these merits were not reflected in the group's stock market valuation, with the company trading at a significant discount to our estimated NAV. We saw numerous paths to unlock value, most notably through the strategic review of its Moulded Glass division, but were also encouraged by reported private equity interest in the entire business.

Whilst the investment thesis was simple, our experience has been anything but. In June 2025, the company issued a third effective profit warning within the last nine months, with it becoming apparent that internal controls and tracking of the business performance were poor, further damaging the relationship and credibility that the company had with the investment community. In response, we published a public letter to the supervisory board which made three main recommendations in order to restore and protect value: 1) the need for new financial leadership; 2) an accelerated exit of Moulded Glass; 3) the establishment of a capital allocation committee.

Since this point, two of our three demands have been addressed: the CFO has been replaced and GXI has publicly committed to exit Moulded Glass. We view these as important steps in the right direction and have been encouraged by our early conversations with the new CFO Wolf Lehmann. As we saw it, the company has considerable self-help potential, a strong path ahead to unlock value, with private equity interest in the company having dissipated.

However, this progress and optimism was de-railed by news in September 2025 when BaFin, the German regulator, announced an investigation into Gerresheimer, leading to a further setback in the share price. In a so-called Special Matter Audit the question relates to the treatment of certain Bill & Hold contacts and whether revenue was correctly recognised in 2024, or whether in fact it should have been recognised in 2025. Whilst this appears to be a discrete issue, affecting c.2% of revenues, investors have not unreasonably run for the hills, with little tolerance for a management team and supervisory board that have shown themselves to be at best incompetent. In our view this only reinforces the need for wholesale changes, with the reputation of the company severely damaged.

With that said, there remains much to like about Gerresheimer.

The core Containment Solutions and Delivery Systems business remains the jewel in the crown, supplying mission critical but low proportion of total cost products into end markets with attractive secular growth prospects. Over the last half decade, the business has continued to move up the value chain toward High Value Solutions which, all else being equal, should be conducive to better growth, margins and valuation multiples. At present none of this is reflected in the share price, which embeds a significant discount of 7.8x NTM EV/EBITDA† / 7.7x PE versus peers at 19.1x / 26.6x. At current prices one is paying an EV to Net Plant Property & Equipment multiple of just 1.9x – a fact that likely cannot escape peers who trade 5–10x or even certain customers such as Novo Nordisk, for whom GXI's dual chamber CagriSema syringe is of the utmost importance.

In order to arrest the decline and unlock the considerable latent value we continue to actively engage with the board, management and other shareholders. Returns to date have been dismal but we are optimistic of improvements to come and will be working hard to secure them.

Source / Gerresheimer

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.
4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.
† Next Twelve Months. For definition, see Glossary on pages 110 to 114.

Investment Review / Portfolio Review continued

# Detractors continued

## 07. Rohto Pharmaceutical

Asset-backed Special Situation

% of net assets[1]
4.2%

Discount
-51%

% of investee company
1.6%

Total return on position FY25 (local)[2]
-23.6%

Total return on position FY25 (GBP)
-26.1%

Contribution (GBP)[3]
-167bps

ROI since date of initial purchase[4]
-18.4%

D

Rohto Pharmaceutical ("Rohto") was the second largest detractor, reducing performance by -167bps with a return on our position of -26% over the period (GBP).

Rohto is Japan's leading skincare and eye-drop manufacturing company. Our investment thesis centres on the company's combination of high-quality fundamentals and an attractive valuation, as Rohto continues to trade at a meaningful discount to global cosmetic peers, despite a strong track record of consistent revenue growth and mid-teens operating margins.

AVI believes that Rohto's undervaluation is driven by the focus on non-core businesses, misleading investor relations communication, and lower allocation to shareholder returns than peers. Specifically, management needs to reallocate its R&D† spending from the low-profit prescription drug business and regenerative medicine business, towards its high-value, high market share product lines, such as skin care products.

We initiated a position in Rohto in June 2024, and in the early stages of our engagement we privately sent constructive letters and presentations to management. However, we were only able to meet with one board member. As such, in April 2025, we launched a public campaign titled 'Awakening Rohto', which is available to view on our website. The 100-page presentation seeks to highlight the robustness of the core skincare and eye drops businesses, while articulating the need for management to quantitatively justify ongoing investment in the medical segment.

