Investment Review / Investment Manager's Review

About Asset Value Investors

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:

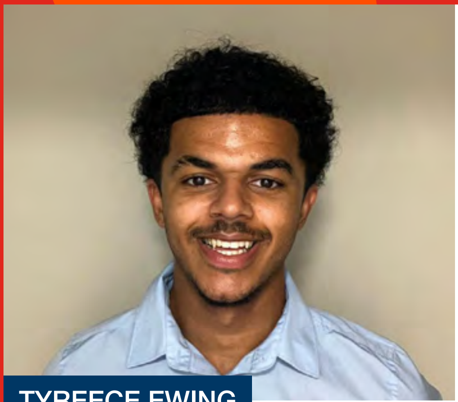
1. 38 years' experience of long-term outperformance following our distinctive investment style (annualised NAV total returns of +11.5% since 1985*).

2. AVI actively looks for the catalyst within a company which will drive fundamental change.

3. AVI promotes active involvement to improve corporate governance and to unlock potential shareholder value.

* Refer to Glossary on pages 103 to 106.

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



TYREECE EWING

10,000 Black Interns

The 10,000 Interns Foundation champions underrepresented talent and promotes equity of opportunity, offering students and graduates paid internship opportunities across a range of UK industries.

#10000 BLACK INTERNS

'It's a bittersweet moment to share that my incredible journey at Asset Value Investors has come to an end. I can't believe how fast time has flown but I guess time flies when you're having fun!

During my time at AVI, I had the privilege of working alongside a highly skilled and supportive team. From day one, I was entrusted with meaningful responsibilities and given the opportunity to contribute to important projects.

I am immensely grateful for the last six weeks at AVI where I have enhanced my skills, especially in producing valuation models and pitching financial recommendations. My exposure to different aspects of the firm's operations have deepened my understanding of the investment management industry.

A special mention to Wilfrid Craigie, Ross McGarry and William Hawkes who have been instrumental in my progress here. Their guidance and expertise has massively helped my progress and taught me many things.

A huge thank you to 10,000 Black Interns and AVI for this incredible opportunity. I am truly grateful for the support and encouragement I received throughout my internship. Looking forward to staying connected and continuing to learn more about the industry.'

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 businesses trading at wide discounts to their net asset value 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 in funds which they manage. As at 30 September 2023, AVI's investment team owned 1,118,477 shares in AGT.

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, more recently, Japanese cash-rich operating companies. 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. The first is 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, Stellantis, Universal Music, MGM Resorts, Aker BP, and many more.

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 exposure to many quality companies, such as Chipotle Mexican Grill, Hilton Worldwide, Universal Music Group, Canadian Pacific Railway and many more. 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 13 Japanese operating companies which have, on average, 64% 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 7.5x 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.

Investment Review / Promoting Sustainable Attitudes

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.

EMPLOYEES WITH EQUITY OWNERSHIP IN AVI

41%

ONE OF THE ORIGINAL 200 INVESTMENT FIRMS TO SUPPORT THE 10,000 BLACK INTERNS PROGRAMME

DIVERSITY OF WORKFORCE

	2023 Number	2023 %
Male	15	65
Female	7	35

OUR PURPOSE

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

The people at Asset Value Investors are committed to leveraging our long heritage, stewardship, and expertise to make investing responsible, accessible, and profitable for everyone – individuals, families, institutions, private companies, and listed companies. Financial returns matter but we are in a unique position to influence positive change by questioning the practices of the companies we invest in for 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 sustainability considerations into our investment strategy is not only integral to comprehensively understanding each investment's ability to create long-term value, but aligned with our values as responsible investors.

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 will reward long-term responsible investment and better align investors with the broader objectives of society. AVI became a signatory to the UN-supported Principles for Responsible Investment (PRI) on 9 April 2021. In doing so, we have confirmed our belief in our duty to act in the best long-term interests of our beneficiaries.

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 database and implemented a number of processes to support the integration of ESG considerations into each stage of the investment process.

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

Our metrics within each of these areas enable us to assess corporate governance practices and evaluate a company's impact and dependencies on the environment and society, and the extent to which these are being effectively managed.

* Drawing on the World Economic Forum's '21 core metrics', **https://www.weforum.org/stakeholdercapitalism/our-metrics**

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.

Assess 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.

Investment Review / Promoting Sustainable Attitudes continued

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, however, if necessary, we are willing to take our concerns public to raise awareness and compel change.

Our approach to engagement is highly bespoke and covers a wide range of topics including ESG themes. We identify ESG engagement topics on a case-by-case basis and avoid generic guidance, instead carefully analysing the issue within the company's particular context and offering specific suggestions to address weaknesses and sustainably enhance corporate value.

COLLABORATIVE ENGAGEMENT

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

Corporate Mental Health Benchmark
CCLA

In January 2023, we joined CCLA's global initiative seeking to improve the corporate approach to workplace mental health. LVMH, one of our portfolio companies in the initiative's scope, have since taken significant steps to demonstrate their commitment.

Engagement Breakdown*

GOVERNANCE

61%

61%

SOCIAL

21%

21%

ENVIRONMENTAL

18%

18%

* % breakdown of total ESG engagements (101) during FY23. Engagements with portfolio companies may address multiple themes at once.

AGT 2023 Proxy Voting Record**

TOTAL VOTED

100%

100%*

VOTED AGAINST MANAGEMENT

23%

23%

VOTED WITH MANAGEMENT

77%

77%

* 6% of these votes were not officially counted for technical reasons.

** As at 30/09/2023.

HIGHLIGHTS FROM 2023

1. AVI published its Stewardship and Voting Policy

2. AVI reported through the PRI for the first time

3. AVI will publish its first ESG Report

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

Useful resources:

https://www.ccla.co.uk/mental-health

https://www.assetvalueinvestors.com/process/esg-approach/

www.issgovernance.com/esg/screening/

ESME MORTER

AVI ESG Analyst

> ESG cannot usefully be universally applied; it must be carefully considered within the context of each company.

Esme Morter
ESG Analyst

AVI has traditionally focused on the 'G' in ESG and has nearly 40 years' experience engaging constructively with boards and management of portfolio companies to promote strong governance practices. This expertise has stood us in good stead when deepening our approach to ESG.

We view strong governance as the foundation for effective management of E & S issues. However, we do not take a hands-off approach to the E & S. Indeed, although we prefer to conduct our engagement in private, last year we submitted shareholder resolutions at SK Kaken's AGM, one of which addressed its failure to transparently report and address its environmental impact, which resulted in the company disclosing annual emissions for the first time in 2023.

ESG cannot usefully be universally applied; it must be carefully considered within the context of each company. The system we have developed complements our deep fundamental analysis and readiness to constructively engage with companies in a highly bespoke way, allowing nuance and honed judgement to drive our actions. ESG is complex, interconnected and constantly evolving, and we expect our approach to ESG to continue to actively evolve.

TSI HOLDINGS

We are encouraged by TSI Holdings' progress in weaving sustainable practices into the fabric of the company.

AVI first invested in TSI Holdings, which owns a collection of diversified apparel brands including PEARLY GATES, Margaret Howell, HUF and Stüssy, in July 2022. TSI joined AGT's portfolio in January 2023 and we are now the largest shareholder with c. 8.6% stake across all AVI funds. We have built a strong relationship and constructive dialogue with the company, holding 14 meetings, visiting its HQ in Japan, and sending a 43-page presentation, offering detailed suggestions to address its undervaluation and build sustainable corporate value.

