Performance Review

Joe Bauernfreund
Chief Investment Officer

> Over the financial year the total net asset value return was 2.1%.

Joe is Chief Executive Officer and Chief Investment Officer of AVI. Joe has been AVI Global Trust's named portfolio manager since 1 October 2015, continuing the natural progression that has seen only three portfolio managers at AVI Global Trust in the last 30 years.

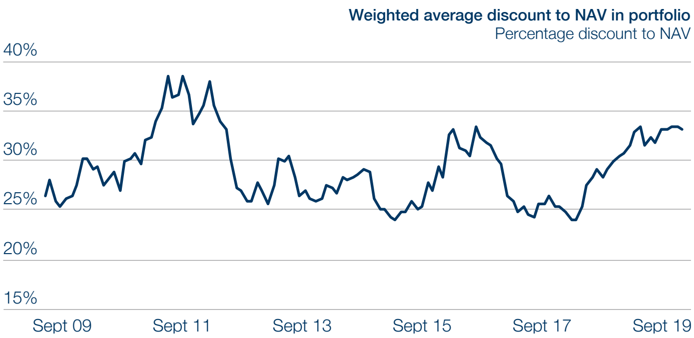
The past 12 months have been challenging for investors to navigate. We have had to endure the market correction of the last quarter of 2018, the US-China trade war, fears of a slowdown in global economic growth, unrest in Hong Kong and, here in the UK, the ongoing Brexit saga. To varying degrees, these have all had an impact on your Company's portfolio as well as broad market performance.

The +2.1% total return achieved over the past 12 months compares to a return of +4.5% in the Company's benchmark index, the MSCI All Country World ex-US Index (all in GBP). Returns amongst most developed markets have been relatively muted over the period: Europe, the UK and Japan managed low-single-digit total returns in GBP terms, whilst the S&P 500 returned almost 10% (total return, GBP) – respectable compared to the rest but lower than recent years.

The broad theme that has been playing on investors' minds over the period has been the growing uncertainty about the future growth of the world economy and hence the likely direction of company profits. In recent months, with the yield curve inversion in the US (i.e. long-term interest rates are now lower than short-term ones, indicating that the bond market thinks a recession is imminent), fears of an impending recession have been on the rise. The ongoing trade dispute between the US and China has increased the likelihood of a global recession and appears to already have had an impact on company performance in certain areas. Investors have become fixated on central bank policy, which has spun 180 degrees during the 12 month period. The growing conclusion is that zero/negative interest rates are here to stay. Investors seem unsure whether this will be enough to push already elevated valuations in certain areas of the market to ever-higher levels.

Japan has been an area that continues to be unloved by international investors and a market that has suffered from the negative sentiment pervading markets. It is seen as a play on global growth and particularly so for the small-cap universe. We remain optimistic about the opportunities in Japan. Indeed, your Company's exposure to Japan increased from 20% to 27% over the past 12 months. Notwithstanding this, the summer months have proven to be extremely challenging for the Japanese market. Valuations of many Japanese companies have fallen to distressed levels, with some having cash covering almost their entire market capitalisation.

WEIGHTED AVERAGE DISCOUNT*



Source / Estimated by Asset Value Investors

8.4%

Annualised NAV 10 Year Total Return per share*

* For definitions, see Glossary on pages 89 to 92.

In addition to a backdrop of slowing global growth, localised events have also had an impact on markets. The greatest of these have been the protests in Hong Kong over the summer, which raised the prospect of China interfering more in the territory's affairs. Your Company's exposure to Jardine Strategic and Swire Pacific was detrimental to returns over the summer, as their share prices suffered from the increased risk premium demanded for Hong Kong-exposed companies.

Sterling has continued to be volatile, with the broad trend over the past 12 months being one of weakness. Your Company has very little by way of direct exposure to the UK and very limited exposure to Sterling; thus, the weakness has made a positive contribution to returns over the past 12 months.