Within the cosmetics market, Rohto was not alone in seeing its share price decline, with close peers returning -25% on average over the twelve-month period. This decline can be partly attributed to the slowdown in the Chinese market, while for Rohto specifically, core skincare brand Melano CC saw a slowdown in sales due to heightened competition from private brands and South Korean manufacturers entering the market.

Investors' concerns about Rohto's future growth potential were somewhat alleviated by the FY2025 first quarter earnings announcement in August, with revenue rising +20% YoY†† while operating profit fell modestly by -1% YoY, beating consensus guidance. Full-year guidance remained unchanged, with revenue forecast to grow by +8% YoY and operating profit to increase by +2%. The share price rose +14% in the day following the announcement, with market confidence rising particularly due to the recovery of core brands in the cosmetics segment, as domestic sales for the brand Hada Labo improved.

In a sign of improving shareholder communication, shortly after our financial year end in October, the company for the first time held a meeting for shareholders and investors to discuss the business strategy and brand portfolio, with the Chairman, CEO, and an external director making presentations. AVI believes that this was a result of the pressure on management to quantitatively explain the future strategy.

Going forward, AVI will continue our constructive engagement with management, and we remain optimistic about the outlook for the cosmetics business and future growth potential overseas in both cosmetics and OTC††† eye care. We will push Rohto to provide more granular and quantitative disclosure on the medical business segment, specifically regarding a timeline for becoming profitable and whether the investment meets the cost of capital.

To date, the investment has generated an ROI of -18%, and our engagement continues unabated to unlock the substantial upside to the intrinsic value.


Source / Rohto Pharmaceutical Co., Ltd.

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.
4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.
† Research & Development.
†† Year-on-Year.
††† Over The Counter.

Investment Review / Portfolio Review continued

# Detractors continued

## 08. IAC

Holding Company

% of net assets[1]
N/A*

Discount
N/A*

% of investee company
N/A*

Total return on position FY25 (local)[2]
-22.2%

Total return on position FY25 (GBP)
-20.0%

Contribution (GBP)[3]
-70bps

ROI since date of initial purchase[4]
-50.4%

D

During the period we exited the position in IAC, which detracted -70bps.

What started out as a small and highly successful investment (predicated on the spin-off of Vimeo) became a much larger and painful investment. Returns were both a function of terrible NAV performance and significant discount widening (selling on an average -42% discount vs. an average purchase on a -29% discount).

In terms of the NAV performance, we made two mistakes. In the case of Angi we mistook operational complexity for a moat, and the business found it much harder than we anticipated to grow both sides of its marketplace. In the case of Dotdash Meredith, both we and IAC management were culpable of mistaking cyclical forces for secular. The growth rates Dotdash achieved in 2021/22 were unsustainable and were cyclical in nature, not secular. In turn, Meredith was unable to deliver on the high targets set out at the time of the merger with Dotdash.

Over time we also became more cautious about management and the widening gap between their words and actions (e.g. the lack of share buybacks from 2021 to 2025). With hindsight this inaction should have offered us more of warning sign.

That said, taking a step back, it serves as a great reminder of the powers of diversification and portfolio management. As Howard Marks says, "diversification allows investors to dare to be wrong." This is important as invariably we will make mistakes from time to time but in such a way that the portfolio returns are not excessively damaged. It is inevitable that we will make more mistakes in the future, but we hope that they will be different ones.

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
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4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.
* The Company no longer had a position in this investment as at 30 September 2025.

MGM Resorts: 42% of IAC's NAV


Source / MGM Resorts International

Investment Review / Portfolio Review continued

# Detractors continued

## 09. Christian Dior

Holding Company

% of net assets[1]
2.2%

Discount
-18%

% of investee company
0.0%

Total return on position FY25 (local)[2]
-14.3%

Total return on position FY25 (GBP)
-11.0%

Contribution (GBP)[3]
-62bps

ROI since date of initial purchase[4]
67.7%

D

Christian Dior ("CDI") – the French-listed mono-holding company through which the Arnault family control LVMH – was a meaningful detractor. Over the course of the period, shares in CDI declined by -24%, which was entirely driven by a decline in the NAV, with the discount largely unchanged at 18%.

Since LVMH was momentarily crowned Europe's first $500bn company in the spring of 2023, the business has faced a plethora of issues that have curtailed growth, reduced margins and led to material cuts to earnings estimates.