Our approach to engagement is highly bespoke, looking at the company as a whole and considering all drivers relevant to its long-term success. Companies operating in the apparel sector are exposed to heightened environmental and social risks. As part of wider analysis on both financial and operational enhancements, our presentation identified a number of ESG-related improvements regarding the visualisation and management of GHG emissions, responsible supply chain management, diversity, employee training and development, and performance linked pay.

TSI Holdings recognises that the majority of its impact on the environment and society occurs in its value chain and is demonstrating its commitment to managing this. The company has partnered with Boost Technologies to develop a centralised mapping and managing tool, covering all of the company's more than 50 apparel brands, to monitor emissions and drive decarbonisation across the entire supply chain. This commitment is bolstered by TSI Holdings having its emission reduction targets approved by the Science Based Targets initiative (SBTi) in October 2023.

The board and management continue to be receptive to our suggestions and we are encouraged by their proactive mindset. TSI Holdings' share price has increased by 134% since we initiated our investment. We continue to engage with the company on a wide range of themes, and we see significant opportunities to unlock value.

Read more of our insights on our website:
www.assetvalueinvestors.com/agt/about-the-trust/our-edge/insights/

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Investment Review / Investment Manager's Report

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.

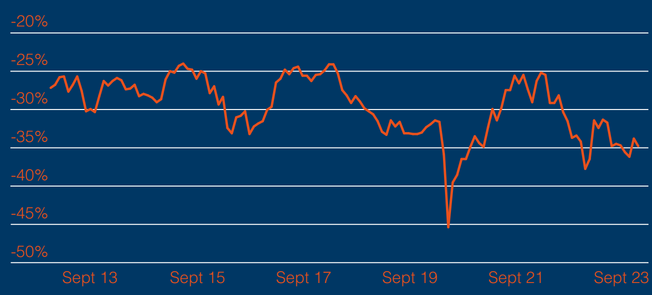
Within this context AVI Global Trust's NAV increased by +15.3%[1] on a total return basis*. This compares to a +10.1% return for the MSCI AC World ex-US index and a +10.5%[1] return for the broader MSCI AC World Index (now our comparator benchmark).

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.

[1] See Glossary. All performance figures in GBP.

Investment Review / Investment Manager's Report continued

Performance Review continued

Despite broader enthusiasm from other investors, our performance in Japan has been a relative weak spot over the last 12 months. Wacom and Digital Garage have been notably poor performers, and a number of our other holdings have failed to keep up with a strong market where capital has principally flowed to larger cap names. Disappointing local price returns have been exacerbated by continued Yen weakness.
It is our expectation that Japan's divergent monetary policy will not persist indefinitely. As and when this occurs the Yen will be a further tailwind behind our backs. More generally we continue to be excited about the rich opportunity set we find in overcapitalised Japanese small caps, and the role we can play in unlocking and creating value.

Looking ahead and borrowing a quote from the CEO of a US automaker on a recent earnings call, the macro environment remains "opaque at best". Bond markets have increasingly started to reflect "higher for longer" rates and we appear to be in a new epoch of non-zero interest rates and a price for risk. Tail risk remains that the infamous "long and variable" monetary policy lags bite unexpectedly, with the UK Liability Driven Investment (LDI)-crisis and US banking crisis having highlighted how systemic problems can suddenly emerge as liquidity conditions tighten.

Readers should know by now that our approach to investing is focused on bottom-up stock picking. We are highly sceptical of the quality of our macro insights and their utility in guiding investment decisions. As such we remain focused on the fundamentals. Discounts – as indicated by our 35% portfolio weighted average discount – are at wide levels historically associated with times of panic and market stress. Such starting valuations provide a strong bedrock and give comfort in an uncertain world.

Overall, we continue to believe that we are in a challenging market environment in which hard work, stock selection and engagement will be differentiating factors. In this vein, we are cautiously optimistic about the prospects for the concentrated-yet-diverse portfolio of high-quality-yet-lowly-valued companies we have assembled, and the potential for attractive long-term returns from the areas of the equity market on which we concentrate.

Source / Belron

A UNIQUE INVESTMENT PORTFOLIO

D'Ieteren is a seventh-generation Belgian family-controlled holding company whose crown jewel asset is a 50% stake in unlisted Belron, the global no.1 operator in the Vehicle Glass Repair and Replacement (VGRR) industry.

We have invested in D'Ieteren across our other funds since 2018 however liquidity was historically insufficient for AGT to build a meaningful stake. In March 2022, following the publication of disappointing full year results, the shares fell -11% on a day the MSCI Europe index was up +6%. We initiated a position the very same day and have added to the position subsequently. In 2023 we added to the position to make it a top 10 holding.

The bulk (65%) of D'Ieteren's NAV is accounted for by Belron, which readers might be more familiar with as Autoglass (UK), Safelite (US) or Carglass (EU). Belron is many multiples larger than competitors with >40% US market share, giving it significant scale advantages in terms of purchasing economies of scale and cost leadership, relationships with insurance partners who are industry gatekeepers, and technological investment, which has become increasingly relevant.

Increased windshield complexity and the requirement for Advanced Driver Assistance System (ADAS) cameras to be recalibrated upon replacement has re-accelerated top-line growth and taken margins from 6% in 2018, when we visited the European Distribution Centre in Bilzen, to 18% in 2022. We expect Belron to keep riding this wave, with ADAS set to become a larger proportion of the global car parc, supported by a legislative tailwind. Over the medium-term sales should grow at a high single digit rate with margin expansion translating to mid-teens growth in operating profits. Longer-term a possible IPO will likely help crystallise value, with the recent appointment of Carlos Brito – who built AB InBev into a global behemoth – perhaps indicative of this plan. Indeed, given the presence of private equity co-ownership at Belron we believe some form of corporate event is probable in the coming years, with management highly incentivised to increase the equity value, which should act as a catalyst for D'Ieteren shares.

As well as this, D'Ieteren owns a collection of other smaller assets 1) a 40% stake in TVH Parts, a spare parts distributor focused on forklifts and other industrial machinery; 2) a 100% stake in D'Ieteren Autos, which distributes VW brands in Belgium; 3) a 100% stake in Moleskine, the luxury notebook group; and 4) a 100% stake in PHE, a European automotive spare parts distributor focused on the Independent Aftermarket (IAM). Both TVH and PHE are more recent acquisitions, and appear highly attractive, with defensive non-discretionary growth drivers, strong market positions and the potential for accretive bolt-on M&A.

D'Ieteren contributed +0.18% to AGT's NAV in 2023. The prospect for earnings growth at Belron, as well as the strong outlook for D'Ieteren's other holdings, bode well for prospective NAV growth. At a 41% discount, there is potential further upside from discount narrowing. We are excited about prospective returns.

Read more of our insights on our website:
www.assetvalueinvestors.com/agt/about-the-trust/our-edge/insights/

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Investment Review / Investment Manager's Report continued

Market reaction is overdone

TOM TREANOR

Head of Research at AVI

Tom Treanor, AVI's Head of Research, considers **the opportunities in the Private Equity/Venture Capital (PE/VC) sector**, where valuations are cheap and discounts to Net Asset Value (NAV) are extraordinarily wide. Higher rates and tighter credit markets may have seen a slowdown in the sector, but Tom explains why that hasn't had a direct impact on AVI's portfolio, 21.4%* of which is made up of PE/VC names.

Q Why is AVI looking at PE/VC now?

