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AVI Global Trust PLC
07 August 2024

AVI GLOBAL TRUST PLC

Monthly Update

AVI Global Trust plc (the "Company") presents its Update, reporting performance figures for the month ended **31 July 2024**.

This Monthly Newsletter is available on the Company's website at:
https://www.assetvalueinvestors.com/content/uploads/2024/08/AGT-JULY-2024.pdf

Performance Total Return

This investment management report relates to performance figures to 31 July 2024.

Total Return (£)	Month	Calendar Yr to date	1Y	3Y	5Y	10Y
AGT NAV	1.0%	8.3%	20.9%	31.2%	66.8%	172.2%
MSCI ACWI	0.0%	12.2%	17.2%	28.0%	61.0%	203.9%
MSCI ACWI ex US	0.7%	7.3%	9.9%	14.2%	29.3%	98.0%

Manager's Comment

AVI Global Trust (AGT)'s NAV rose +1.0% in July

D'Ieteren (+36bps), IAC (+29bps) and Chrysalis (+28bps) were the most significant contributors. Christian Dior (-31bps) was the largest detractor during a month in which LVMH reported half year results, followed by Entain (-27bps) and Partners Group Private Equity (-21bps).

August

Over the last few trading days, we have seen considerable volatility in global equity and currency markets.

In Japan, the Yen has moved from a near 40-year low against the dollar of 162 to 143 at the time of writing (5th August). In turn Japanese equities have been hit very hard by indiscriminate selling, with the TOPIX having fallen more than -20% in very short order. There are clear signs of panic selling and unwinding of leveraged positions, but the ongoing rally in Yen and heightened levels of risk aversion could extend the panic to other areas of the market - particularly where assets are excessively priced.

History tells us that as uncomfortable as such environments are whilst they play out, they also present highly attractive opportunities at prices few imagined possible just a few weeks ago. We have been adding to several positions.

FEMSA

We last wrote about FEMSA in the May 2023 newsletter. At the time the shares stood at around $100. From this point they rose to a high of a little above $140. Over this time, we exited nearly 30% of our position at an average price of $118 and as high as $133. The shares have subsequently fallen back, and we have recently been re-adding to the position below $110.

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. The business is expertly managed, with strong unit economics, earning high returns on capital with a long growth runway.

Despite these attractions, FEMSA traded at an unduly low valuation reflecting its conglomerate group structure, and we believed the market was mispricing the potential for management to take steps to unlock value.

Over time this was indeed what occurred, with management conducting a strategic review which concluded in 2023 in the exiting of Heineken and other non-core asset sales totalling >$11bn. This has simplified the group structure and the equity story and has allowed for excess capital to start flowing back to shareholders, with the company launching the first buyback in its history.

However, in recent months the shares have come under pressure. The Mexican presidential election saw a sharp selloff in Mexican equities and with FEMSA accounting for ~13% of the MSCI Mexico the shares got whacked.

More recently, Q2 results published in July fell short of expectations, with a deceleration in Oxxo's Same Store Sales (SSS) growth to +4.1% (from 9.7% in Q1), with both traffic and ticket size decelerating (from +2.2% to -0.6% for traffic and from +7.3% to +4.7% for ticket). As management explained "*the second quarter was an atypical one… where each month reflected a unique set of mixed effects generally more negative than positive*".

We concur that this recent disappointment is temporary in nature reflecting short-term headwinds and expect SSS growth will recover in the second half of the year and into 2025. Bigger picture, management indicate that going forward they believe SSS growth can likely exceed the old rule of thumb of +5% achieved prior to 2019. As well as this, we see a long growth runway for new stores, with current new store openings running at +1,621 over the last twelve months (+7.3% yoy), with further growth on top of this from Brazil (where Oxxo operate in a JV with Cosan's Raizen) and the US (where the company recently announced a small but strategic acquisition).

In recent years there has been considerable progress in terms of gross margin expansion (Q2 +400bps vs. 2019) however this has been absorbed by higher operating expense with operating profit margins essentially unchanged. Over time we see scope for this to improve, driving higher rates of growth in operating profit, which we think can compound in the teens for a number of years ahead.

Despite the significant strides management have taken to simplify the group, the shares still trade at a significant discount, with the stub trading at 9.2x NTM EBITDA vs. a historic long-term average of c.13x. We believe this to be a highly attractive valuation and see the scope for better-than-expected capital returns, with management already having returned 60% of the $3bn billed to be returned by 2026, and further returns of capital required to meet management's leverage target.

To date the investment in FEMSA has generated a +49% ROI / +21% IRR versus +24% / +9% for the MSCI AC World Index (all figures in £).

Contributors / Detractors (in GBP)

Largest Contributors	**1- month contribution bps**	**% Weight**
D'Ieteren	36	5.8
IAC	29	2.9
Chrysalis Investments	28	4.0
Rohto Pharmaceutical	28	2.9
Harbourvest Global	23	3.9

Largest Detractors	**1- month contribution bps**	**% Weight**
Christian Dior	-31	2.8
Entain	-27	2.7
Partners Group PE	-21	5.6
Symphony International Holdings	-17	1.9
News Corp	-14	8.4

Link Company Matters Limited
Corporate Secretary

7 August 2024

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