

April 2022

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

DTS

DTS was the largest contributor as the market reacted to its encouraging improvement in corporate governance.

[Read more below](#)

Market weakness

Falling share prices have unearthed a number of investment opportunities that we are actively researching and we expect to build new positions in the coming months.

[Read more below](#)

PERFORMANCE¹

(Figures to 30 April 2022)

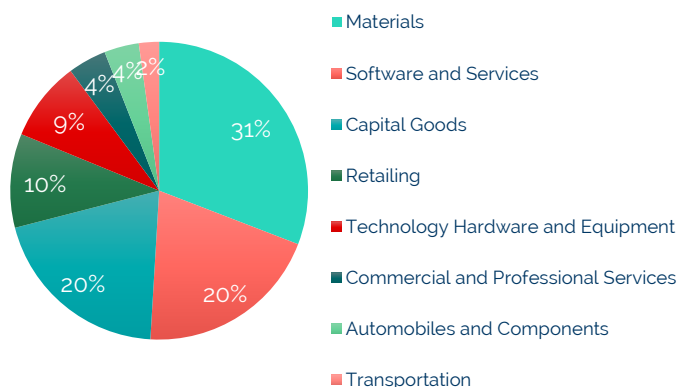
Share Price (pence)	108.3
NAV (pence)	109.3
Premium / (Discount)	-1.0%

	Month	2022 YTD	Since Inception*
AJOT Share Price	-5.3%	-10.0%	10.3%
AJOT NAV	-5.3%	-9.2%	14.6%
MSCI Japan Small Cap	-3.0%	-7.4%	1.6%

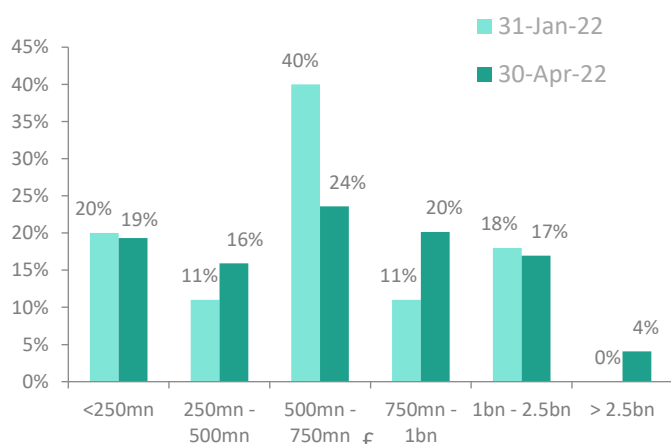
Cumulative Return	1 mo	3 mo	6 mo	1 yr	3 yr
AJOT Share Price	-5.3%	-2.7%	-8.8%	-2.2%	7.6%
AJOT NAV	-5.1%	-1.7%	-4.1%	4.4%	11.0%
MSCI Japan Small Cap	-3.0%	-3.1%	-10.3%	-9.5%	2.4%

THE FUND

Sector Breakdown (% of Portfolio)



Market Cap Breakdown (% of Portfolio)



Top Ten Equity Holdings % of NAV

Holding	31-Jan-22	Holding	30-Apr-22
Wacom	8.0	Wacom	8.8
Fujitec	7.8	DTS	8.7
DTS	7.8	T Hasegawa	8.5
T Hasegawa	7.8	NS Solutions	6.3
C Uyemura	6.8	C Uyemura	6.0
NS Solutions	5.5	Fujitec	5.5
Pasona	5.4	Shin-Etsu Polymer	5.5
Digital Garage	5.2	Digital Garage	5.4
SK Kaken	4.5	Konishi	4.5
Locondo	4.4	NC Holdings	4.3
TOTAL	63.2	TOTAL	63.5
Gearing	2.7%	% Gearing	1.8%
No. of Holdings	26	No. of Holdings	25

MANAGER'S COMMENT

AJOT's NAV fell by -5.1% over the month, suffering from a -2.0% decline in the Yen against the Pound, as well as weak stock markets. With little of our gearing capacity being utilised, we have been taking advantage of market weakness to add to one existing holding and to build three relatively new positions. Falling share prices have unearthed a number of investment opportunities that we are actively researching and we expect to build new positions in the coming months.

DTS was the largest contributor over the month adding 35bps to performance as its share price increased by +6.4%. The share price moved higher on shifting perceptions surrounding DTS' attitude towards shareholders, primarily driven by a raft of announcements over the past month. The first announcements came at the end of March, with DTS transitioning to a company with an audit committee, committing to a board composed of a majority independent directors, appointing two female directors (from zero) and changing the chair of the nomination & compensation committee to an outside director. This set the stage for the release of DTS' results and mid-term plan which came out after market close on the last day of the month. The mid-term plan set a target to double revenue and EBIT by 2030, reduce net cash as % of assets to 40% from current 60% by 2025 and pay-out an average 90% of net income over the next three years.

On an EV/EBIT of 8x vs peers on 14x, there remains a considerable amount of upside, and as the largest shareholder owning just under 10% of the Company, we will continue engaging with management to achieve a higher share price.

NS Solutions was a modest contributor to returns adding 23bps with a +6.0% share price increase. NS Solutions is a subsidiary of Nippon Steel and we have been engaging with management on ways to address the undervaluation and issues that arise from the listed parent/subsidiary structure. We have been sending management detailed presentations on a variety of issues and submitted shareholder proposals last year calling for stock-based compensation, a higher dividend and a share buyback. Although NS Solutions subsequently introduced stock-based compensation, there has been a lack of effort on other areas. NS Solutions is a fantastic company with an exciting growth outlook, and we plan to continue engaging to rectify the undervaluation.

Fujitec was the largest detractor over the month taking 88bps from performance as its share price fell -10.7%. Fujitec's share price had been strong over 2022, benefitting from an ambitious mid-term which outlined, for the first time, a capital policy, and prominent activist investor Oasis declaring a 7% stake. However, concerns over rising material costs and China slowdown weighed on the share price, as it has for Fujitec's global peers who have fallen by an average -20% over 2022. Over the month Fujitec's weight in the portfolio fell to a more modest 5.5% from 8.9% and on a 11.6x EV/EBIT does not look expensive considering the business quality.

The second largest detractor was **Pasona** whose share price fell -15.9% and detracted 85bps from performance. Pasona has been the largest detractor in 2022 driven by a tremendous -59% fall in the share price of Benefit One, which fell -23% in April alone and accounts for 187% of Pasona's market cap. Although we had concerns over Benefit One's valuation, and had been reducing our position in Pasona accordingly, the magnitude of the share price fall is astounding, and it no longer seems overvalued. Benefit One has 11.3m captive members on its platform, about 19% of the 60m employed workers in Japan, providing stable cashflows and an opportunity to sell additional services. With Pasona's 67% discount coupled with an appealing Benefit One valuation we are sanguine about Pasona's potential upside.

The EV/EBIT of the portfolio narrowed from 6.5x to 5.6x over the month and trades with 60% of the market cap covered by net cash and listed securities. As active managers, the volatile environment paired with falling valuations is an exciting combination, and we are seeing more mispriced opportunities to exploit. The environment has little bearing on our engagement activity, and we continue to push our portfolio companies to address their undervaluations and grow corporate value.

FUND FACTS

Fund Facts

Launch Date	23 October 2018
Net Assets	£156.9m
Investment Manager	Asset Value Investors Limited
AJOT Shares owned by the Manager***	2,053,763
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 to, nor receives and transmits orders from, investors in the Fund.