A Valuations – that's the key driver for us. We've been active in the sector for 15 years and it's responsible for some of the best returns across our portfolio, but our exposure has waxed and waned in line with opportunities. In the wake of the Global Financial Crisis (GFC), a lot of companies got themselves in trouble in the PE sector and were trading on extraordinarily cheap valuations and a very wide discount to NAV. That's when we were most active: we tend to be contrarian investors, so buying things when they're cheap and a little bit out of favour. Our exposure came down over the following five years and then ramped back up as discounts to NAV have widened, and the opportunity set has broadened for us.

Q Why is PE/VC specifically attractive to investment trusts versus open-ended funds?

A It comes down to a huge liquidity mismatch. If you manage an open-ended fund investing in AstraZeneca or Glaxo etc., and your investors want their money back, all you have to do is sell your shares and hand their money back. But not all assets are quite so liquid, such as open-ended property-focused funds. Every time there's some sort of crisis – be it the GFC, the Eurozone crisis or Covid, for example – these property funds put up their gates and prevent investors from redeeming their shares. That's because investors all run for the exit at the same time and the underlying assets aren't liquid enough to allow the managers to raise cash quickly and fund those redemption requests.

A privately owned company is also a very illiquid asset. That means the closed-ended structure (such as an investment trust) is the only structure that could possibly work for privately held companies because investors don't redeem their shares. If an investor wants to sell out of a closed-ended fund, they sell out their shares in a stock exchange to another investor and no money goes in or out of the fund.

Q How does the current economic environment affect your PE/VC exposure at AVI?

A We invest in PE and VC through publicly quoted investment companies, so we don't have any direct private asset exposure at all. There are about a dozen listed PE companies on the London market and those range from uberdiversified fund-of-funds to concentrated single-manager funds. Diversified fund-of-funds are good proxies for the broader PE market because there aren't any idiosyncratic factors present driving their share price or discount.

Going into mid to late 2021, those funds were trading at between 15% to 20% discount to Net Asset Value (NAV). If you look at them today, they're trading anywhere between 15% to 40% discount to NAV. That change could be the market saying valuations are stale and they're going to have to come down to meet share prices, which means it isn't a real discount. But we happily take the other side of that argument and think private valuations do lag public markets, but that they lag on the way up, too.

> The main difference between PE/VC is the maturity of the companies in which they invest.
>
> **Tom Treanor**
> Head of Research, AVI

Q How does the current economic environment affect your PE/VC exposure at AVI? continued

A Private NAVs didn't creep up the same way public markets did but there was an essence of in-built equity valuation buffer. The real damage we saw in public markets was in the unprofitable tech sector, to which PE isn't particularly exposed. Companies that have high free cash flow and are in defensive sectors have held up much better than public markets, and those tend to be overrepresented in PE portfolios. As we only invest in quoted investment companies, the financing market drying up hasn't really had much of a direct impact on our portfolio companies because their portfolios were all fully formed by late 2021.

But we have seen a dramatic slowdown in both the pace of these companies' new investments and in the pace of their exits. That means we need to scrutinise the balance sheets of our investee companies, making sure they can withstand periods where exits dry up, making sure they have enough cash on the balance sheet to cope with that sort of environment, and making sure they have prudent banking facilities in place. In an environment like this, the metrics we use to analyse companies change, so as the backdrop worsens, we're focusing on the balance sheet much more than we were previously. The sell-off in public markets and fears around PE and VC has meant listed companies across the board have become very cheap. So, starting in early 2022, we ramped up our PE and VC exposure; some of the discounts to NAV are at extraordinarily wide levels. Overall, while there are genuine concerns out there and there are reasons to be fearful, we think the market reaction has been overdone.

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

* Based on net assets.

PRINCESS PRIVATE EQUITY (6.2% OF NET ASSETS)

During FY2023, we built a 10% stake in Princess Private Equity (PEY), a London-listed closed-ended fund managed by Swiss private equity manager Partners Group (PG).

PEY invests in global buyouts on a co-investment basis alongside Partners' direct investing programmes.

A high dividend policy had kept Princess' discount relatively narrow until cash outflows from their FX-hedging programme forced a suspension of the dividend in late-2022. We opportunistically built our position in the wake of the sell-off that followed. The dividend has since been restored and the share price has recovered, but we believe there is room for further discount narrowing through engagement with the Board and Manager.

Read more of our insights on our website:
www.assetvalueinvestors.com/agt/about-the-trust/our-edge/insights/

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Source / Urupong

Investment Review / Investment Manager's Report continued

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 below 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 6.3% of AGT's NAV. One of Aker ASA's holdings is Aker BP, a Norwegian Oil & Gas company, which accounts for 63% of Aker ASA's own NAV. This translates to AGT having an effective exposure to Aker BP of 3.9% of AGT's NAV. The table below is an indication of the degree of diversification of the portfolio.

Look-through companies	Parent company	Underlying look-through weight	Look-through holding sector
KKR Fund Management Business	KKR & Co	5.4%	Asset Management and Custody Banks
FEMSA Comercio	FEMSA	4.6%	Food Retail
Nordic Marketplaces	Schibsted B	4.4%	Interactive Media and Services
Adevinta	Schibsted B	4.1%	Interactive Media and Services
Apollo Fund Management Business	Apollo Global Management	4.1%	Asset Management and Custody Banks
LVMH	Christian Dior SE	3.9%	Apparel, Accessories and Luxury Goods
Aker BP ASA	Aker ASA	3.9%	Oil and Gas Exploration and Production
Nihon Kohden Operating Business	Nihon Kohden	3.1%	Healthcare Equipment
Belron	D'Ieteren Group	2.6%	Specialized Consumer Services
Brookfield Asset Management	Brookfield Corporation	2.2%	Asset Management and Custody Banks
Wacom Operating Business	Wacom	2.0%	Technology Hardware, Storage and Peripherals
Universal Music Group	Pershing Square Holdings, Bollore	1.7%	Movies and Entertainment
Brookfield Property Group	Brookfield Corporation	1.7%	Real Estate Development
Athene	Apollo Global Management	1.7%	Asset Management and Custody Banks
Godrej Consumer Products	Godrej Industries	1.7%	Personal Products
Godrej Properties	Godrej Industries	1.4%	Real Estate Development
REA Group	News Corp	1.3%	Interactive Media and Services
Dow Jones	News Corp	1.3%	Interactive Media and Services
DTS Operating Business	DTS	1.2%	IT Consulting and Other Services
MGM Resorts International	IAC	1.1%	Casinos and Gaming

Pershing Square Holdings: How the look-through analysis works

Pershing Square Holdings is a Euronext and London-listed closed-ended fund in which AGT invests. Although Pershing Square Holdings is just one fund, it has investments in multiple different listed companies, providing your Company's portfolio with exposure to a diversified collection of businesses.

Company name	Estimated % of Pershing Square Holdings' portfolio	Geography	Sector
Universal Music Group	21.7%	Global	Movies and Entertainment
Chipotle Mexican Grill	12.4%	United States	Restaurants
Lowe's	11.6%	United States	Home Improvement Retail
Restaurant Brands	10.9%	North America	Restaurants
Alphabet	10.6%	Global	Interactive Media and Services
Hilton	9.4%	North America	Hotels, Resorts and Cruise Lines
Howard Hughes	8.7%	United States	Real Estate Development
Canadian Pacific Railway	8.1%	North America	Rail Transportation
Interest Rate Swaptions	5.5%	United States	
Fannie Mae & Freddie Mac	1.0%	United States	Commercial and Residential Mortgage Finance

CONTRIBUTORS

Apollo Global Management

Classification
Holding Company

% of net assets[1]
5.8%

Discount
-30%

% of investee company
0.1%

Total return on position FY23 (local)[2]
94.4%

Total return on position FY23 (GBP)
78.5%

Contribution (GBP)[3]
275bps

ROI since date of initial purchase[4]
84.2%

US-listed alternative asset manager Apollo (APO) was our top contributor over the financial year, adding +275bps to NAV as its share price almost doubled (+98% total return in USD vs +21% for the S&P 500). This was despite the company being swept up in the banking sell-off in March 2023 on misguided concerns that failed to recognise important differences between bank deposits and the annuity liabilities of Athene (Apollo's wholly-owned life insurance arm). We took advantage of the market confusion to add to the position near the lows reached in March.

