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AVI Global Trust PLC
08 November 2024

AVI GLOBAL TRUST PLC

Monthly Update

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

This Monthly Newsletter is available on the Company's website at: AGT-OCTOBER-2024.pdf

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

Total Return (£)	Month	Calendar Yr to date	1Y	3Y	5Y	10Y
AGT NAV	0.5%	5.6%	20.7%	17.0%	69.0%	170.7%
MSCI ACWI	2.0%	15.0%	25.3%	25.2%	70.2%	196.3%
MSCI ACWI ex US	-0.8%	7.7%	17.4%	11.8%	33.3%	98.8%

Manager's Comment

AVI Global Trust (AGT)'s NAV increased +0.5% in October.

Apollo (+72bps), D'Ieteren (+54bps) and News Corp (+52bps) were the most significant contributors over the month.

We wrote about D'Ieteren in our last newsletter and have continued to add to the position such that it is now a 9.6% weight. At the end of October, minority shareholders in Belron exchanged a 1.4% stake in the company at an enterprise value of €32.2bn. This was considerably higher than the 2021 private equity transaction (€21bn) and also much higher than our own carrying value (€24bn). At such a valuation D'Ieteren's equity stake is worth ~€222 per D'Ieteren share. The shares currently trade a little shy of €200 and are due to pay a special dividend of €74 before the end of the year. We believe this to be a highly attractive valuation and are positioned accordingly.

Chrysalis Investments (Chrysalis) - a relatively new position in 2024 - was the largest detractor, shaving off -51bps and we write up the position below. Other detractors included Christian Dior (-34bps) and Harbourvest (-30bps).

Chrysalis Investments

Chrysalis Investments ("Chrysalis") is a London-listed closed-ended fund which owns a concentrated portfolio of late-stage, technology-driven private companies. It is currently a 5.4% weight in the portfolio.

The company came to market at 100p per share in 2018 with a remit to invest in late-stage private companies as a "crossover" investor. An excess of VC money drove underlying valuations higher, and the shares peaked at 277p in 2021 - then trading at an +23% premium to its reported NAV.

We started building a stake in January 2024, after the NAV and share price had corrected by -37% and -74%, respectively.

At this point we felt the company had a number of key attractions: **1)** abnormally wide -48% discount to a heavily written-down NAV; **2)** Chrysalis' top five largest holdings accounting for 69% of NAV were all mature, and (mostly) performing strongly; **3)** multiple credible prospects for liquidity events, which our analysis indicated could lead to significant uplifts on carrying value; and **4)** a new capital allocation policy, in which £100m of buybacks (24% of the then prevailing market cap) would be undertaken once a cash reserve of £50m from exits was hit.

Two successful exits in recent months have generated sufficient cash levels to surpass the £50m reserve and kickstart the buyback program. Graphcore was sold to Softbank for c.£44m (a 25% premium to carrying value) and Featurespace to Visa for £89m (a 21% premium to carrying value).

Elsewhere in the Chrysalis portfolio, we continue to see credible prospects for liquidity events in names such as Starling Bank (30% of NAV) and Klarna (14% of NAV).

Starling Bank is a cloud-native, UK challenger bank built on a proprietary digital platform known as Engine. Being built from the ground-up, as a digital-first business, Starling not only benefits from significant cost advantages versus the incumbent UK banks but is also able to develop and launch new products far quicker as a result.

As an example, Starling's banking platform is accessed solely via an app, meaning its customer acquisition cost is only around £40, whereas traditional banks have a customer acquisition cost of around £250 due to their legacy tech stack and brick-and-mortar bank branches. This drives up both Starling's margins and its return on tangible equity, which stands at c. 30% vs. peers at c.10%, and affords it a premium valuation. We remain confident in Starling's ability to deliver meaningful levels of profitability despite its relatively low loan-to-deposit ratio and its conservative balance sheet.

