

November 2021

Investment Objective: To achieve capital growth through investing in a focused portfolio of over-capitalised small-cap Japanese equities. Asset Value Investors will leverage its three decades of experience investing in asset-backed companies to engage with company management and help to unlock value in this under-researched area of the market.

HEADLINES

Daibiru is taken private

On the last day of the month, our 5.3% position in Daibiru was subject to a tender offer from its parent company.

[Read more below](#)

Wacom's strong growth prospects

Despite the share price strength, Wacom trades on an EV/EBIT of 9.9x, an almost 30% discount to peers and an attractive valuation considering Wacom's strong growth prospects.

[Read more below](#)

PERFORMANCE¹

(Figures to 30 November 2021)

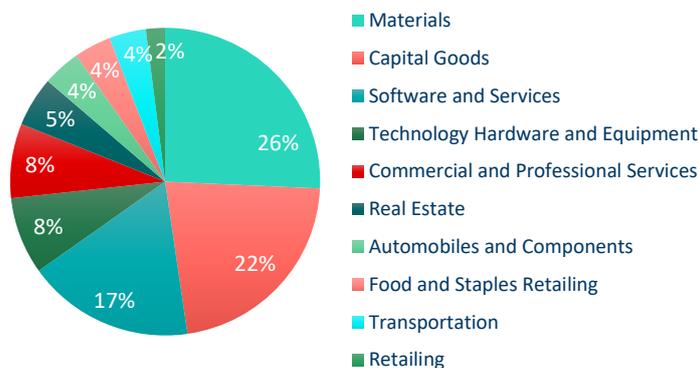
Share Price (pence)	119.0
NAV (pence)	117.1
Premium / (Discount)	1.6%

	Month	2021 YTD	Since Inception*
AJOT Share Price	0.9%	8.2%	19.0%
AJOT NAV	2.1%	8.8%	22.9%
MSCI Japan Small Cap	-2.6%	-0.8%	10.4%

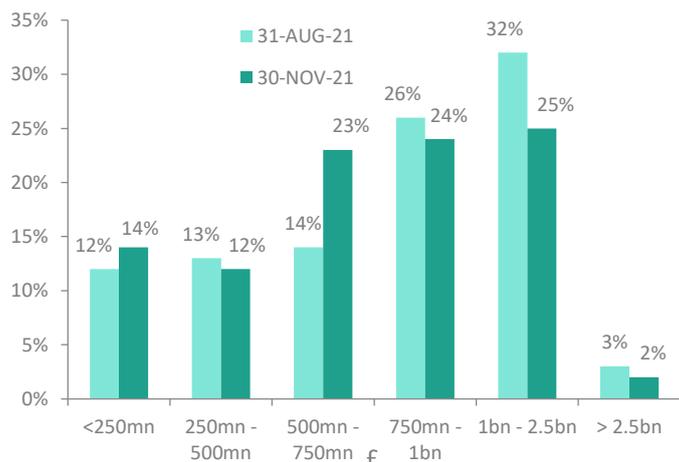
Cumulative Return	1 mo	3 mo	6 mo	1 yr	3 yr
AJOT Share Price	0.9%	4.1%	14.0%	10.9%	16.4%
AJOT NAV	2.1%	2.0%	14.8%	10.0%	20.5%
MSCI Japan Small Cap	-2.6%	-4.7%	1.7%	1.0%	7.6%

THE FUND

Sector Breakdown (% of Portfolio)



Market Cap Breakdown (% of Portfolio)



Top Ten Equity Holdings % of NAV

Holding	31-AUG-21	Holding	30-NOV-21
T Hasegawa	8.2	Wacom	8.3
Fujitec	7.7	T Hasegawa	8.2
DTS	6.9	Pasona Group	8.0
Digital Garage	6.7	DTS	6.9
Pasona Group	6.3	Digital Garage	6.5
C Uyemura	5.6	Fujitec	6.2
Daibiru	5.3	C Uyemura	6.0
SK Kaken	5.2	Daibiru	5.3
NS Solutions	4.8	SK Kaken	4.5
Konishi	4.3	NS Solutions	4.4
TOTAL	61.0	TOTAL	64.3
% Gearing	106.2	% Gearing	101.8
No. of Holdings	27	No. of Holdings	28

MANAGER'S COMMENT

AJOT's NAV increased by +2.1% over the month while the MSCI Japan Small Cap Index fell -2.6%, both figures aided by a +4.0% rise in the Yen vs. Sterling. The EV/EBIT of the portfolio was unchanged at 5.3x while our estimated discount to intrinsic value widened from 41.5% to 43.2%.

