February 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 +1.9% in February.

Read more below

Frasers

Despite its status as a FTSE100 company, we believe there is a vast gap between popular perception and reality.

Read more below

Entain

We introduce a new position in Entain, a £5.8bn UK-listed sports betting and gambling business.

Read more below

THE FUND

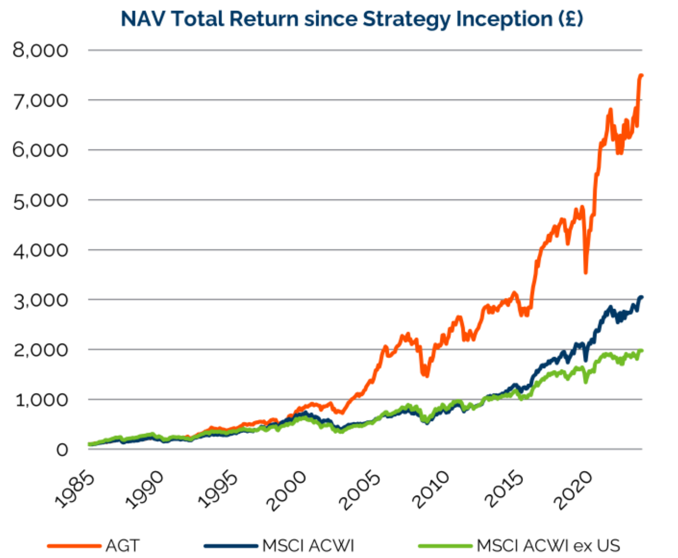
(Figures to 29 February 2024)

Share Price (pence) 228.5

NAV (pence) 250.6

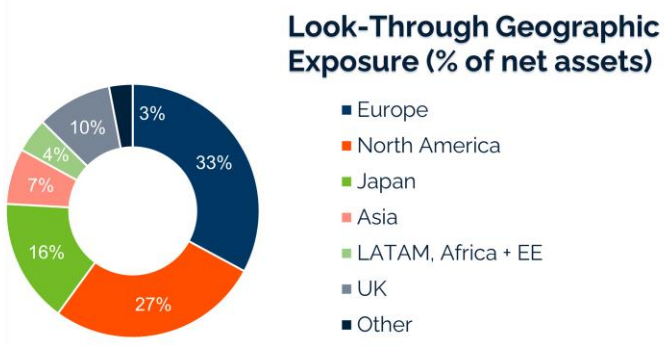
Prem./Disc. -8.8%

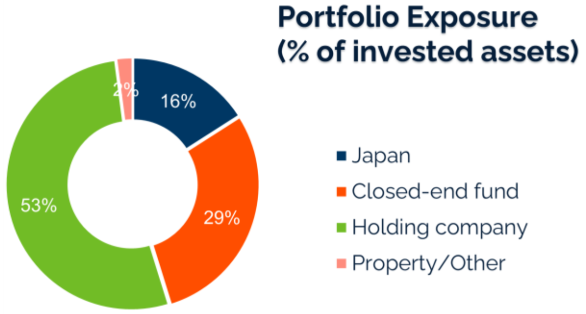
Total Return (£)	Month	CYTD	1Y	3Y	5Y	10Y
AGT NAV	1.9%	3.2%	16.1%	35.1%	73.8%	168.8%
MSCI ACWI	5.0%	5.7%	17.9%	34.6%	73.3%	196.1%
MSCI ACWI ex US	3.2%	2.3%	7.7%	15.0%	37.0%	95.3%



PORTFOLIO

(Holdings to 29 February 2024)





Top Ten Equity Holdings

Holding	%
Oakley Capital Investments	6.9
News Corp	6.2
Princess Private Equity	5.6
Bollore	5.1
D'Ieteren	5.1
Apollo Global	4.9
KKR	4.8
Schibsted B	4.8
FEMSA	4.7
Aker ASA	4.6
TOTAL	52.7

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV increased +1.9% in February.

KKR (+69bps), Apollo (+63bps), News Corp (+49bps) and IAC (+41bps) stood out as strong performers with share price returns between +9% and +14%. However, there was a relatively long list of laggards, which kept a lid on returns. This was led by Aker (-50bps), which suffered from a decline in NAV (-5%), a widening of the discount to 27% from 24% and a depreciation of NOK versus Sterling. Other notable detractors include Hipgnosis (-44bps), FEMSA (-41bps) and Symphony (-36bps).

We continue to find the current environment one in which opportunities present themselves across all parts of our universe and introduce two new holdings in this month's newsletter.