Generally speaking, the business has suffered a cyclical post COVID normalisation, following a period of unprecedentedly strong growth (from 2018 to 2022 the all-important Fashon & Leather Goods ("F&LG") business saw organic growth of +200%). This normalisation has been exacerbated by the increased importance of new/occasional customers, who are more aspirational in nature compared to prior cycles, as interest rates and reduced wealth impaired spending power.

At the same time, we have seen a prolonged slowdown in the Chinese economy (with the Chinese cluster accounting for more than 30% of industry revenues). This has also coincided with the end of a period of super-normal growth for Dior, in which revenues and operating profits grew from ~€2.6bn and ~€500m respectively in 2018 to ~€8.6bn and ~€3.4bn in 2023. (We estimate that, despite Dior accounting for less than one tenth of F&LG EBIT† at the start of the period it accounted for somewhere between a quarter and a third of the growth). Finally, there is a sense of design fatigue across Louis Vuitton and Dior, as well as excessive price taking without commensurate innovation.

As well as material cuts to earnings expectations, LVMH shares suffered a significant de-rating as many investors have questioned whether the issues facing the luxury goods sector generally and LVMH specifically were structural rather than cyclical. At the nadir in June 2025, LVMH shares traded at just 14x 2025e EV/EBIT†† and 20x 2025e PE††† (5.3% FCF†††† yield) and a significant 34% discount to our estimated sum-of-the-parts[1].

We used this period of weakness to bolster our position, viewing the above issues as temporary in nature. To date this has been well rewarded – with the shares up by +22% from the point at which we added. We continue to see further upside because we believe that, as in past cycles, LVMH will likely emerge stronger as the leader in a structurally attractive industry, with good growth prospects, margins and high returns on capital. This bodes well for future NAV growth, with room for Christian Dior's discount to narrow if and when the mono-holding structure is collapsed, acting as a further kicker.

1 For definitions, see Glossary on pages 110 to 114.
2 Weighted returns adjusted for buys and sells over the year.
3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.
4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.
† Earnings Before Interest and Tax.
†† Enterprise Value.
††† Price to Earnings ratio.
†††† Free Cash Flow.

Source / Pakphipat Charoenrach via Getty Images

Investment Review / Portfolio Review continued

# Detractors continued

## 10. Softbank Group Corp

Asset-backed Special Situation

% of net assets[1]
N/A*

Discount
N/A*

% of investee company
N/A*

Total return on position FY25 (local)[2]
-9.0%

Total return on position FY25 (GBP)
-7.3%

Contribution (GBP)[3]
-40bps

ROI since date of initial purchase[4]
-6.9%

D

Our hedged position in Softbank Group detracted -0.53% over the period.

Softbank Group is a Japanese-listed holding company, founded in 1981 by Masa Son, that holds a variety of listed and unlisted technology-focused companies.

We initiated the position in June 2024. At the time of investment, the discount had blown back out to levels last seen during the COVID sell-off, close to 60%. However, given the lofty valuations of Softbank's listed underlying holdings, such as ARM Holdings, we also hedged our exposure to the five largest listed companies using total return short positions. These short positions account for 86% of Softbank Group's NAV. Holding both the long and short legs of the investment case via total return swaps allowed us to get full equity exposure without making the same capital outlay as holding the shares directly and minimised margin requirements due to netting.

Using this combination of long and short total return swaps also allowed us to get the full benefit from any discount narrowing, while protecting us from downside risk in names where we were not comfortable in their valuations.

While we believed new investments and substantial share buybacks were not mutually exclusive, given the company's strong balance sheet, our conviction in the thesis waned as it became clear that management's priority was overwhelmingly to preserve as much capacity as possible for new AI-related investments. We believed that this decision would impact management's ability to conduct share buybacks and narrow Softbank's wide discount. As a result, we sold our shareholding in April 2025.