Taking a step back to our original investment case for Apollo, we believed the business was poorly understood by the market when we first initiated a position back in April 2021 ahead of its announced merger with sister company Athene Insurance. AGT shareholders with long memories may recall that we had a very profitable investment in Athene from 2012 to 2017 when it was a private investment held by a listed Apollo-managed vehicle called AP Alternative Assets.

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 its return-on-equity has averaged 16% over the last four years (in line with its target of mid-to-high-teens).

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, a material proportion of Athene's growth was likely to be funded by third-party "sidecar" vehicles.

The market seems to increasingly have come round to our more positive view on Apollo as evidenced by the strong share price performance over 2023 on the back of earnings upgrades. Higher rates have led to very strong demand for annuities (unsurprisingly, people prefer to earn higher rather than lower rates on their investments even if only in nominal terms) with retail inflows on track to surpass 2022's record of $20bn. At 30 June 2023, Athene had already had $15bn of inflows for the year.

To some extent, each of the listed alternative asset managers has made a different bet: Blackstone on real estate; Ares on subordinated debt; Brookfield on infrastructure, etc. Apollo have focused on investment grade private credit, a market that can be measured in the tens of trillions. It is becoming increasingly understood that Athene is integral to this push. As a life insurance business seeking to earn a return over and above that paid out on its annuities and other liabilities, Athene needs safe (investment grade) credit and – given its long-dated sticky liabilities – can invest in private assets to earn an illiquidity premium.

This is where Apollo's investments in origination platforms come into play. These are attractive investments in their own right that sit within the 5% of Athene's balance sheet allocated to alternative investments. In the business of originating investment grade assets (aviation financing, mid-market lending, mortgages, supply chain finance, etc.) they find a natural home on Athene's balance sheet and those of third-party insurance companies and other institutions who draw comfort in the alignment of interest from investing alongside Athene. In addition to one-off syndication fees, Apollo is increasingly earning ongoing management fees from many of these third parties establishing separately managed accounts.

Athene is at the heart of this flywheel and provides Apollo a huge advantage over peers in what CEO Marc Rowan has termed the "Fixed Income Replacement Opportunity", with the potential market for investment grade private credit estimated at as much as $40 trillion. Regulatory moves to increase capital requirements of the US banking sector are expected to accelerate this, with JPMorgan CEO Jamie Dimon suggesting that Apollo executives would be "dancing in the streets" due to the measures.

Trading on just 11x 2024 expected earnings, we see considerable scope for continued further upside for Apollo shares with the company on track to hit its $1 trillion AUM target by 2026.

1 For definitions, see Glossary on pages 103 to 106.
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 103 to 106 for further details.

Portfolio Review continued

CONTRIBUTORS

FEMSA

Classification
Holding Company

% of net assets[1]
6.3%

Discount
-28%

% of investee company
0.3%

Total return on position FY23 (local)[2]
76.9%

Total return on position FY23 (GBP)
61.9%

Contribution (GBP)[3]
258bps

ROI since date of initial purchase[4]
68.8%

FEMSA added +258bps to returns during a period in which the company completed its strategic review and took structural steps to unlock value and reduce the wide discount at which the company trades. In this context, the shares returned +78% as a +50% increase in the NAV was boosted by a narrowing of the discount from 39% to 28%.

As readers may remember, we initiated a position in FEMSA in 2021, with an investment case predicated on the highly attractive nature of FEMSA Comercio – which operates Oxxo-branded convenience stores, and other small-format retail stores, across Mexico and Latin America – and the unduly low valuation the market was awarding the business. In 2022 management announced a "comprehensive strategic review" of the group structure with a focus on reducing the sum-of-the-parts discount.

In February 2023, FEMSA concluded its strategic review – announcing plans to simplify the group structure, monetise non-core assets and re-focus on its core business. Most importantly, the company announced plans to exit its stake in Heineken, which prior to the announcement was worth some $7.8bn, or c.28% of FEMSA's market cap. Following two accelerated book builds in February and May, FEMSA has now fully exited Heineken (bar €500m of shares underlying an exchangeable bond). In addition, FEMSA announced the sale of Jetro Restaurant Depot (JRD) for $1.4bn and in August it was announced that Envoy Solutions would merge with BradyIFS, as a first step in FEMSA exiting the business, with a $1.7bn cash inflow and a 37% stake in the combined entity.

Despite strong performance we believe the shares remain cheaply priced, with the underlying intrinsic value/NAV having compounded at a high rate. This speaks to the attraction of finding investments that exhibit both special situation-type catalysts and high-quality growth. It is this latter point which is particularly important to us – asset quality and the prospect for NAV growth are key to our style of investing. In this vein we believe that Oxxo has one of the most robust retail models we have come across, with a long growth runway, strong unit economics and high returns on capital. New store openings are now running above 1,000 on a trailing 12-month basis once again, and we believe the company can reach c.30,000 units in Mexico by the end of the decade (from just shy of 22,000 currently), with strong prospects for further potential growth in Brazil.

At current prices, FEMSA trades at a 28% discount to our estimated NAV and with the stub* at an inordinately wide discount to closest-peer, Walmex (8.7 x vs. 11.9x). Pro-forma of the JRD and Envoy Solutions transactions, we estimate that FEMSA is now in a modest net cash position vs. management's target of 2.0x net debt/EBITDA. This implies the company has "excess" capital of c.$7bn equating to c.18% of its market cap. Investors, not entirely without reason, are cautious over how this will be deployed, and we have been encouraging management to use the proceeds for share buybacks.

1 For definitions, see Glossary on pages 103 to 106.
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.
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* The stub represents the value of the remaining unlisted assets in a company after subtracting the total value of listed assets and net debt from its market cap.

CONTRIBUTORS

Schibsted B

Classification
Holding Company

% of net assets[1]
8.6%

Discount
-34%

% of investee company
2.2%

Total return on position FY23 (local)[2]
43.9%

Total return on position FY23 (GBP)
34.9%

Contribution (GBP)[3]
233bps

ROI since date of initial purchase[4]
24.8%

In the summer of 2022 we initiated a new position in Schibsted, the Norwegian holding company. Today Schibsted is AGT's largest position and was one of the strongest contributors to your Company's performance, adding +233bps to returns. Over the course of the year the shares increased +63%, as a +35% increase in the NAV was boosted by a narrowing of the discount from 45% to 34%.

Whilst the origins of the company date back to a publishing business in the 1830s, from the turn of the millennium, Schibsted have built and bought a collection of online classified advertising businesses, which today account for the bulk of the value. This is spread across Schibsted's unlisted Nordic assets (52% NAV), and a stake in Adevinta (49% NAV) which they listed in 2019 as a vehicle to house their international classified ads businesses and pursue sector consolidation (which it has done via the acquisition of eBay's classified ads business for $9.2bn in 2020).

Such businesses exhibit "winner-takes-most" dynamics, with strong network effects whereby listing inventory and user traffic mutually reinforce one another. The dominant #1 player in a category becomes the reference point for individuals or businesses looking to buy and sell in that vertical. This integral position translates into high levels of pricing power and excellent financial profiles, with healthy organic growth rates, EBITDA margins of 40-60% and high free cash flow conversion.

