

February 2023

**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

## Tokyo Radiator

We sold three-quarters of our Tokyo Radiator stake into the Company's 35% share buyback.

[Read more below](#)

## TSI Holdings

TSI had another month of strong share price performance with a +20% gain taking the year-to-date return to +41%.

[Read more below](#)

## C Uyemura

We exited our position in C Uyemura, which we had been reducing for some time, generating an 87% ROI and 21% IRR over the life of our investment.

[Read more below](#)

## THE FUND

(Figures to 28 February 2023)

Share Price (pence)

119.5

NAV

118.3

Prem./Disc.

1.0%

EV/EBIT

7.5

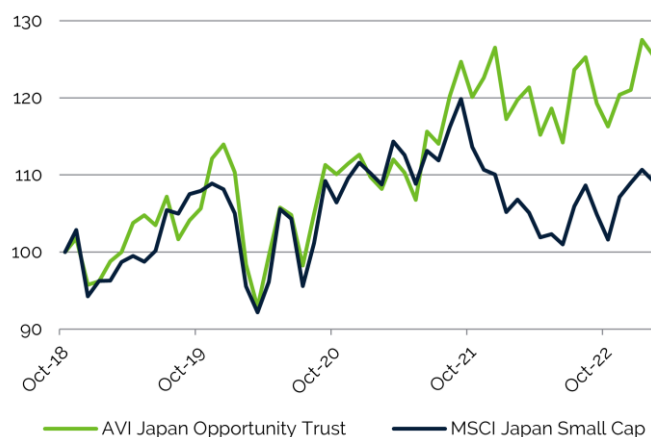
Net Cash/Market Cap

38.6%

NFV/Market Cap

61.9%

NAV Total Return Since Inception (£)

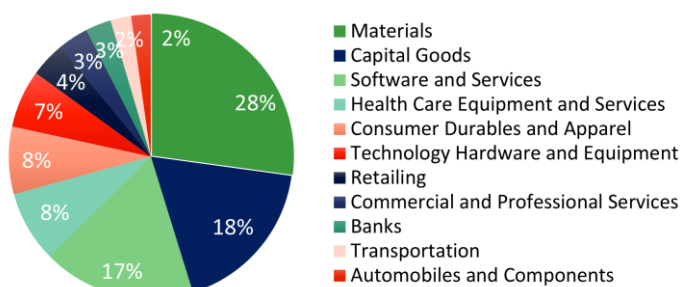


GBP	Month	YTD	1Y	3Y	SI*
AJOT Share Price	-1.6%	3.7%	4.8%	27.7%	25.0%
AJOT NAV	-1.6%	3.7%	4.8%	27.5%	25.8%
MSCI Jap Small Cap	-1.4%	0.2%	2.2%	14.3%	8.9%

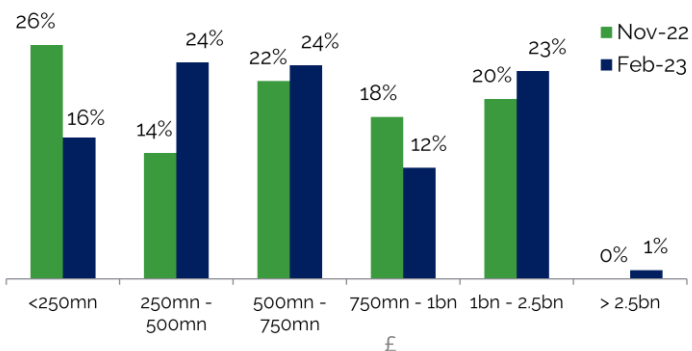
## PORTFOLIO

(Holdings to 28 February 2023)

## Sector Breakdown (% of Portfolio)



## Market Cap Breakdown (% of Portfolio)



## Top Ten Equity Holdings % of NAV

Holding	30-Nov-22	Holding	28-Feb-23
DTS	8.5	DTS	8.5
T Hasegawa	7.7	Nihon Kohden	8.3
Wacom	7.0	TSI Holdings	7.9
Konishi	7.0	Shin-Etsu Polymer	7.2
Shin-Etsu Polymer	6.8	Konishi	7.1
NC Holdings	6.4	Wacom	6.7
Nihon Kohden	5.9	T Hasegawa	6.0
TSI Holdings	5.8	NC Holdings	5.9
Fujitec	5.7	Digital Garage	5.7
NS Solutions	5.3	Fujitec	5.5
<b>TOTAL</b>	<b>66.1</b>	<b>TOTAL</b>	<b>68.8</b>
% Gearing	5.6	% Gearing	2.0
No. of Holdings	25	No. of Holdings	27

## MANAGER'S COMMENT

AJOT's NAV fell -1.6% over the month. Share price performance of the underlying companies in Yen was healthy, with TSI Holdings the standout contributor (+20% share price gain adding 110bps to performance). T Hasegawa and NC Holdings detracted with a more difficult cost environment for both weighing on profits.

It was Yen weakness which weighed on the NAV, as the cautious tone from Kazuo Ueda, the newly appointed Bank of Japan (BoJ) governor, disappointed those anticipating an imminent end to the BoJ's Yield Curve Control (YCC) policy. With January CPI coming in at 4.3%, the highest since 1981, we think it isn't a matter of *if* YCC will end but *when*, which would be a boon for the Yen.

Our companies finished reporting earnings over the month, with an overall picture of robust sales growth but lagging profits due principally to cost pressures. While margins still declined, the pace of the decline was lower than last quarter, an early indication of easing cost pressures and price increases taking effect.