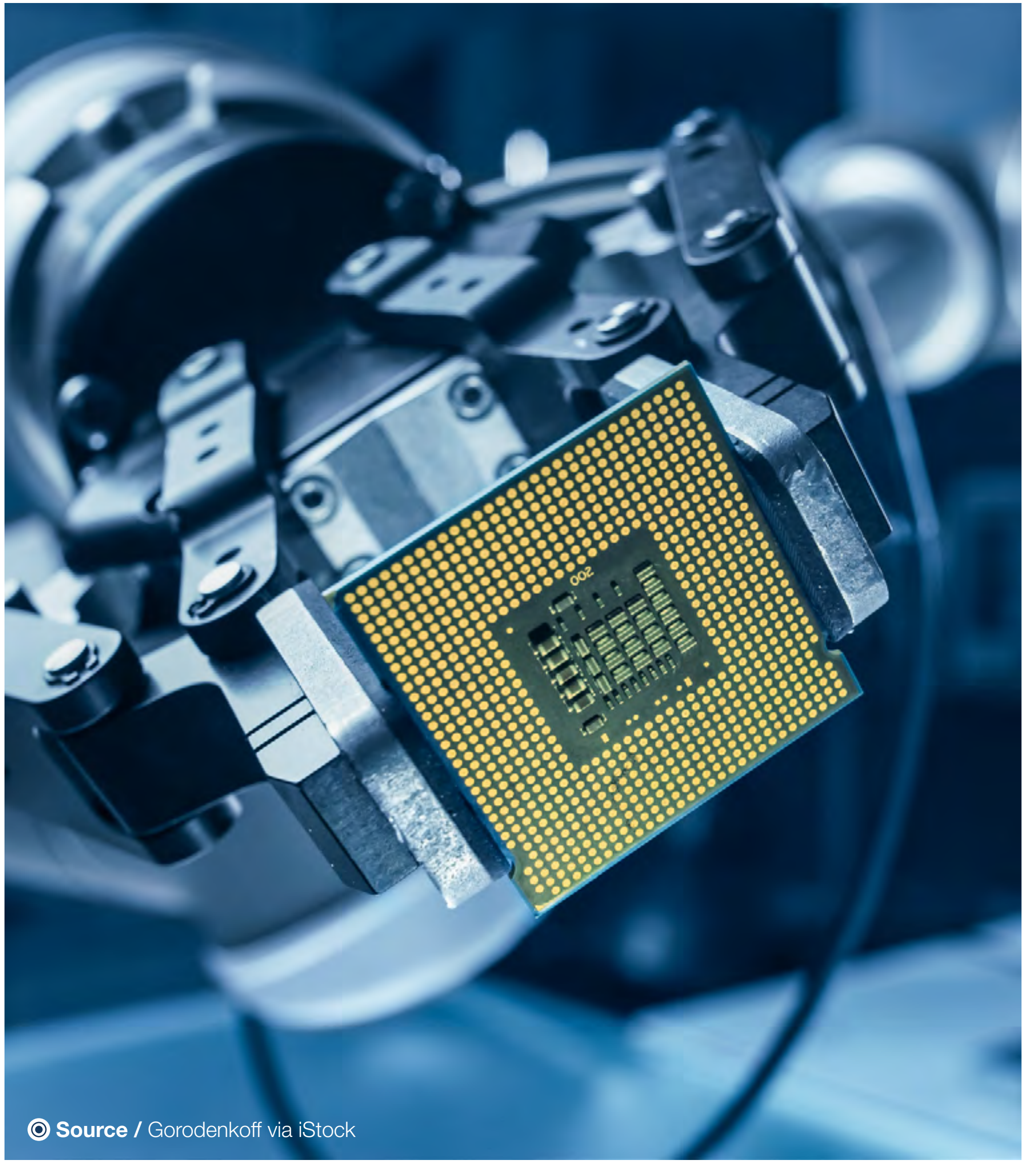
1 For definitions, see Glossary on pages 110 to 114.

2 Weighted returns adjusted for buys and sells over the year.

3 Figure is an estimate by the managers and sum of contributions will not equal quoted total return over the financial year.

4 Figure quoted in GBP terms. Refer to Glossary on pages 110 to 114 for further details.

* The Company no longer had a position in this investment as at 30 September 2025.



Source / Gorodenkoff via iStock

Investment Review / Portfolio Review continued

## TOYOTA INDUSTRIES

### A Pillar of Japanese Corporate Identity

It is difficult to overstate the significance of Toyota Motor in Japanese corporate culture. It is not simply because of its size or global importance as the world's largest automaker, but because it has long embodied the ideals and core values of Japan Inc.

Toyota's success story was seen by the nation as mirroring Japan's rise from post-war devastation and evolution into a global powerhouse. For decades, Toyota has epitomised "Japaneseness"; group companies, cross-shareholdings, lifetime employment, consensus decision-making and keeping closed ranks. Corporate governance naysayers have argued that it's been these very qualities that have kept companies like Toyota strong, leading the company to be seen by some as an "emblem of resistance to corporate governance reform".