Frasers

Over the last six months, we have built a position in Frasers Group, the £3.5bn market cap retail empire controlled by Mike Ashley, which trades at a 44% discount to our estimated NAV. The vast bulk of NAV is accounted for by UK Sports Retail, International Sports Retail and Premium Lifestyle retail, however over time Property (5% NAV) and Financial Services (4%) will likely grow in stature, and the portfolio of listed equity stakes (6%) provides both strategic and financial optionality.

Despite its status as a FTSE100 company, we believe there is a vast gap between popular perception and reality. The assets are of higher quality than is commonly perceived, and this is masked in the consolidated accounts; the strategy (or rather perceived lack thereof) is seen as haphazard and poorly understood with limited historic communications with The City; and the controlling shareholder is thought of as oafish, despite being arguably the greatest retailer of his generation, as well as a tenacious and sagacious deal maker.

From one sports shop in Maidenhead in 1982, the company grew to 465 stores and £1.2bn of sales in the year prior to its listing as Sports Direct International in 2007. Since then, the company has grown and diversified further, with >1,630 stores and revenues of £5.7bn, whilst reducing its share count by close to 40%.

Despite the group's diversification (and indeed name change), the bulk of the value still lies in UK Sports Retail, which accounts for over 70% of underlying retail profits.

Principally through Sports Direct, the company is the #1 sports retailer in Britain. Over the last twenty years the industry has consolidated (Sports Direct & JD Sports account for ~70% market share) and segmented between sports equipment (Sports Direct) and trainers/apparel (JD Sports). This results in significantly lower competitive intensity than is perceived (~10-15% SKU overlap) and makes Sports Direct an increasingly crucial channel for brands to reach customers outside of major cities.

The concentrated nature of the supplier base (Nike & Adidas) erects high barriers to entry, with the approval of these two gatekeepers a pre-requisite for doing business.

However, it clearly also presents a key risk, having been the genesis for Sports Direct's "Elevation Strategy" over the last half decade. This has seen the company evolve from its stack-em-high-sell-em-cheap model which readers might remember, and that one journalist memorably referred to as "*quasi-claustrophobic.*"

We expect the UK Sports Retail business to continue chugging along as a cash cow (with cumulative group operating cash flows of >£3bn since 2015) and for these cash flows to be invested in creating new growth avenues, as well as increased shareholder returns, with an £80m buyback having recently been announced.

Looking ahead one key area of focus will be in International Sports Retail where, with brand relationships at an all-time-high, there is an opportunity for consolidation in the highly fragmented European market.

As well as this, swimming against the tide, Frasers has bought and built a ~15% share in the £11bn UK premium / luxury clothing market, such that we estimate that they capture close to £1 in every £3 pounds spent outside of own-brand stores. Whilst 85% of department stores have closed in the UK since 2018, through House of Fraser and Flannels, the group is filling the void as *the* way for luxury brands to reach customers outside of London. The exodus of other players means the group, in conjunction with Sports Direct, can achieve highly favourable lease terms, often with low turnover-based rents and landlords making considerable capex commitments.

We are also optimistic about the budding Financial Services business that Fraser's has started to build – both in of itself (profits) and for the second order effects it endows (incremental sales). The acquisition of Studio Retail brought with it a hard-to-come-by consumer credit license, and the focus is now on the roll-out of Fraser's Plus, the group's in-house Buy Now Pay Later offering. Financial Services achieves trailing operating profits just shy of £60m. We note Next's financial services business is nearly three times larger and see no reason why Fraser's can't achieve similar success.

Finally, capital will likely also continue to be allocated to real estate and stakes in listed businesses, both areas where the company has shown itself to be a shrewd operator.

The attractions and value potential seem far from reflected in the current share price, which languishes at 9x this year's underlying earnings. Looking out to next year, the shares trade at 8x, a discount of c.40% to peers (adjusting for depreciation differences), and well below the 14x they have averaged since the listing in 2007.

Under the leadership of Michael Murray – who is incentivised to the tune of £100m to lift the share price from the current £8 to £15 by October 2025 – we believe the company is not only taking steps to drive value creation but also to rectify the undervaluation. Recent measures to improve financial disclosure, renewed investor relations activity, significant board additions, and continued share buybacks are moves in the right direction, although there remains lots more to do.

MANAGER'S COMMENT

The combination of a cheap valuation, attractive, growing underlying assets and a strong alignment of interest with management and key shareholders gives rise to an interesting setup.

Entain

In recent months we have also built a position in Entain, the London-listed sports betting and gambling company. The company trades at a 37% discount to our estimated NAV, which is comprised of Online Operations (70% of portfolio), Retail Operations (10%) and BetMGM (20%).