Klarna is a leading global payments provider and a company with which readers will likely be familiar. Klarna's core products are **1)** Buy-Now-Pay-Later (BNPL), which gives consumers the ability to pay for purchases, on an interest-free basis, over an extended period; **2)** Pay in 30 days, in which the customer pays no interest if they pay in full within that time period; and **3)** Financing - consumers can choose the term of their loan and pay the interest accordingly.

Klarna's aim is to offer consumers a limited range of standardised financing products which emphasise short-duration and low-amount transactions, in-return charging its merchant network a variable commission of up to 6% of GMV (dependent on size of item), at an average rate of 2.1%. This commission income represents 85% of Klarna's total revenues.

The low value nature of these consumer loans means that the average order size is only 100, the average outstanding balance per Klarna user is just 150 (vs. 6,500 for credit card users), 99% of all balances are repaid on time, and Klarna's average loan book duration is short at c. 40 days, giving the company greater control over its credit risk.

Klarna is anticipated to IPO in H1 2025 at a speculated valuation range of 15bn- 20bn. At these figures, a full exit from Klarna would realise between 24-32% of Chrysalis' current market cap. Chrysalis' carrying value for Klarna is supported by private trades in the secondary market.

Chrysalis' other largest portfolio holdings are Smart Pension (15% of NAV), a UK Pension Master Trust and technology platform; and The Brandtech Group (10% of NAV), a US-based marketing technology group.

The prospect for further realisations of large holdings, such as Klarna or Starling, and the still wide -40% discount to NAV makes for a compelling investment case. Today, Chrysalis is a 5.4% position. AGT is the largest shareholder owning over 12% of the shares.

Christian Dior

As readers may remember, Christian Dior ('CDI') is the mono-holding company through which Bernard Arnaut controls LVMH, the luxury goods conglomerate.

We last wrote up CDI in the January newsletter. Although we sold a small portion of our holding just north of €800 in February 2024, the going subsequently has been tougher, with the shares currently trading at €568.

During the month LVMH (100% of CDI NAV) provided a Q3 sales update with group revenues declining -3% vs. consensus expectations of +1% growth.

Most pertinently and worryingly, the all-important Fashion and Leather Goods division saw sales decline -5%, having grown +1% in Q2 and +3% in Q1, with management citing the deterioration of China as the proximate cause. This was materially worse than expected, with megabrands Louis Vuitton and Christian Dior having hitherto shown themselves to be immune to the luxury slowdown than smaller peers. In turn the disappointing results have led to increased investor concern around the depth and duration of the current slowdown in luxury goods spending.

Visibility on these issues abating remains limited - we are yet to see evidence that this is the bottom and there are risks of consensus earnings estimates falling further. However, it remains our view that mega-brands such as LVMH are best positioned to weather this storm given its **1)** margin structure and absolute opex m advantage; **2)** ever-green product offering; **3)** direct control of retail; **4)** balance sheet strength.

Since taking control of LVMH in 1987 Mr Arnault has traversed through all conditions - both rain and shine - showing himself to be a masterful owner of brands and an astute operator who uses times of market weakness to his advantage. We expect this to be the case going forward - something which does not appear excessively reflected in LVMH's valuation, having de-rated to 15x NTM EV/EBIT (from a peak of c.28x) and a free cash flow yield of 5%. Mr Arnault seems to agree and has been buying in the market post results.

In turn, CDI trades at 20% discount to NAV. This is much wider than average and we believe the fair discount to be ~0%. It remains our contention that the family will likely look to collapse the mono-holding company structure at some point in the future, providing an additional fillip to returns.

Contributors / Detractors (in GBP)

Largest Contributors	**1- month contribution bps**	**% Weight**
Apollo Global Mgmt.	72	4.4
D'Ieteren	54	9.6
News Corp	52	8.3
SoftBank Group	30	5.8
Aker ASA	15	3.9

Largest Detractors	**1- month contribution bps**	**% Weight**
Chrysalis Investments	-51	5.4
Christian Dior	-34	2.7
Harbourvest Global	-30	3.3
Rohto Pharmaceutical	-28	4.7
IAC	-21	2.8

Link Company Matters Limited
Corporate Secretary

8 November 2024

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