Over the month we added modestly to several existing holdings alongside building new positions in three regional banks (combined 3% weight) to take advantage of a possible end to the BoJ's YCC later this year. The three banks trade on a highly compelling average Price/Book ratio of 0.4x, have lagged the recent re-rating of larger peers, and are under pressure from investors to increase shareholder returns.

We exited a longstanding position in C Uyemura, which we had been reducing for some time, generating an 87% ROI and 21% IRR over the life of our investment. We also sold three-quarters of our Tokyo Radiator stake into the Company's 35% share buyback.

At the end of the month, the weighted average EV/EBIT valuation multiple on the portfolio was 7.5x, slightly higher than last month, with net cash and investment securities covering 62% of the market cap.

### TSI Holdings (3608) – strong performance

TSI Holdings, the diversified apparel holding company, had another month of strong share price performance with a +20% gain taking the year-to-date return to +41%. The shares are now almost 90% higher than our first purchases in July 2022. Despite the gain, TSI still has net cash, investment securities and excess real estate worth 116% of its market cap.

We added a small number of shares to our position over the month which took us through a 5% reporting threshold. We plan to engage with management on ways in which to further rectify the undervaluation and see +78% upside from the current share price.

### Tokyo Radiator (7235) – towards an exit

During the month Tokyo Radiator announced an off-market share buyback for up to 35% of its shares to facilitate a partial exit from its register of its parent company, Marelli. With the possibility of a privatisation off the cards, we placed the entirety of our shares into the buyback and sold three-quarters of our position at a level +33% higher than where it ended the month.

As a listed subsidiary of Marelli (Marelli in turn is owned by KKR) there was intensifying pressure on both Tokyo Radiator and Marelli's management to collapse the listed parent/subsidiary structure – not least from us. Over our ownership we met Tokyo Radiator management 19 times, sent 12 letters/presentations, and submitted shareholder proposals to three AGMs in a row. Net cash covered Tokyo Radiator's market cap by nearly 100%, and we theorised that either Marelli would sell its stake or buy-in minorities.

With Marelli selling a majority of their holding over the month, our thesis that the parent/subsidiary structure would collapse proved right. However, it did not prove to be a successful investment. Although it was never a large position, over our four-year holding period to the end of the month, our investment returned -15% in JPY, a disappointing result considering the resources we committed to engaging.

We learned a valuable lesson; regardless of undervaluation and a potential catalyst, the longer the holding period the more dependent returns become on the quality of the underlying business. Although often appearing cheap, when investing in low-quality, poorly run businesses – as was the case for Tokyo Radiator – time is against us. Still, in the context of Tokyo Radiator's declining earnings over our holding period, the -15% return, while disappointing, was not a disaster. We identified correctly that there would be a change to the listed subsidiary structure and realising the majority of our shares through the share buyback event at a higher price, softened the loss.

Through a conscious effort to avoid value traps, our portfolio today, while still exposed to undervalued and overcapitalised companies, has greater exposure towards high-quality, growing companies. Crucially, while we wait for an event to realise the undervaluation, the business value and ultimate upside is increasing. Time is on our side, and we think that is a powerful force for generating outsized returns.

## STATISTICS

## Contributors / Detractors (in GBP)

Largest Contributors	Quarterly Contribution bps	% Weight
TSI Holdings	110	7.9
A-One Seimitsu	16	3.2
Shin-Etsu Polymer	15	7.2
Toagosei	10	3.1
NS Solutions	10	3.1

Largest Detractors	Quarterly Contribution bps	% Weight
T Hasegawa	-67	6.0
NC Holdings	-51	5.9
Pasona Group	-43	3.5
Digital Garage	-36	5.7
DTS Corp	-29	8.5

## Fund Facts

Launch Date	23 October 2018
Net Assets	£166.0m
Investment Manager	Asset Value Investors Limited
AJOT Shares owned by the Manager***	2,424,235
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

	1m	1y	3y	SI
Share Price TR	-1.6%	4.8%	27.7%	25.0%
Net Asset Value TR	-1.6%	4.8%	27.5%	25.8%
MSCI Jap Small Cap	-1.4%	2.2%	14.3%	8.9%
Fiscal Year Net Returns (%)	YTD	2022	2021	2020
Price	3.7%	-4.5%	12.4%	-0.7%
Net Asset Value	3.7%	-4.3%	12.3%	-1.2%
MSCI Jap Small Cap	0.2%	-1.0%	-1.4%	3.2%

## Capital Structure

Ordinary Shares	140,361,702
Shares held in Treasury	0
TONAR + 1.15% Revolving Credit facility	¥2,930,000
Gross Assets/Gearing	
Gross Assets	181.0m
Debt at fair value (gross)	15.0m
Gearing (net)	2.0%

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

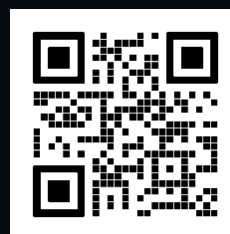
AVI Ltd. +44 20 7659 4800 info@ajot.co.uk

The share price can be found in [The Financial Times](#).  
ISIN: GB00BD6H5D36 Trading as: [AJOT:LN](#)

Information may be found on the following websites:

[www.ajot.co.uk](http://www.ajot.co.uk)

[www.assetvalueinvestors.com](http://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 Global 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.