

AJOT

AVI Japan Opportunity Trust

AVI JAPAN
OPPORTUNITY
TRUST PLC

INVESTMENT MANAGER
ASSET VALUE INVESTORS LIMITED

Initial Placing, Offer for Subscription and Intermediaries Offer for a target issue of up to 30 million Ordinary Shares

- The Ordinary Shares in AVI Japan Opportunity Trust plc (“AJOT”) are listed on the Premium Segment of the Official List and traded on the Main Market of the London Stock Exchange.
- The investment objective of the Company is to provide Shareholders with capital growth in excess of the MSCI Japan Small Cap Index, through the active management of a focussed portfolio of equity investments listed or quoted in Japan which have been identified by the Investment Manager as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets.
- The Company invests in a diversified portfolio of equities listed or quoted in Japan which are considered by the Investment Manager to be undervalued and where cash, listed securities and/or realisable assets make up a significant proportion of the market capitalisation.
- The Investment Manager seeks to unlock this value through proactive engagement with management and taking advantage of the increased focus on corporate governance and returns to shareholders in Japan.
- Since the First Admission to 28 February 2020, the Company has delivered Net Asset Value and share price total returns of -1.32 per cent. and -4.00 per cent. respectively, and the Ordinary Shares have traded at an average premium to Net Asset Value per Ordinary Share of 3.60 per cent.
- The Board will not set any limits on sector weightings or stock selection within the Portfolio. It is not expected that a single holding (including any derivative instrument) will represent more than 10 per cent. of the Company’s gross assets, at the time of investment. However, the Company will have discretion to invest up to 15 per cent. of its gross assets, at the time of investment, in a single holding, if a suitable opportunity arises.
- As at 28 February 2020, the Portfolio comprised 30 holdings, with an aggregate unaudited value of £126.3 million.
- As at 28 February 2020, the Company’s top 10 holdings, represented 52.27 per cent. of the value of the total Portfolio.
- Asset Value Investors Limited (the “Investment Manager”) is the Company’s investment manager and alternative investment fund manager (AIFM). The Investment Manager was established in 1985 to manage the assets of AVI Global Trust plc, which now has over £1 billion of gross assets.

Investment Opportunity

- **Undervalued/cash-rich companies** – Analyst valuations of Japanese equities are cheaper than in other developed markets, particularly when adjusted for cash and investment security holdings. Sell-side coverage is low to the extent that 65% of TOPIX companies are covered by 2 or fewer analysts. 83% of companies in the Company’s Portfolio have 2 or fewer analyst coverage and 66% have no sell-side analyst coverage. Research shows that the Japanese market implicitly applies a pervasive and structural discount to cash and investment holdings, with academic studies suggesting the discount applied to cash is as much as 50 per cent. Management conservatism, a focus on stakeholders rather than shareholders and strong cash flow generation has led cash levels to build up over time in many Japanese companies.
- **Improving corporate governance and shareholder activism** – The Japanese Corporate Governance Code established in 2015 is encouraging company management to deliver higher shareholder returns, improve the efficiency of balance sheets, reduce cross-shareholdings, better incentivise management and overhaul governance in terms of board composition amongst other areas.
- **High-quality and growing companies** – A critical part of the Investment Manager’s strategy in Japan is the avoidance of value traps. The large number of growing and high-quality companies that meet the Investment Manager’s valuation criteria facilitates such an approach. Many of the companies that meet the criteria have reached excessive cash balances through the highly cash generative nature of the business, where management have been unable to invest as fast as the business has grown. The Investment Manager’s focus on these quality businesses with growing earnings enables investments to be made with a long-term focus. The value of these businesses is increasing over time and returns are thus less dependent on an event.