Attune to these attractions we had monitored Schibsted from afar for a number of years. However, it took a more than 60% decline in the share price from the summer of 2021 to June 2022 to pique our interest. Both Schibsted and Adevinta had been caught in a perfect storm of earnings downgrades and multiple compression. On top of this, at the Schibsted holding company level investors had increasingly questioned capital allocation and the group structure.

As such, we were able to build a position in the B shares at a c.45% discount to our estimated NAV and with the stub assets trading at an anomalously low implied c.6x forward EV/EBITDA. It was, and is, clear in our view that resolving the ownership stake in Adevinta (which accounts for ~two-thirds of Schibsted's market cap) is key to unlocking the trapped value, with either an in-specie distribution or sale of Adevinta suitable outcomes to both re-rate the stub and help realise a fair value for the Adevinta stake.

In September 2023 it was confirmed that Blackrock and Permira have made a non-binding proposal to take Adevinta private. This will see Schibsted crystallise a large portion of its value, whilst also retaining a stake in the private company. Of course, the devil will be in the detail, with the pertinent questions being around price and the size of the stake that Schibsted will retain.

The deal will allow Schibsted to garner a control premium (albeit an unknown one) and remove some of the friction of an in-specie distribution. Most importantly, it will go some way to simplifying the group structure, shining a light on the undervaluation of the stub assets.

On the other hand, this raises the risk of capital (mis)allocation – something we will continue to discuss with Schibsted management. We are also frank about the low value the market will likely ascribe to Schibsted's remaining unlisted stake in Adevinta. Indeed, it is our contention that the ideal scenario would be for Schibsted to wholly exit Adevinta – either via this transaction, or, failing that, through an in-specie distribution. However, we acknowledge that the return on the retained position has the potential to be highly attractive, with significant low hanging fruit from non-core asset sales (OLX Brazil plus Italy and maybe Spain); improving monetisation rates at Mobile and Leboncoin, which currently under-earn relative to global peers and the economic utility they provide; and improving margins with tighter cost control (particularly at HQ which runs to tune of ~€250m p.a.).

Schibsted remains cheaply valued at a 34% discount to NAV and with the stub trading at 6.7x NTM EBITDA. Further news on Adevinta will be the key catalyst to drive both NAV growth and discount narrowing. We remain excited about prospective returns and continue to engage with the company and other stakeholders to ensure that a satisfactory outcome is achieved. It is important that any transaction fixes the undervaluation of both Adevinta and Schibsted shares.

1 For definitions, see Glossary on pages 103 to 106.
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 103 to 106 for further details.

Portfolio Review continued

Schibsted / Adevinta

Adevinta owns a collection of high-quality classified ads businesses that exhibit dominant network effect-protected positions, which translates into significant pricing power and considerable organic growth, with prospects for high-teen EBITDA growth in the years ahead as margins expand and monetisation levels improve.

% OF NET ASSETS

8.6%

Source / Schibsted

CONTRIBUTORS

KKR & Co

Classification
Holding Company

% of net assets[1]
6.8%

Discount
-27%

% of investee company
0.2%

Total return on position FY23 (local)[2]
44.5%

Total return on position FY23 (GBP)
32.2%

Contribution (GBP)[3]
177bps

ROI since date of initial purchase[4]
135.1%

KKR was amongst our largest contributors for the year, adding +177bps to returns on the back of a share price that ended the period +45% higher (total return in USD) vs +21% for the S&P 500 Index. The investment was one of our largest detractors in AGT's previous financial year, and a top contributor in the year before that. Less long-windedly, KKR's share price is volatile.

Share price performance suggests investors view alternative asset managers as high beta plays on risk assets. Our contention is that this ignores the defensive characteristics of scale-advantaged managers, and the structural growth trends the industry exhibits.

The current assets under management (AUM) that alternative asset managers have is for the most part long-term, or even permanent, and so the risk of redemptions is very limited. In the case of KKR, over half of its AUM is either perpetual capital or long-dated strategic investor partnerships (separately managed accounts in which capital is recycled following exits); just 9% of AUM is from vehicles with a life of less than eight years at inception.

This gives rise to a high level of visibility on future earnings. We note that KKR's fee-related earnings per share for H1-2023 grew +7%, with the non-cyclical management fees component increasing by +16%.

Secular trends towards greater institutional allocations to alternatives, particularly in private credit and infrastructure, are a forceful tailwind for the industry. Against that backdrop, we expect the largest players such as KKR to take a disproportionate share of that growth as LPs look to consolidate their number of LP relationships. While there is certainly some indigestion across LPs after record fund-raising years, KKR is in the enviable position of having already raised the latest iteration of its flagship funds.

Blackstone's success in raising capital from private wealth channels has materially raised the total addressable market for the alternative asset managers. While KKR's presence in this space is still relatively nascent, they have invested heavily in distribution and expect 30-50% of new KKR capital to be sourced from private wealth channels over the next several years. The size of the market is so vast that even a small up-tick in allocations to alternatives could have seismic results, with an expected increase from 1% in 2020 to 5% in 2025 translating to an additional $9 trillion of inflows. We expect there to be only a few winners in this space, consisting of the largest managers with the most recognised brands.

Despite these tailwinds, KKR trades on less than 20x fee-related earnings. Note this multiple is calculated only accounting for accrued carried interest, so giving no credit for additional carry earned on existing funds and on future funds. This compares very favourably to peers, and to other financials companies of similar quality (i.e. growth and margin characteristics). With Blackstone having become the first alternative asset manager to enter the S&P 500, we believe it is a matter of time before KKR and Apollo are also selected for inclusion. This could lead to as much as 20% of their free float being bought by index-tracker and "index-aware" investment vehicles.

1 For definitions, see Glossary on pages 103 to 106.
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 103 to 106 for further details.

Investment Review / Investment Manager's Report continued

Portfolio Review continued

CONTRIBUTORS

EXOR

Classification
Holding Company

% of net assets[1]
2.0%

Discount
-43%

% of investee company
0.1%

Total return on position FY23 (local)[2]
20.7%

Total return on position FY23 (GBP)
19.8%

Contribution (GBP)[3]
147bps

ROI since date of initial purchase[4]
42.5%

EXOR was a meaningful contributor to returns. Over the last year EXOR shares have marched +28% higher, driven exclusively by NAV growth, with the discount broadly unchanged at 43%.

In last year's Annual Report, we described a situation of strong performance at Ferrari being offset by "hard to justify" weakness at Stellantis. This year both contributed strongly, with share price total returns of +47% and +62%, respectively.

Performance at Stellantis is particularly pleasing, with the industrial and financial logic of the merger shining through. Longer-term readers of our letters may remember that the extreme undervaluation of FCA (as it then was) and the scope for value creation through industry consolidation were key attractions that initially led us to invest in EXOR in 2016. For Stellantis' 2022 results the company reported a 13.0% operating margin and achieved €7.1bn of net cash synergies – exceeding the €5bn merger target more than two years ahead of plan. The consensus view amongst investors is that the auto industry faces a period of deflation, with increased supply leading to higher dealer inventory and in-turn weaker pricing – which will dilute margins/earnings from unsustainably high post-pandemic levels. We have long held the view that it is in a more challenging environment that Stellantis' structural margin improvements and Carlos Tavares' obsessive focus on cost will shine through. With the shares trading at just 3.5x PE the market does not seem to be pricing this in.