We originally came across the company via our investment in IAC (3.3% of AGT NAV), which owns a stake in MGM; in turn MGM and Entain are JV partners in BetMGM and in 2021 MGM unsuccessfully tried to acquire Entain.

Entain has since been subject to a further takeover offer (from DraftKings in 2022) with the shares peaking out just shy of £24. Since then, we have watched from afar as regulatory headwinds, operational missteps, personnel changes and capital (mis)allocation sent the stock plummeting back down to below £9 today.

Established and listed (then as GVC Holdings) in 2004 to acquire a German online casino operator, the business has pursued an aggressive acquisitive consolidation strategy that has seen the company amass an attractive collection of leading brands, including BWIN (2016) in Europe, Ladbrokes Coral (2018) in the UK and the BetMGM JV, which launched in 2018 and gave Entain a position in the rapidly evolving US online sports betting market. From 2007, under the leadership of Kenny Alexander this was largely a successful strategy – with a knack for deal making, and importantly an ability to successfully integrate acquisitions onto Entain's technology platform.

The departure of Alexander in 2020 started a volatile period of leadership at Entain. Two CEO's have come and gone, with the company now looking for their fourth CEO in as many years. There has been attrition in the wider executive team, with the loss of their long-standing and well-regarded Chief Technology Officer in 2020. According to one executive quoted in a trade publication this has placed the company in a state of "organisational chaos… We don't have anybody who knows how to operate - forget about gambling - just how to run an operation".

All this has occurred at a time when the business faces significant challenges. Most notably regulatory changes in the UK have posed a significant headwind to growth and Entain has ceded market share to tier 2 and 3 operators. The worst of this is likely behind us as the player base has shifted toward a more recreational user, and in the long-run the increased regulatory burden acts as a barrier to entry and should benefit scaled operators such as Entain. In the US – where Entain are 50:50 JV partners with MGM – performance has underwhelmed and the business has lost market share. Recent product improvements in parlay betting and the launch of a unified (cross-state border) wallet are steps in the right direction but, as management concede 2024, will likely be a "*year of investment*" aimed at recapturing share.

These issues seem more than reflected in Entain's dwindling stock price. We believe Entain's stake in BetMGM is likely worth ~£2.5bn. Excluding this implies an enterprise value of £5.7bn for Entain's core assets, or approximately 5.6x 2024e EBITDA. This is a significant discount to its own history (7.5x), listed peers, (10.6x) and recent double digit multiple comparable M&A transactions (e.g. Kindred).

We believe organic growth, earnings, sentiment, and valuation are at the lows. With a swarm of activists on the shareholder register – and indeed now on the Board – we do not believe the current valuation will persist indefinitely with numerous potential paths to unlock value, not least from BetMGM, which is a highly strategic asset.

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	1-month contribution bps	% Weight
KKR	69	4.8
Apollo Global Mgmt.	63	4.9
News Corp	49	6.2
IAC	41	4.5
Christian Dior	34	3.8

Largest Detractors	1-month contribution bps	% Weight
Aker ASA	-50	4.6
Hipgnosis Songs	-44	4.2
FEMSA	-41	4.7
Symphony International Holdings	-36	1.9
Godrej Industries	-28	0.0

Fund Facts

Net Assets	£1,133.3m
Investment Manager	Asset Value Investors Limited
AGT Shares owned by the Manager**	2,078,576
Shareholder Services	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[2]	0.9	17.1	38.1	75.7	185.2
Net Asset Value TR[1]	1.9	16.1	35.1	73.8	168.8
MSCI ACWI TR[1]	5.0	17.9	34.6	73.3	196.1
MSCI ACWI ex US TR[3]	3.2	7.7	15.0	37.0	95.3
FY* Total Return (£%)	**FYTD**	**2023**	**2022**	**2021**	**2020**
Price[1]	14.5	14.7	-10.8	40.2	2.0
Net Asset Value[1]	11.7	15.3	-7.3	36.2	0.0
MSCI ACWI[1]	12.4	10.5	-4.2	22.2	5.3
MSCI ACWI ex US[3]	7.5	10.1	-9.6	18.8	-1.8

Capital Structure	
Ordinary Shares	497,800,721
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[5]
1.440% Unsecured Note 2033	¥4,500,000,000
Gross Assets/Gearing	
Gross Assets	£1,282.7m
Debt at fair value (gross)	£149.5m
Gearing (net)[4]	10.1%

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 1st 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 1st 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
www.assetvalueinvestors.com