

## Performance Review



“ In this market we believe that hard work, a focus on idiosyncratic catalysts to unlock value, together with our own activism, are key tools to drive returns.

**Joe Bauernfreund**  
Chief Investment Officer

“I know it’s complicated.” - Christine Lagarde, President of the European Central Bank.

Alan Greenspan, the former Chairman of the Federal Reserve, used to talk of “Fedspeak” and the art of “purposeful obfuscation”. However, in this case Ms Lagarde’s approach to communication is much simpler and echoes what many investors have been feeling over the last year: it is complicated!

Inflation remains stubbornly higher than desired and central banks have been steadfast in their attempts to quell it, lifting interest rates to levels few assumed probable only eighteen months ago. For the time being, a recession remains the dog that hasn’t barked (yet!), although there have been some signs of weakening activity over the summer, most notably in Europe. In the last few weeks we have seen a sharp rise in bond yields, particularly in the US, where markets have started to price in a “higher for longer” outlook. The ramifications of this are likely large and have not necessarily been felt yet.

All told this is a challenging environment for equities. However, those taking a cursory glance at the returns of the major US indices would be forgiven for having missed this, as (capitalisation weighted) markets have been led higher by a narrow band of technology companies deemed to be AI-beneficiaries.

Under the surface there has been more turmoil and the going has been much tougher. Such an environment suits our style of investing and, over the last 12 months, we have found an increasingly rich and varied opportunity set. In this market we believe that hard work, a focus on idiosyncratic catalysts to unlock value, together with our own activism, are key tools to drive returns. Reflective of all this, during the year we meaningfully deployed your Company’s gearing for the first time since late 2021.

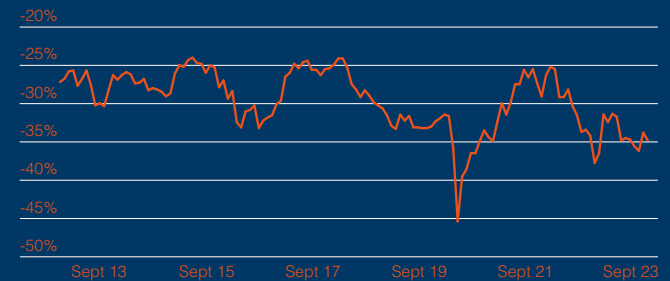
Within this context AVI Global Trust’s NAV increased by +15.3%<sup>1</sup> on a total return basis\*. This compares to a +10.1% return for the MSCI AC World ex-US index and a +10.5%<sup>1</sup> return for the broader MSCI AC World Index (now our comparator benchmark).

It is worth highlighting the strong recovery in relative performance since the interim report in March, outperforming the two indices by +9.6% and +5.5% respectively. Of course, our aim is not to optimise performance over six-month periods, nor do we expect to be judged over single financial years. Still, such performance is pleasing to see and validation for holding course when the numbers didn’t look so pretty. Deviation from the benchmark is a feature not a bug of concentrated high conviction portfolios, and a prerequisite for success.

Performance has been driven by stock selection – something we believe is coming back to the fore. Our high conviction larger weight holdings, such as Apollo, KKR, FEMSA and Schibsted, have on average performed better. The latter two are good examples of the types of idiosyncratic “events” to which we are attracted – management teams and boards are undertaking strategic and structural changes to unlock value.

We are also excited about opportunities where we can add value as an engaged and active shareholder. This is particularly true in the London-listed closed-ended fund market, where discounts are historically wide and commentary about the continuing relevance of the sector is rife. This provides a fertile hunting ground and we have built new positions in Pantheon International and Princess Private Equity over the last year, whilst also meaningfully adding to what was a small tail position in Hipgnosis Songs Fund.

### Weighted average discount\*



Source / Estimated by AVI as at 30 September 2023.

### WEIGHTED AVERAGE DISCOUNT\*

**-35.0%**

### ANNUALISED NAV 10 YEAR TOTAL RETURN PER SHARE\*

**+9.6%**

For further information, please turn to **page 12 of the Annual Report**

### Equity portfolio value by market capitalisation



	2023 %	2022 %
<£1 billion	31	29
>£1 billion – <£5 billion	31	30
>£5 billion – <£10 billion	11	11
>£10 billion	27	30

\* For definitions, see Glossary on pages 103 to 106.

<sup>1</sup> See Glossary. All performance figures in GBP.