During the year EXOR built a 15% stake in Philips, the (rather beleaguered) Dutch healthcare-focused conglomerate. Philips shares trade c.60% below their April 2021 high following a disastrous product recall, an FDA consent decree and unknown potential legal claims relating to concerns that sound abatement foam within its devices could disintegrate and cause health problems. We believe the investment meets the key criteria EXOR were looking for: reducing the cyclicality of EXOR's NAV exposure; gaining influence without paying a control premium, with potential further capital allocation opportunities if the company were to raise equity; and significant self-help opportunities that EXOR can push to support from the board – from improving governance, to improving operational procedures and longer term questions about unlocking value from the Personal Health (toothbrushes/shavers) business that has limited synergies with the rest of the group.

Despite its strong NAV performance, EXOR's discount remains wide at 43%. In recognition of this fact the company recently launched a €1bn (5% market cap) buyback program, €750m of which will be structured as a Dutch tender offer. We will not be taking part, having already reduced the position materially earlier in the year to free up capital for new ideas. Indeed, notwithstanding the reduction in our position, we believe the outlook for NAV growth and discount narrowing to be attractive.

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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 103 to 106 for further details.

EXOR/Philips

Philips is a Dutch healthcare-focused conglomerate, in which EXOR built a 15% stake in 2023. The shares trade c.60% below their April 2021 high following high-profile issues with the disintegration of sound abatement foam within its devices causing possible health issues. The investment diversifies the cyclicality of EXOR's NAV and offers ample opportunity for EXOR to add value as an engaged and active board member – from improving governance, to improving operational procedures and longer term questions about unlocking value from the Personal Health business.

% OF NET ASSETS

2.0%

Source / Philips UK and Ireland

Investment Review / Investment Manager's Report continued

Portfolio Review continued

DETRACTORS

Brookfield (Long Brookfield Corp/Short Listed Underlyings)

Classification
Holding Company

% of net assets[1]
5.1%*

Discount
-48%

% of investee company
nm

Total return on position FY23 (local)[2]
nm

Total return on position FY23 (GBP)
nm

Contribution (GBP)[3]
-103bps

ROI since date of initial purchase[4]
-13.0%

Brookfield Corporation was our largest detractor over the financial year, reducing NAV by 103bps. Note that this figure is the aggregated net impact from the long position in Brookfield Corporation and the short positions in index and underlying holdings established as hedges.

To recap, AGT acquired a position in what was then called Brookfield Asset Management in December 2022 ahead of the spin-off of a 25% stake in its asset management business. What was Brookfield Asset Management has been renamed Brookfield Corporation (BN); the spun-off asset management business has taken on the name of its parent company (BAM).

Our research highlighted that BAM (as it was) was trading at a dislocated valuation and that either (i) the asset management business was being valued on too cheap a multiple or (ii) the discount on the other assets was too wide. Share price moves subsequent to the spin-off proved the latter to be the case, and we sold our stake in the spun-off asset-management business to acquire more of the more attractively-valued Brookfield Corporation.

We have taken out short positions in most of the listed underlying holdings (Brookfield Asset Management, Brookfield Renewable Partners, and Brookfield Infrastructure Partners), accounting for 54% of NAV at the time of writing. In doing so, our exposure is limited to the underlying unlisted assets and will mean that a higher proportion of our prospective returns will come from discount moves than would otherwise be the case.

The main unlisted assets to which we are exposed are Brookfield Corporation's real estate holdings which account for 36% of NAV at the current reported valuation. There is considerable scepticism around this valuation given the headwinds facing office properties due to work-from-home trends and regulatory-driven upgrades to environmental standards. Indeed, much of the company's properties are in office and retail. We understand these concerns but we contend that, with a materially negative value implied on the real estate by Brookfield Corporation's share price, the shares are attractively valued. To illustrate this, the equity value for the real estate could be cut by 75% and the discount to NAV on which Brookfield Corporation trades would still be almost 30%.

Management have several levers to pull to address the undervaluation. These include further spin-offs of the remaining 75% stake in Brookfield Asset Management and more aggressive share buybacks.

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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 103 to 106 for further details.
* The weight shown reflects the long exposure calculated from the shares underlying the swaps.

Wacom

Classification
Asset-backed Special Situation

% of net assets[1]
2.3%

Discount
-38%

% of investee company
4.7%

Total return on position FY23 (local)[2]
-13.7%

Total return on position FY23 (GBP)
-23.3%

Contribution (GBP)[3]
-78bps

ROI since date of initial purchase[4]
-30.5%

Wacom was your Company's second largest detractor in 2023, reducing returns by -78 bps. Wacom is a Japan-listed company which holds c.60% global market share in the niche market of tablets and pens for professional use, designed to emulate the feel of pen and paper while drawing on a screen. AGT has invested in Wacom since August 2021 and has experienced a total return of -30.4% over this period.

Weak consumer sentiment and inflation in the North American and European regions, as well as semiconductor-related logistics disruptions, created significant headwinds for the consumer electronics industry. Wacom's flagship LCD graphic tablets were particularly affected by the economic downturn due to their relatively long replacement cycle of approximately five years, which has been prolonged further due to the deterioration of consumer sentiment.

In May 2023, Wacom's management disclosed a recovery plan to respond to this situation, announcing eight measures, including improving cash flow by significantly reducing inventories and increasing unit prices by up to 30%.

Dissatisfied with Wacom's performance, AVI has been strengthening its engagement with members of the Board, engaging on average at least once a month. Following these dialogues, the company announced a new share buyback, totalling up to JPY20bn to date. Out of the total buyback budget, approximately JPY14bn has not yet been implemented, equivalent to 15.1% of the company's market capitalisation. These buybacks are expected to be undertaken by the end of March 2025.

While peer forward EV/EBIT multiples average 16x, Wacom's EV/EBIT multiple based on company targets for the financial year ending March 2025 is 11x and just 8x for the following year. There has been no significant change in the company's global positioning through the Covid-19 period, and the company plans to launch a series of new products, including the Wacom One series, from early autumn 2023, indicating that it is implementing measures to stimulate consumer demand.

Overall, we expect the digitisation of the global design market to continue, and remain confident that Wacom, in its position as market leader, will be at the forefront of innovation in this segment.

DETRACTORS

Third Point Investors

Classification
Closed-ended Fund

% of net assets[1]
2.6%

Discount
-20%

% of investee company
4.1%

Total return on position FY23 (local)[2]
-1.1%

Total return on position FY23 (GBP)
-9.5%

Contribution (GBP)[3]
-68bps

ROI since date of initial purchase[4]
33.2%

Third Point Investors (TPOU) was, for the second consecutive year, one of the largest detractors from overall returns. Weak NAV performance (-2%) compounded with a widening discount (-17% to -20%) to produce a -6% decline in share price, far behind the returns of the S&P 500 (+21%) and the MSCI AC World Index (+21%). Returns for AGT in Sterling were depressed further by GBP strength vs the US Dollar.

Low double-digit positive returns from the credit book were insufficient to offset weak returns from the equity exposure where the Manager underperformed on both long and short exposures.

TPOU's short- and long-term performance track record is now deeply uninspiring with the vehicle having outperformed the S&P 500 in just four out of seventeen calendar years and far behind the index over all time periods to 30 September 2023. Over ten years, an annualised NAV total return of +4.4% falls well short of the +11.9% from the S&P 500 and the +8.3% from the MSCI World. While NAV volatility has generally been lower than equity indices, we do not believe that offers any great appeal for potential buyers of what has almost always been a majority equity-exposed strategy.