On the last day of the month, our 5.3% position in **Daibiru** was subject to a tender offer from its parent company, Mitsui O.S.K. Lines (MOL), at a 50% premium to the prevailing share price – AJOT's fifth investment to be taken private since launch. That another investment has been taken private is clearly a positive. However, we are disappointed with both the price, coming at a 30% discount to Daibiru's real estate value, and the negotiation process with Daibiru's board of directors failing to act in the best interests of minority shareholders. We have been extensively engaging with Daibiru and MOL for the past year, and will defend our minority shareholder rights, hoping to raise awareness of MOL's exploitation through a public campaign which can be found at www.assetvalueinvestors.com/stopexploitingdaibiru. Still, even in the absence of a higher price, Daibiru has been a good investment for AJOT, generating a total return of +74%, and an IRR of +84%. The uplift from the 50% premium tender offer will add roughly +2.7% to NAV.

Wacom was the largest contributor to performance over the month with a share price return of +19.1% adding 146bps to NAV. The share price reacted well to Q2 results, in which Wacom announced a 2% buyback, revised up annual profit forecasts by 9% and saw profits surpass expectations coming in +39% higher than the same quarter two years ago. Despite the share price strength, Wacom trades on an EV/EBIT of 9.9x, an almost 30% discount to peers and an attractive valuation considering Wacom's strong growth prospects. Over the past four months we have held three one-on-one meetings with the CEO and CFO and believe that our dialogue will help narrow Wacom's discount. We remain excited by Wacom's market position, valuation, and growth potential.

Pasona was the second largest contributor with a share price return of +11.7% adding 117bps to performance. Pasona's performance came despite a -7.5% fall in the share price of Benefit One. Pasona owns 50% of Benefit One, and it accounts for almost 80% of our estimate of Pasona's intrinsic value and 290% of its market cap. The divergence in share prices led to a narrowing of Pasona's discount from 79% to 73%. Although Pasona reported results in October we think investors are only just starting to recognise Pasona's undervaluation and the quality of its unlisted businesses. Pasona is in the process of listing one of these, a business process outsourcing company called BeWith. We estimate that it could be worth 20% of Pasona's market cap. If the success of Benefit One, which was also a wholly-owned subsidiary of Pasona and whose share price has compounded annually at +59% over the past 10 years, is anything to go by, the IPO could be a strong catalyst for further value creation.

NS Solutions was the largest detractor with a share price decline of -9.9% detracting 30bps from performance. The company announced quarterly results that saw sales and profits grow +5% and +10% YoY, although profits remain -7% below pre-COVID levels. We think NS Solutions' recovery is a matter of when not if, and the company has a huge tailwind from digitalisation demand, most notably from its parent company Nippon Steel. Following our shareholder proposals at NS Solutions' June 2021 AGM, we have continued to engage with management privately to address a variety of issues including valuation, balance sheet efficiency, employee wellbeing, gender diversity and remuneration. NS Solutions' 7.2x EV/EBIT valuation stands out as anomalous when compared to peers which trade on 17.0x. We attribute the discount to rectifiable issues rather than business fundamentals and have seen early signs from both NS Solutions and Nippon Steel management that they are open to actioning our proposals.

Fujitec was the second largest detractor, with a share price decline of -7.6% reducing returns by 26bps. The weakness follows a strong share price performance over the summer which was eroded following the fallout from Evergrande and concerns over a wider slowdown in Chinese property development. Given Fujitec's near 40% exposure to China property, we have been modestly reducing our position although it still ended the month at a healthy 6.2% of NAV. Fujitec's management recognise the short-term headwinds but remain sanguine on China's long-term opportunity which, coupled with self-help measures, should see Fujitec continue its earnings growth trajectory which saw it post a +27% YoY profit growth last quarter.

FUND FACTS

Fund Facts	
Launch Date	23 October 2018
Net Assets	£155.7m
Investment Manager	Asset Value Investors Limited
AJOT Shares owned by the Manager***	1,952,669
Shareholder Services	Link Asset Services
Management Fee**	1.0% of lower of market cap or NAV
Website	www.ajot.co.uk
Ticker Code	AJOT.LN
ISIN	GB00BD6H5D36

¹ All performance shown in GBP Total Return
^{*} 23 October 2018 Start Date

^{**} 25% of Management Fee to be reinvested in shares of AJOT

^{***} Shares owned by AVI Ltd & AVI employees

Investment Manager – Joe Bauernfreund, AVI Ltd.

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The share price can be found under 'INVESTMENT COMPANIES' in The Financial Times.

Information may be found on the following websites:
www.ajot.co.uk
www.assetvalueinvestors.com

IMPORTANT INFORMATION

All figures are as at the period under review unless otherwise stated. All sources Asset Value Investors Ltd ("AVI") unless otherwise stated. AVI is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the "FCA") and is a registered investment adviser with the Securities and Exchange Commission of the United States. While AVI is registered with the SEC as an investment adviser, it does not comply with the Advisers Act with regard to its non-U.S. clients. This document does not constitute an offer to buy or sell shares in AVI Japan Opportunity Trust plc (the "Trust"). The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Trust should seek their own independent financial advice. AVI neither provides investment advice for nor receives and transmits orders from investors in the Fund.