

April 2024

**Investment Objective:** To achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

## HEADLINES

## Introduction

AVI Global Trust (AGT)'s NAV increased +0.8% in April.

[Read more below](#)

## Hipgnosis Songs Fund

Music to our ears.

[Read more below](#)

## Princess Private Equity

Picking up the gauntlet.

[Read more below](#)

## THE FUND

(Figures to 30 April 2024)

Share Price (pence)

237.0

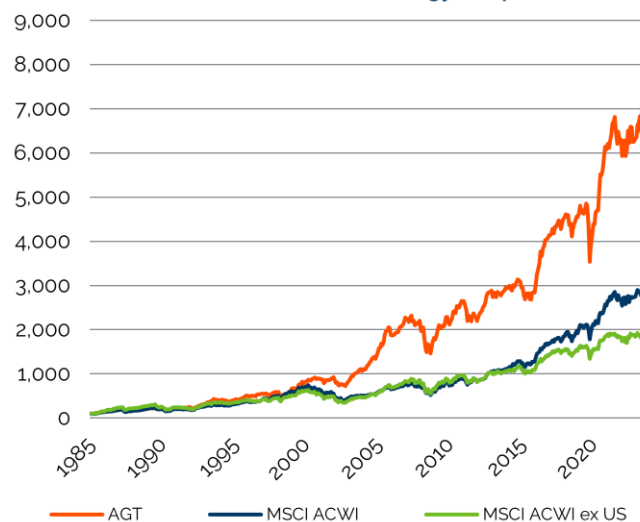
NAV (pence)

257.4

Prem./Disc.

-7.9%

NAV Total Return since Strategy Inception (£)

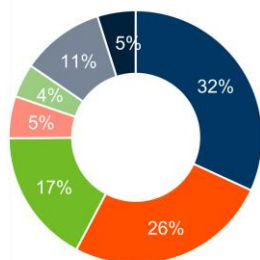


Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	0.8%	6.0%	25.4%	27.8%	72.0%	171.3%
MSCI ACWI	-2.4%	6.5%	17.9%	25.3%	63.5%	196.4%
MSCI ACWI ex US	-0.9%	4.7%	9.7%	11.7%	33.1%	98.2%

## PORTFOLIO

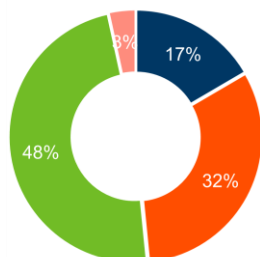
(Holdings to 30 April 2024)

## Look-Through Geographic Exposure (% of net assets)



- Europe
- North America
- Japan
- Asia
- LATAM, Africa + EE
- UK
- Other

## Portfolio Exposure (% of invested assets)



- Japan
- Closed-end fund
- Holding company
- Property/Other

## Top Ten Equity Holdings

Holding	%
Hipgnosis Songs Fund	8.2
News Corp - USD 'A'	6.6
Oakley Capital	6.4
Dieteren	5.7
Princess Private Equity	5.6
Bollore	5.0
Aker	4.8
FEMSA - ADS	4.4
Schibsted B	4.0
Pantheon International	3.8
<b>TOTAL</b>	<b>54.5</b>

## MANAGER'S COMMENT

**AVI Global Trust (AGT)'s NAV increased +0.8% in April.**

Hipgnosis Songs Fund ("SONG") was the standout performer, adding an estimated +277bps to your company's NAV. We expand on this further below but we believe such returns are testament to the value that can be added through activism, and AVI's positioning in the London-listed closed-end fund market.

Performance from the rest of the portfolio was modest in a tougher month for equities. News Corp cost us -58bps as the discount widened to 42% from 38%, whilst FEMSA and IAC detracted -39bps and -31bps, respectively.

**Hipgnosis Songs Fund**

On 18-Apr-24, Concord - a music rights firm backed by Apollo - announced a binding offer for SONG at a price of \$1.16-\$1.18 per share. Blackstone, the majority owner of Hipgnosis Songs Management (HSM, the Manager of SONG) responded just two days later with a bid of \$1.24. Concord then pipped this by 1c, followed by Blackstone raising their bid to \$1.30. Given Concord have subsequently confirmed they will not be improving their offer, it seems highly likely that Blackstone will prevail with their \$1.30 bid which represents a premium of +47% to the undisturbed share price.