The upshot of these muted returns has been ever-more-attractive fundamental valuations. And this is what we would expect to occur at times when the future is most uncertain. In turn, this is the time when we can find the best opportunities to deliver strong long-term growth. The weighted average discount on your Company's portfolio stands at 33% today. This is remarkably wide. One year ago it was 30%. Over the past 20 years it has been as narrow as 12% and as wide as 39%. That the level observed today is close to that during the 2009 financial crisis is remarkable, and reflects the continued lack of interest in our areas of focus. Investors are missing out on very attractive opportunities.

The companies we are exposed to through under-researched holding structures, comprise a group of attractive, high-quality and well-known names, as can be seen on pages 14 and 15. We hold those companies at an average discount of 33% compared to what investors are paying for them directly. So, although the future path of global growth remains clouded – and we are by no means complacent about that fact – we believe that our portfolio is well positioned to withstand the uncertain future.

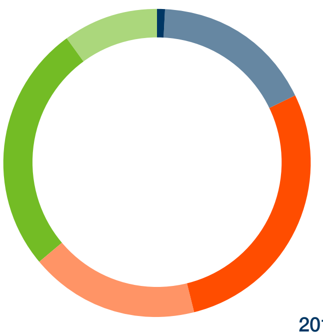
The combination of strong balance sheets, high-quality businesses and attractive fundamental valuations is a compelling mix. The uncertain future will undoubtedly create volatility – and it is our intention to take advantage of this. During the past 12 months, your Company's portfolio has seen some strongly performing investments, as well as some weak performances. Overall, we have been encouraged by the level of NAV growth in your portfolio, although particular pain has been felt at our holding in Riverstone Energy, where the NAV has fallen sharply along with the US Exploration and Production sector. Riverstone Energy has also suffered from a widening discount, as has our other oil-related holding, Aker, where the discount has widened from 14% to 26%. As previously mentioned, Jardine Strategic and Swire Pacific – the two Hong Kong-exposed investments – have also been detractors, with falling NAVs compounded by widening discounts.

On the other side of the equation, we have seen strong performance from Cosan Ltd, Pershing Square and Fondul Proprietatea, all of which registered excellent NAV growth in the past year.

We have taken some profits in stronger performers as they have become less cheap, and added to names where we believe weakness and volatility present an opportunity. We expect to continue to do this as the market grapples with the challenges lying ahead. In anticipation of this, utilisation of the debt facilities has declined over the past few months and, as at the time of writing, we have cash available for investment of £53m.

On the following pages, we provide more detail on key investments and a number of other significant contributors and detractors to performance over the past 12 months.

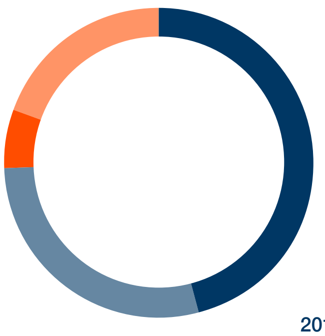
LOOK-THROUGH COUNTRY EXPOSURE



	2019 %	2018 %
United Kingdom	1.0	0.9
North America	17.0	24.3
Europe	28.2	27.8
Asia	17.7	17.9
Japan	26.2	18.6
Latin America, Africa & Emerging Europe	9.9	10.5

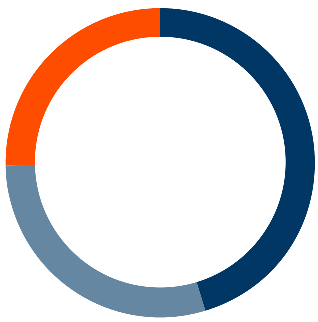
Based on location of companies' underlying assets, rather than country of listing.

EQUITY PORTFOLIO VALUE BY MARKET CAPITALISATION



	2019 %	2018 %
<£1 billion	46.1	41.8
>£1 billion – <£5 billion	28.5	39.5
>£5 billion – <£10 billion	6.1	–
>£10 billion	19.3	18.7

PORTFOLIO VALUE BY SECTOR



	2019 %	2018 %
Closed-end Funds	45.3	46.6
Family-backed Holding Companies	29.6	34.4
Asset-backed Companies	25.1	19.0

Source / Asset Value Investors