Shareholders may recall that AGT also owned a direct position in the Third Point Offshore Master Fund that underlies TPOU. This was acquired as a result of our participation in an exchange facility offered to TPOU shareholders in early 2022 that allowed qualifying shareholders to exchange a portion of their TPOU shareholding for shares in the Master Fund at a 2% discount to NAV. This saw 43% of our position exchanged for shares in the Master Fund, and we have since redeemed this holding at the maximum permissible rate and exited entirely in June 2023.

For our remaining position in TPOU, we draw some solace from the tender offer for 25% of the company's shares scheduled for Q2 2024. This is triggered if the average discount for the six months to the end of March 2024 exceeds 10%. Given that the current discount is 21%, we do not see any plausible scenario in which this tender offer will not be triggered. We plan to participate in full.

We expect the tender offer to be over-subscribed, leaving the fund not only 25% smaller in terms of net assets, but with the market aware of a large overhang of selling pressure. With no further exit opportunity until March 2027 and with an increased exposure to private investments, we would be surprised if the discount did not widen materially post-tender.

In this scenario, it is entirely appropriate that the share buyback programme should continue given the high return on investment from share repurchases, but we are mindful that this will have a further deleterious impact on already woeful liquidity. We expect to see the company then limp on until the next discount-contingent tender offer (at a tighter threshold of 7.5%) scheduled for March 2027 which, barring a remarkable turnaround in performance and sentiment, is also highly likely to be triggered. With no further exit opportunities scheduled thereafter, the discount is likely to widen yet further.

We believe there is a strong case for intervention from the Board to steer the company away from what seems to be an inevitable course.

1 For definitions, see Glossary on pages 103 to 106.
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 103 to 106 for further details.

Investment Review / Investment Manager's Report continued

Portfolio Review continued

DETRACTORS

Aker ASA

Classification
Holding Company

% of net assets[1]
6.3%

Discount
-24%

% of investee company
1.7%

Total return on position FY23 (local)[2]
-2.3%

Total return on position FY23 (GBP)
-7.8%

Contribution (GBP)[3]
-61bps

ROI since date of initial purchase[4]
75.4%

Aker was also a detractor from returns over the last year. On a total return basis shares and NAV declined -2.7% and -3.4% respectively with the discount moving slightly narrower to 24%. From AGT's perspective this was exacerbated by a -700bps depreciation of the NOK versus Sterling.

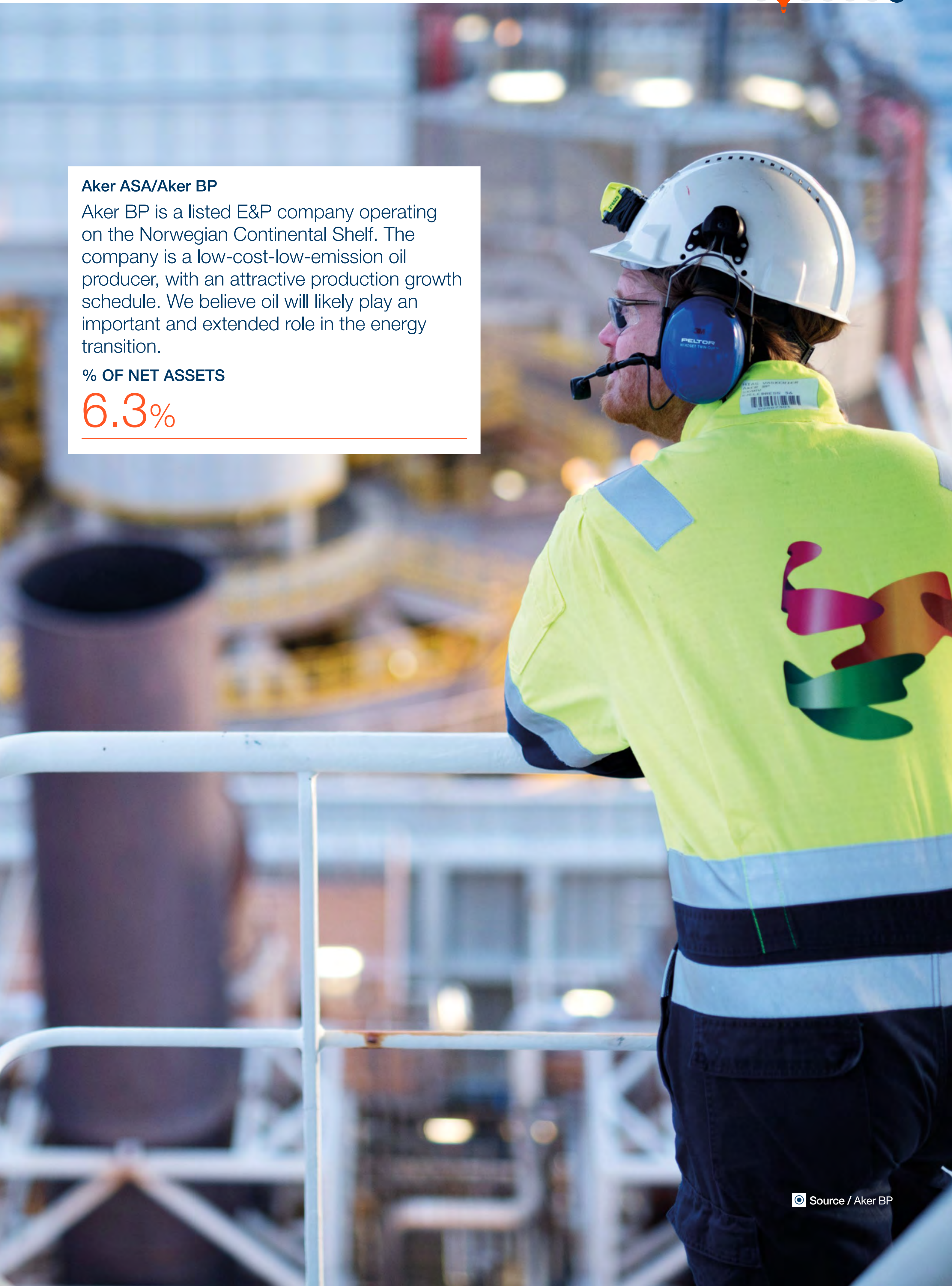
The rather modest year-over-year change in Aker's share price and NAV masks greater volatility in oil prices and related equities. From a November 2022 peak, oil prices fell some -24% to a spring trough, only to rally +36% through to the end of September 2023. Shares in Aker BP (62% of NAV) were similarly volatile but ended down by -3% on a total return basis.

We continue to believe that oil will play an important and elongated role in our energy mix in the coming decades. In this context we believe the prospects for well-managed, low-cost operators with long production growth schedules such as Aker BP to be attractive. This led us to more than double our position in Aker since the start of 2020.

Although there is grave uncertainty in the near-term, as evidenced by the steep decline in oil prices shortly after the end of the financial year, demand for oil will grow resiliently over the coming decade. A confluence of capital destruction, ESG policies, and the demise of Shale have firmly put the power with OPEC+, which has shown considerable appetite for flexing its muscles over the last twelve months. With limited spare production capacity and a much-depleted US Strategic Petroleum Reserve, OPEC's dominance will be a feature of the coming years.

We expect such an environment to be characterised by generally higher, albeit likely quite volatile, oil prices. Aker BP will benefit from this, as they embark on a significant production growth plan. In turn these cash flows can be returned to Aker through dividends (with Aker BP's dividend growing +10% year-over-year) and invested in higher growth/higher terminal value businesses. Over the last year, Aker have experienced some road bumps in this regard, with shares in Aker Horizons, the renewables holding company established in 2020, declining by some two-thirds (and now accounting for just 3% of NAV). This speaks to the operational complexity of solving the climate crisis and the capital required to get there – something which becomes more relevant when risk free rates are no longer zero.