AJOT's Top 10 portfolio holdings as of 28 February 2020

Investment	Percentage of value of total portfolio
SK KAKEN CO LTD	7.08%
TEIKOKU SEN-I CO LTD	5.88%
FUJITEC CO LTD	5.42%
TOYOTA INDUSTRIES CORP	5.35%
SECOM JOSHINETSU CO LTD	5.21%
TOKYO BROADCASTING SYSTEM	4.77%
KATO SANGYO CO LTD	4.72%
C UYEMURA & CO LTD	4.69%
PASONA GROUP INC	4.58%
KONISHI CO LTD	4.57%
	<hr/> 52.27%

AJOT's Sector portfolio holdings as of 28 February 2020

Sector	Percentage of portfolio
Automobiles and Components	13.1%
Capital Goods	26.9%
Commercial and Professional Services	10.1%
Food and Staples Retailing	4.8%
Healthcare Equipment and Services	4.5%
Materials	21.0%
Media and Entertainment	4.8%
Retailing	3.9%
Software and Services	5.3%
Telecommunication Services	3.3%
Transportation	2.2%
	<hr/> 100.00%

AJOT's portfolio holdings by Market Cap as of 28 February 2020

Market capitalisation	Percentage of portfolio
Large Cap	22.3%
Mid Cap	26.2%
Small Cap	35.3%
Cash	16.2%
	<hr/> 100.00%