This marks the end of a highly successful investment for AGT, in which we played a key role in [fighting off the proposed related-party sale of a portion of SONG's catalogues and also making the case against the company continuing in its present form](#). Resolutions proposing each matter were heavily defeated at shareholder meetings. With two directors resigning on the eve of the AGM and the then-Chairman suffering a resounding vote against his re-election, we and other shareholders engaged with the remaining rump to push for the appointment of two new directors - Robert Naylor and Francis Keeling - who had just stepped down from SONG's peer company, Round Hill Music Royalty Fund, following its acquisition by Concord. Both were appointed with Robert immediately installed as Chairman. Christopher Mills then joined the Board a month later.

The events and news-flow since then are beyond the word count constraints of this newsletter but suffice to say, we are happy with an outcome that has not only generated a very strong return for AGT's shareholders but has demonstrated again both the value of shareholder activism and the critical importance of having the right people on Boards. The new directors joined the company at a time of crisis and engineered an excellent outcome for shareholders in a timeframe few would have felt possible at the time of their appointment. With no viable future as an ongoing listed vehicle, the key task facing the new appointees was how best to generate competitive tension in a situation where, under the terms of the Investment Management Agreement, the Manager had a call option allowing them to purchase the portfolio in the event of their termination. The investigatory work conducted by the Board and their advisors, [some of the fruits of which were made public](#), led to an understandable perception that there existed more than sufficient grounds to terminate the Manager "for cause", which would invalidate the option.

We think it likely that this, alongside other measures introduced by the newly-reconstituted Board, gave Concord the confidence to make their initial bid and resulted in a higher price ultimately being achieved for the company than would otherwise have been the case. We applaud the new directors' fortitude and shrewd handling of a highly complex situation.

**Princess Private Equity**

Our [Aug-23 newsletter](#) discussed (and praised) Pantheon International ("PIN")'s new capital allocation policy and associated large share buyback programme, and its wider implications for the listed private equity and broader alternatives sectors. We await the finer details of the policy, set to be announced within the next few weeks, with interest.

One of our other large positions in the listed private equity sector, Princess Private Equity ("PEY"), recently followed suit with a clearly defined capital allocation policy of its own that was met with a warm reception from industry participants. One prominent sell-side analyst correctly identified it as *"the most structured capital allocation policy...in the listed PE space"* and *"reflect[ing] the inconvenient truth for many managers that buying back shares when the shares are on wide discounts is likely to be considerably more accretive for shareholders than making new investments."*<sup>1</sup>

PEY is a London-listed closed-end fund that offers access to direct private equity investments made by Partners' Group, the Swiss-listed private capital manager with \$150bn of assets under management. PEY's new policy will see 75% of free cash flow steered to buybacks when PEY's discount is wider than 30%; 50% when the discount is between 20% and 30%, and with the Board emphasising that they reserve the right to buy back shares at discounts below 20%. This share repurchase programme is additive to the existing high dividend policy that targets a total annual pay-out (paid in two semi-annual instalments) equivalent to 5% of the previous year's closing NAV. At the current share price, this not only represents an attractive yield on share price of 6.7% but is materially accretive for shareholders given it represents a return of capital at a zero discount (versus PEY's current 25% discount). Recognising their importance to shareholders, the buyback programme ranks behind these dividend payments (i.e., the free cash flow metric used to determine the allocation to buybacks is net of dividends).

PEY's dividend yield had helped keep its discount relatively narrow until cash outflows from their FX-hedging programme forced a suspension of the dividend in late-2022. We built our position - reaching a 10% stake - in the wake of the sell-off that followed, sensing an opportunity to engage with the Board and Manager to resolve various governance issues we believed to be the underlying root cause of the dividend suspension and the botched shareholder communications surrounding it.

Although the dividend was soon restored, the then-Chairman and the Partners Group representative on the Board resigned on the eve of the AGM that followed these events, thus avoiding their public defenestration at the hands of shareholders. Following further engagement with the remaining directors, we were pleased with the appointment of private equity veteran Peter McKellar as Chairman in Nov-23 and were confident his vast experience of the listed private equity market would be of huge benefit to the company. While the new capital allocation policy is a critically important development (and we also welcome the strengthening of the Board with further appointments, and the proposed renaming of the Company to capitalise on the Manager's profile), there remains more work to be done to better align fees with shareholder outcomes, improve disclosure, and re-invigorate investment returns.