The proposal by the grandson of Toyota's founder himself to initiate a buyout of Toyota Industries in 2025 carries substantial significance.

Akio Toyoda, Chairman of Toyota Motor, stunned corporate Japan in late April 2025 when news emerged of plans to facilitate one of the largest global privatisation deals in history, valued at $42bn. The formal announcement then came on 3 June.

From our position as constructive activists long-invested in Toyota group companies, there are several key points to highlight – both encouraging and deeply frustrating.

From our perspective, this buyout is the direct result of the shareholder pressure which had been mounting against the Toyota Group for some time. Foreign shareholders had been an increasing presence on their register, whilst Akio Toyoda's approval rating at Toyota Motor's AGM fell to 72% from 96% in 2022 (only 57% excluding Toyota Group votes).

We at AVI had been applying pressure on the company for years to consolidate or privatise. Since 2015, we have been encouraging management to unwind their cross-shareholdings, which made up almost half of Toyota Industries' balance sheet assets. Our efforts with Aichi, majority owned by Toyota Industries, moved into the public sphere last year when we launched "Taking Aichi Higher". In March 2025, Toyota Industries and Aichi announced a transaction bringing Toyota Industries' controlling stake from 52% down to 20%.

The deal structuring and execution, however, has been opaque and biased.

When news first broke of the $42bn potential deal in late April 2025, Toyota Industries shares climbed to around ¥18,400, a level which the market felt reflected fair value. The formal tender offer announcement on 3 June for ¥16,300 fell well short this, representing a lowly 23% premium to the undisturbed share price, well below the c. 44% average premium for privatisation transactions on the Tokyo Stock Exchange.

The market's immediate reaction was damning, as Toyota Industries' shares plummeted 12% in response.

Despite calls from over two dozen asset managers, Toyota also declined to disclose the detailed valuation models used to determine the offer price. Most egregiously, we feel the deal structure manipulates the "majority of minority" safeguard, with Toyota arguing it needs only 42% support by dubiously classifying other Toyota Group entities as "independent" shareholders.

In recent weeks, the Asian Corporate Governance Association publicly stated this deal "has the potential to either reinforce or weaken the progress made in corporate governance reforms." We remain hopeful that a more amenable deal outcome will be reached.

Nonetheless, what Toyoda has accomplished is something only Toyota could achieve. They have dissolved a symbolic bastion of resistance to corporate governance reform. If even Toyota supports these changes, there must be something to them. Whilst the execution has disappointed on pricing and process transparency, the transaction itself represents a watershed moment. For minority shareholders who have supported the company through years of governance challenges, this represents tangible evidence that kaizen – the pursuit of continuous improvement – can deliver transformational change in corporate Japan, even if imperfectly executed.

**Source /** Luis Alvarez via Getty Images

## JOE BAUERNFREUND

Chief Executive Officer / Chief Investment Officer

## Outlook

In recent weeks there has been a chorus of alarm bells from the great and good of financial markets – from Jamie Dimon, to the IMF to the Bank of England – surrounding a potential stock market bubble and AI. We do not profess to have any great insight into what comes next, but in the same way a watched pan never boils, markets don't tend to correct just as everyone warns they will.

Rather – they climb the wall of worry. How long for is obviously the pertinent and unknowable question, but whilst the funding taps remains open and positive reinforcement loops persist, the answer is quite a long time. If and when a shock occurs we are well placed to capitalise, with gearing having been reduced in recent weeks and currently standing at 2.6%.

As readers of our reports will know, macro postulations and predictions are not something upon which we focus or devote energy to. Rather, our attention is on the bottom-up fundamentals.

In this vein there is a lot to be excited about. As we have explained for some time, the parts of the market upon which we focus remain overlooked and ignored. This is reflected in wide discounts, as indicated by the -39% portfolio weighted average. We continue to believe that a focus on events, activism and hard work will be key to unlocking value and driving returns, and have assembled a concentrated-yet-diverse portfolio to reflect this. Our experience shows these are the inputs for delivering attractive long-term returns.

Joe Bauernfreund
CEO / CIO
Asset Value Investors Limited

11 November 2025

## TOM TREANOR

Head of Research