Board of directors

Norman Crighton
Chairman, Non-Executive Director

Katya Thomson
Chair of the Audit Committee, Non-Executive Director

Yoshi Nishio
Non-Executive Director

Margaret Stephens
Non-Executive Director

AVI Team

Joe Bauernfreund
CEO and CIO

Tom Treanor
Head of Research

Daniel Lee
Senior Analyst

Scott Beveridge
Senior Analyst

Darren Gillen
Analyst

Wilfrid Craigie
Analyst

Cameron Dryburgh
Analyst

The Company	<ul style="list-style-type: none"> • AVI Japan Opportunity Trust Plc. • Premium Listing Segment of the Official List and of the London Stock Exchange's Main Market. 														
Investment Manager	<ul style="list-style-type: none"> • Asset Value Investors Limited ("AVI"). 														
Issue size	<ul style="list-style-type: none"> • Initial Placing, Offer for Subscription and Intermediaries Offer for a target issue of up to 30 million Ordinary Shares . 														
Investment objective	<ul style="list-style-type: none"> • The investment objective of the Company is to provide Shareholders with capital growth in excess of the MSCI Japan Small Cap Index, through the active management of a focussed portfolio of equity investments listed or quoted in Japan which have been identified by the Investment Manager as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets. 														
Portfolio	<ul style="list-style-type: none"> • As at 28 February 2020, the Portfolio comprised 30 holdings, with an aggregate unaudited value of £126.3 million. • As at 28 February 2020, the Company's top 10 holdings, represented 52.27 per cent. of the value of the total Portfolio. 														
Gearing	<ul style="list-style-type: none"> • The aggregate of borrowings and long-only contracts for difference and equity swap exposure will not exceed 25 per cent. of Net Asset Value at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in Yen. 														
NAV	<ul style="list-style-type: none"> • As at 28 February 2020, the Company had unaudited net assets of approximately £111 million (representing a cumulative Net Asset Value per Ordinary Share of 96.71 pence) and the mid-market price of the Ordinary Shares was 96.00 pence. • Since the First Admission to 28 February 2020, the Company has delivered Net Asset Value and share price total returns of -1.32 per cent. and -4.00 per cent. respectively, and the Ordinary Shares have traded at an average premium to Net Asset Value per Ordinary Share of 3.6 per cent. 														
Dividend	<ul style="list-style-type: none"> • The Company has not paid any dividends at any time since incorporation. However, please note that the Company declared a final dividend of 0.9 pence per Ordinary Share for the financial period ended 31 December 2019. Subject to the approval of Shareholders at the 2020 AGM, this proposed final dividend will be payable on 30 April 2020 to Shareholders on the register at the close of business on 3 April 2020 and the ex-dividend date will be 2 April 2020. 														
Management fees	<ul style="list-style-type: none"> • The management fee of 1% per annum is calculated on the lesser of the Company's Net Asset Value or Market Capitalisation at each quarter end. The Investment Manager will invest 25% of the management fee it receives in shares of the Company (through open market purchases) and will hold these for a minimum of two years. 														
Governance	<ul style="list-style-type: none"> • All four of the Directors are non-executive and are independent of the Investment Manager. • The lead portfolio manager is Joe Bauernfreund, the Chief Executive Officer and Chief Investment Officer of AVI. 														
AIFM	<ul style="list-style-type: none"> • The Company's AIFM is Asset Value Investors Limited. 														
Expected timetable	<table> <tr> <td>• Prospectus published:</td> <td>3 March 2020</td> </tr> <tr> <td>• Initial Placing, Offer for Subscription and Intermediaries Offer opens:</td> <td>3 March 2020</td> </tr> <tr> <td>• Latest time and date for commitments under the Initial Placing</td> <td>5.00 p.m. on 24 March 2020</td> </tr> <tr> <td>• Last time and date for receipt of completed Application Forms in respect of the Offer for Subscriptions</td> <td>1.00 p.m. on 26 March 2020</td> </tr> <tr> <td>• Last time and date for receipt of completed applications from the Intermediaries in respect of the Intermediaries Offer</td> <td>3.00 p.m. on 26 March 2020</td> </tr> <tr> <td>• Publication of results of the Initial Issue and Initial Issue Price announcement date</td> <td>27 March 2020</td> </tr> <tr> <td>• Initial Admission and dealings in Ordinary Shares commence</td> <td>2 April 2020</td> </tr> </table>	• Prospectus published:	3 March 2020	• Initial Placing, Offer for Subscription and Intermediaries Offer opens:	3 March 2020	• Latest time and date for commitments under the Initial Placing	5.00 p.m. on 24 March 2020	• Last time and date for receipt of completed Application Forms in respect of the Offer for Subscriptions	1.00 p.m. on 26 March 2020	• Last time and date for receipt of completed applications from the Intermediaries in respect of the Intermediaries Offer	3.00 p.m. on 26 March 2020	• Publication of results of the Initial Issue and Initial Issue Price announcement date	27 March 2020	• Initial Admission and dealings in Ordinary Shares commence	2 April 2020
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This flyer has been prepared and issued by Kepler and is being delivered in connection with the proposed admission of ordinary shares in the capital of AVI Japan Opportunity Trust Plc ("AJOT" or the "Company") to trading on the Main Market and to listing on the premium listing category of the Official List and associated Initial Issue (the "Transaction"). This flyer is an advertisement and does not constitute a prospectus or offering memorandum and is being supplied to you solely for your information and does not constitute or form part of, and should not be construed as, any offer for sale or subscription of, or solicitation or any offer to buy or subscribe for or otherwise acquire, any securities of the Company or any other entity in any jurisdiction. Any investment in the securities of AJOT must be made solely on the basis of the information in the prospectus published by AJOT on 3 March 2020 and any supplementary prospectus to be published by AJOT pursuant to section 87(G) of the Financial Services and Markets Act, 2000 (together, the "Prospectus"). No reliance must be placed on any information in this flyer. The Company has not made any final decision as to whether or not to proceed with the Transaction. If the Transaction proceeds it may not proceed on the timetable, terms and/or structure envisaged in this flyer. Making this flyer available in no circumstances whatsoever constitutes an invitation or offer to any person to underwrite, subscribe for or otherwise acquire, or dispose of any shares or interests in the Company or any other entity or advice to persons to do so or implies the existence of a commitment or contract by or with Kepler, the Company, Nplus1 Singer Advisory LLP ("N+1 Singer") or their respective subsidiaries, directors, members, partners, officers, representatives, employees, advisers or agents ("Affiliates") for any purpose. A copy of the Prospectus is made available from the registered office of AJOT.

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