1 For definitions, see Glossary on pages 103 to 106.
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 103 to 106 for further details.



Aker ASA/Aker BP

Aker BP is a listed E&P company operating on the Norwegian Continental Shelf. The company is a low-cost-low-emission oil producer, with an attractive production growth schedule. We believe oil will likely play an important and extended role in the energy transition.

% OF NET ASSETS

6.3%

Source / Aker BP

Investment Review / Investment Manager's Report continued

Portfolio Review continued

DETRACTORS

IAC

Classification Holding Company	**Total return on position FY23 (local)**[2] -26.3%
% of net assets[1] 3.3%	**Total return on position FY23 (GBP)** -17.4%
Discount -37%	**Contribution (GBP)**[3] -55bps
% of investee company 1.0%	**ROI since date of initial purchase**[4] -41.9%

Having been the most significant detractor from returns last year, IAC – the North American holding company controlled by Barry Diller – was also a detractor from returns this year. Over the course of the year the shares declined -9%, as a -15% decline in the NAV was partially sheltered by a narrowing of the discount from 41% to 37%.

In last year's Annual Report we wrote: "So what's gone wrong? The short answer is lots". This year fewer things have gone wrong, and there are green shoots of improvement, but nothing has gone right as such, and investors remain highly sceptical about the extent to which key assets Angi (12% of NAV) and Dotdash Meredith (10%) can drive both top and bottom-line growth.

In IAC CEO Joey Levin's quarterly letter at the start of the year, he talked of a "back to basics" strategy. This has clearly been evidenced at Angi, the home services marketplace. Since becoming CEO of Angi a little under a year ago, Levin has steadied the ship. Measures to reduce the cost structure have been implemented. There have been meaningful reductions in sales team headcount, and over the first half of 2023 capex has been cut by nearly two-thirds. He has started to simplify the product offering and ambition, turning losses from Services from -$13m in the second quarter of 2022 to profits of +$2m this year, as they exit un-economic offerings. Arguably this is the "easy" bit and the next stage of showing the business can successfully drive top-line growth is the hard bit – with the jury very much still out as to whether this is possible. That said, the "easy" bit is not to be sniffed at – after all the company churned through three CEOs in five years who couldn't do it! With earnings starting to ramp up, we believe this creates a base from which value can be grown and extracted. At the current $1.1bn enterprise value – which equates to 0.7x trailing sales and ~8x next year EBITDA – we believe the business could be of interest to financial buyers given the attractive cash generative nature of the core Ads & Leads business and room for cost cutting from non-core areas. This would be an attractive outcome for IAC shareholders, giving the company significant capital to allocate. Alternatively, although sceptical, we remain open minded to Joey Levin continuing to drive fundamental improvements, re-igniting growth and margins – something to which the market doesn't appear to be assigning a high probability.

Turning to Dotdash Meredith (10% of NAV) – the digital media company that was established in 2021 when IAC's Dotdash acquired the storied media brands of the Meredith Corporation – there are also signs of improvement. Whilst 2022 had always been billed as a transition year, a deterioration in ad markets, compounded by a much slower and more complex than anticipated integration, meant the first twelve months of ownership were ones to forget. In 2023 the integration issues are now behind them, with the focus now solely on navigating a challenging macro environment. In aggregate, management describe the ad market as being in a state of "stable weakness", albeit with significant variation by category. We remain somewhat cautious on the heavy lifting that the second half of the year will have to do for Dotdash Meredith to reach management guidance of $250-300m adjusted EBITDA but, given the high incremental margins the business earns, are excited about the prospects for meaningful recovery in earnings and growth over the medium term – validating the acquisition.

Whilst at 37% the discount is narrower than it was a year ago, it remains wide both in absolute terms and relative to history. As the "anti-conglomerate conglomerate" with a history of spinning assets to shareholders, which acts as a pull to par, we believe the fair discount is much closer to zero. Combined with the prospects for improved earnings growth, prospective returns appear attractive. Management seem to agree, having bought back 3.7% of shares outstanding between February and May 2023. With net cash equalling c.18% of market cap, we believe there should be more of this.

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IAC/Turo

Turo is the world's largest car-sharing marketplace with operations across the US, Canada, the UK, France, and Australia. Turo is aiming to put the world's 1.5bn cars to better use, giving hosts the ability to rent out their idle vehicles, and offering users an unparalleled and convenient assortment of vehicles. The company boasts a large addressable market, strong network effects and attractive unit economics.

% OF NET ASSETS

3.3%

Source / Turo

Investment Review / Investment Manager's Report continued

Portfolio Review continued

Source / Comunicación Corporativa FEMSA

CATALYSTS TO UNLOCK & GROW VALUE

At Asset Value Investors we have followed the same distinct strategy since 1985. We invest in:

1.
Durable businesses that will grow in value;

2.
Trading at discounted valuations;

3.
With catalysts to unlock and grow value.

Over the last year FEMSA, the Mexican family-controlled holding company, has been one of our strongest performers, taking considerable steps to unlock the sum-of-the-parts discount at which it trades.

The group structure – which entailed listed stakes in Heineken and Coca Cola FEMSA, the world's largest coke bottling business, as well as an array of smaller unlisted assets – was overly complex and highly inefficient. As such FEMSA traded at a meaningful conglomerate discount, which expanded as group complexity increased, and investors grew frustrated at the non-sensical structure.

In 2022 FEMSA announced a "comprehensive strategic review", which led us to increase our position.

In February 2023, the company concluded its strategic review, announcing plans to simplify the group structure, monetise non-core assets and refocus on its core business. Most importantly, the company announced plans to exit its stake in Heineken, which prior to the announcement was worth some $7.4bn, or c.28% of FEMSA's market cap.

Following two accelerated book builds in February and May, FEMSA has now fully exited Heineken (bar €500m of shares underlying an exchangeable bond). In addition, FEMSA announced the sale of Jetro Restaurant Depot for $1.4bn and in August it was announced that Envoy Solutions would merge with BradyIFS, as a first step in FEMSA exiting the business, with a $1.7bn cash inflow and a 37% stake in the combined entity.

We believe the simplified structure is likely to attract a lower conglomerate discount, and the company has "excess" capital approaching 20% of its market cap, which we are encouraging management to return to shareholders in the form of buybacks.

Outlook

JOE BAUERNFREUND

CEO

TOM TREANOR

Head of Research

Outlook

In last year's outlook we wrote "after a year of unprecedented fiscal and monetary stimulus in 2021, developed economies are now waking up to the consequences: entrenched inflation, or a potential recession to combat it". In many ways this still applies – inflation and recession continue to dominate investor thinking. The macroeconomic environment has been and remains, decidedly tricky, with a multitude of headwinds and risks.

Now, just as then, we remain focused on the bottom-up. In this regard it is an environment we relish. Discounts, as evidenced by the 37% portfolio weighted average discount*, have widened considerably to levels comparable to those observed in the global financial crisis and the Eurozone crisis. Importantly, we are seeing attractive opportunities in all parts of the equity market in which we fish. This is an idea rich environment that is conducive to our style of investing.

We believe that stock picking, active engagement, and a focus on investments with explicit catalysts stand us in good stead to drive healthy absolute and relative returns. So, whilst the near term is uncertain, we are increasingly enthused about long-term prospective returns.

Joe Bauernfreund
Chief Executive Officer

Asset Value Investors Limited

9 November 2023

* Discount as at 31 October 2023.