Performance Review

WEIGHTED AVERAGE DISCOUNT*

Source / Estimated by Asset Value Investors.

ANNUALISED NAV 10 YEAR TOTAL RETURN PER SHARE*

11.3%

PORTFOLIO DISCOUNT*

29.2%

For further information, please turn to **page 10 of the Annual Report**

> AGT's portfolio is well positioned to weather any challenges that lie ahead – and hopefully prosper.

Joe Bauernfreund
Chief Investment Officer

Performance Review

It would be a cliché to say the previous year has been unprecedented – as they say, history does rhyme – however, when the first global pandemic in over 100 years brings the world to a halt, I am at a loss to think of a better word. The past 18 months or so have been completely dissonant with any period that has come before – at least in the lifetime of any investment practitioner. The scope of the uncertainty, and associated challenges, has been massive.

When I wrote to you last, the results of the Pfizer/BioNTech vaccine had just been released, sparking a so-called "value rally", as investors could finally envisage a resumption of economic activity. We had prepared AGT's portfolio for this possibility by investing in a basket of high-quality economically sensitive stocks that would, our analysis showed, benefit from such a resumption. Stocks in the basket included Secure Income REIT, Shaftesbury, Capital & Counties, Derwent London, British Land, Great Portland Estates and Associated British Foods (for Primark). Many of these stocks contributed meaningfully to returns over the period, driven by the prospect of economies returning (gradually) to normal.

Alongside this basket, returns were equally strong from companies which have lower economic sensitivity, such as KKR, Oakley Capital Investments, Christian Dior and Fondul Proprieatea. That is to say, the sources of return in AGT's portfolio this year were diversified and well-balanced.

Altogether, these strong performances resulted in a NAV total return of +36.2%, compared to a return of +18.8% from the comparator benchmark, the MSCI ACWI ex-USA Total Return Index (in GBP).

Deconstructing the returns, it is worthwhile to note that the strong NAV returns were driven by both NAV growth and, to a lesser extent, portfolio discount tightening (from 35% to 29%). The discount to NAV at which AGT's share price trades also tightened (from 9.3% to 6.7%), resulting in share price total returns of +40.3%. Our investment income was also up +35% on the prior year.

As we moved into the second and third quarters of AGT's financial year, the market became increasingly concerned with the prospect of sustained, above-average inflation, generated by both a rebound in economic activity and supply-chain difficulties. Rates initially rose, reflecting inflationary fears, but declined again when the United States Federal Reserve indicated that it stood ready to raise rates if it believed that inflation was at risk of becoming entrenched. In turn, the "value rally" began to peter out and "growth" began to outperform again. To compound matters, this coincided with a change in the regulatory environment in China, with the ruling party expressing a desire to promote "common prosperity".

* For definitions, see Glossary on pages 101 to 104.

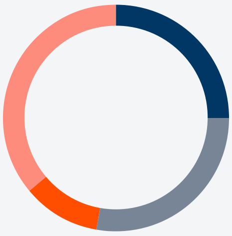
Dealing with the latter, AGT's portfolio has limited exposure to China. We sold our SoftBank position (exposed to Alibaba) by July 2021 as a result of our investment thesis having played out. The Prosus and Naspers (exposed to Tencent) positions had also been reduced over the course of the year in order to free up cash. At the time of writing, we have fully exited the Prosus/Naspers positions. While headline valuations appear attractive following a sharp sell-off in Chinese equities, a cautious stance is warranted here given the difficulty of predicting the future regulatory direction.

In Japan, where 29% of the portfolio is invested, stock markets did not participate to a great extent in the recovery rally until the summer, when the vaccine rollout began to gather steam. While speaking of Japan, it is worth mentioning that corporate activity appears to be picking up. Our investee companies are responding positively to engagement, and there is a pronounced improvement in managers' and directors' focus on corporate governance and shareholder returns. This bodes well for the Japanese stocks that AGT owns, which have a large portion of cash and securities on the balance sheet, and which have historically displayed poor governance practices and neglected shareholders. On a reporting note, we will no longer be aggregating the Japanese cash-rich operating companies into a "Japan Special Situations" basket. There has been no change to the strategy or our view on its prospects; rather, the increasing concentration in fewer positions meant that aggregating the stocks into a basket was no longer a useful way of reporting. From here, we will talk about the performance of each stock individually.

As the financial year closes, inflation remains the predominant fear playing in investors' minds. While not sanguine about inflation and its potentially destabilising effects, I am confident that many of the companies in AGT's portfolio have very strong business models, giving them significant resilience in the face of inflation. On a look-through basis, examples of companies which should prove resilient in the face of inflation might include LVMH, KKR, Aker BP, Universal Music, Apollo Global, Hidroelectrica and Ferrari.

AGT's portfolio is well positioned to weather any challenges that lie ahead – and hopefully prosper.

EQUITY PORTFOLIO VALUE BY MARKET CAPITALISATION



	2021 %	2020 %
<£1 billion	**25**	35
>£1 billion – <£5 billion	**28**	26
>£5 billion – <£10 billion	**11**	14
>£10 billion	**36**	25

GROWING OUR TEAM

Over the past year or so AVI has strengthened its research capabilities.

Since the start of this financial year, AVI has increased the size of its investment team by 50%, adding five new members, of which two are experienced Japanese Analysts. This brings together over 95 years of experience to the team. AVI has a disciplined approach to hiring, ensuring new members are a good fit for our culture, our investment process, and our in-depth research methodology. We take a collaborative approach to investing in which knowledge, expertise, and research are shared amongst team members. As such, we feel that new Analysts, bringing with them their own knowledge and expertise, broaden and deepen AVI's ability to actively engage with portfolio companies.

NUMBER OF PEOPLE JOINED THE TEAM
5

TOTAL NUMBER OF EMPLOYEES
21