As with our investment in SONG described above, we believe the changes at PEY demonstrate the value that can be added through shareholder engagement and further emphasise the importance of a strong Board.

While there are several reported exit processes under way at some of PEY's larger investments, we were pleased to see one that had not previously been flagged come through when it was announced in early-April that the company's second-largest holding, building products specialist SRS Distribution, is to be acquired by home improvement behemoth Home Depot at a valuation almost +30% above where it was carried in PEY's previous NAV.

<sup>1</sup> J.P.Morgan Cazenove, Investment Companies Daily, 25-Mar-24

## STATISTICS

## Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
Hipgnosis Songs	277	8.2
Symphony International Holdings	30	2.3
GCP Infrastructure Inv	14	2.6
Nihon Kohden	11	2.7
Pantheon International	9	3.8

Largest Detractors	1-month contribution bps	% Weight
News Corp	-58	6.6
FEMSA	-39	4.4
IAC	-31	2.8
Schibsted ASA 'B'	-28	4.0
KKR	-20	2.9

## Fund Facts

Net Assets	£1,154.8m
Investment Manager	Asset Value Investors Limited
AGT Shares owned by the Manager**	2,078,576
Company Secretary	Link Asset Services
Management Fee**	0.7% up to £1bn of assets, 0.6% > £1bn
Website	www.aviglobal.co.uk
Ticker Code	AGT.LN
ISIN	GB00BLH3CY60

Total Return (£%)	1m	1y	3y	5y	10y
Share Price TR <sup>2</sup>	2.4	28.3	24.3	76.3	192.8
Net Asset Value TR <sup>1</sup>	0.8	25.4	27.8	72.0	171.3
MSCI ACWI TR <sup>1</sup>	-2.4	17.9	25.3	63.5	196.4
MSCI ACWI ex US TR <sup>3</sup>	-0.9	9.7	11.7	33.1	98.2
FY* Total Return (£%)	FYTD	2023	2022	2021	2020
Price <sup>1</sup>	18.8	14.7	-10.8	40.2	2.0
Net Asset Value <sup>1</sup>	14.7	15.3	-7.3	36.2	0.0
MSCI ACWI <sup>1</sup>	13.2	10.5	-4.2	22.2	5.3
MSCI ACWI ex US <sup>3</sup>	10.0	10.1	-9.6	18.8	-1.8

## Capital Structure

Ordinary Shares	494,272,627
Shares held in Treasury	45,600,956
4.184% Series A Sterling Unsecured Note 2036	£30,000,000
3.249% Series B Euro Unsecured Note 2036	€30,000,000
2.930% Unsecured Note 2037	€20,000,000
1.380% Senior Unsecured Note 2032	¥8,000,000,000
LIBOR + 0.75% Revolving Credit Facility	¥4,500,000,000 <sup>5</sup>
1.440% Unsecured Note 2033	¥4,500,000,000

## Gross Assets/Gearing

Gross Assets	£1,300.0m
Debt at fair value (gross)	£144.8m
Gearing (net) <sup>4</sup>	11.2%

1 Source: Morningstar. All NAV figures are cum-fair values.

2 Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.

3 From 1<sup>st</sup> October 2013 the lead benchmark was changed to the MSCI ACWI ex US (€) Index.

4 Fair value of net debt divided by net assets at fair value.

5 RCF capacity of ¥4,500,000,000.

\* AVI Global Trust financial year commences on the 1<sup>st</sup> October. All figures published before the fiscal results announcement are AVI estimates and subject to change.

\*\* Shares owned by AVI Ltd & AVI Employees

All return figures in GBP.

## Investment Manager – Joe Bauernfreund

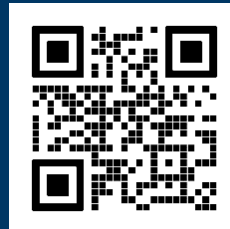
AVI Ltd. +44 20 7659 4800 info@assetvalueinvestors.com

The share price can be found in [The Financial Times](#).  
ISIN: GB00BLH3CY60 Trading as: [AGT:LN](#)

Information may be found on the following websites:

[www.aviglobal.co.uk](http://www.aviglobal.co.uk)

[www.assetvalueinvestors.com](http://www.assetvalueinvestors.com)



## IMPORTANT INFORMATION

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