May 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

C Uyemura

The standout performer over the month was C Uyemura whose +20.5% share price increase added 115bps to performance.

Read more below

Fujitec

Instead of admitting wrongdoing and strengthening corporate governance, Fujitec has embarked on a campaign of denial and obscuration.

Read more below

PERFORMANCE[1]

(Figures to 31 May 2022)

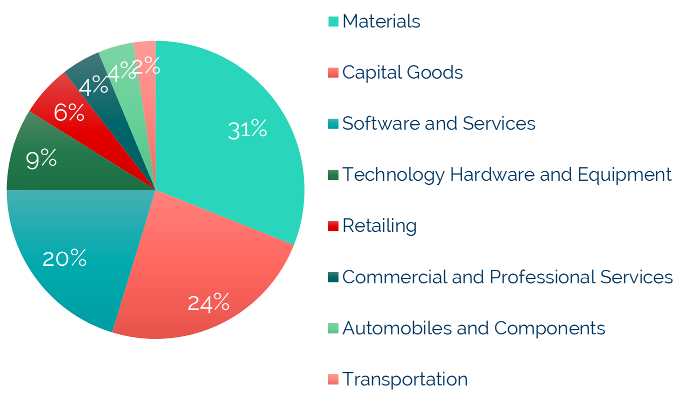
Share Price (pence)	111.0
NAV (pence)	112.6
Premium / (Discount)	-1.4%

	Month	2022 YTD	Since Inception*
AJOT Share Price	2.5%	-7.7%	13.1%
AJOT NAV	3.0%	-6.5%	18.0%
MSCI Japan Small Cap	0.4%	-7.0%	2.1%

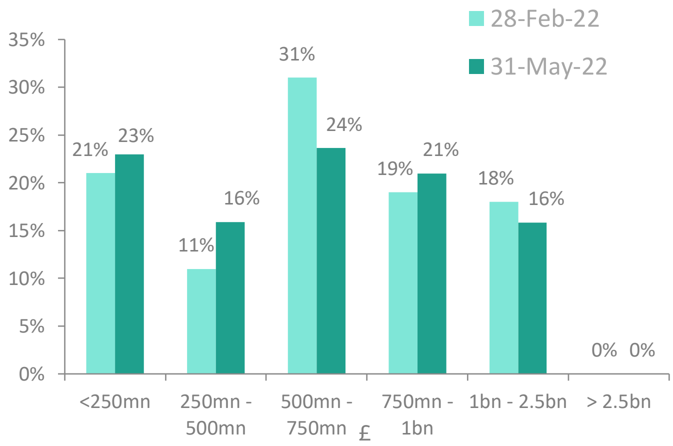
Cumulative Return	1 mo	3 mo	6 mo	1 yr	3 yr
AJOT Share Price	2.5%	-2.8%	-6.9%	6.5%	10.1%
AJOT NAV	3.0%	-0.9%	-3.3%	11.1%	13.2%
MSCI Japan Small Cap	0.4%	-4.2%	-7.5%	-6.0%	3.7%

THE FUND

Sector Breakdown (% of Portfolio)



Market Cap Breakdown (% of Portfolio)



Top Ten Equity Holdings % of NAV

Holding	28-Feb-22	Holding	31-May-22
DTS	8.5	DTS	9.2
Wacom	8.2	Wacom	8.9
Fujitec	8.1	T Hasegawa	8.1
T Hasegawa	7.2	Shin-Etsu Polymer	6.3
NS Solutions	5.9	NS Solutions	6.0
C Uyemura	5.9	C Uyemura	5.3
Shin-Etsu Polymer	5.9	Fujitec	5.0
Pasona	5.2	NC Holdings	4.9
Digital Garage	5.0	Digital Garage	4.7
SK Kaken	4.4	Konishi	4.6
TOTAL	64.3	TOTAL	63.0
% Gearing	103.9	% Gearing	100.1%
No. of Holdings	26	No. of Holdings	26

MANAGER'S COMMENT

AJOT's NAV increased by +3.0% over the month, as the portfolio's companies finished reporting earnings. Our companies are not immune to rising raw material costs, and more of them than not saw margin pressure in the last quarter. However, our companies, which generally have good levels of pricing power, have expressed that they expect to pass on most of the cost increases next year and the impact on margins should subside. For those holdings with a March year-end, dividends increased by an average of 16% with five companies announcing new share buybacks, joining three companies who have ongoing programs.

The BoJ is holding steady with its expansionary monetary policy, seeing the current 2% inflation as temporary. This continues to weigh on the Yen, which year-to-date is -4% against Sterling. On 10th June Japan will ease its border controls, allowing foreign nationals from group "blue" countries, the United Kingdom included, to travel to Japan without quarantine or on-arrival testing.

On a 5.9x EV/EBIT and with 59% of the market cap covered by net cash and listed investments the portfolio remains attractively valued. We are finding that our engagement efforts are becoming more welcome and that with closer relationships with management teams, we are being increasingly approached for advice.

The standout performer over the month was **C Uyemura** whose +20.5% share price increase added 115bps to performance. C Uyemura manufactures specialised plating chemicals used in a variety of high-end applications from automotives to data centres. It is benefitting from strong end demand with its customers aggressively increasing manufacturing capacity. Profits grew 47% last year, after 26% growth the year before. Accompanying the strong profits was a more generous shareholder return policy. Next year's dividend will be 38% higher, which is twice the dividend two years ago, and in combination with share buybacks, C Uyemura is targeting a 50% total shareholder return ratio. We have been actively engaging behind the scenes, and along with less tangible improvements, such as a mid-term plan and a renewed website, have been encouraged by management's responses.

Despite the improvements and undemanding 4.8x EV/EBIT valuation, we decided to trim the position slightly to 5.3% of NAV at the end of the month vs 6.0% at the start. With several companies in our universe seeing share prices falling to multi-year lows we felt it sensible to reduce exposure to C Uyemura, which is not without cyclical downside risk, to build firepower for new opportunities.

For the second month in a row, **DTS** was a top-two contributor, adding 71bps to performance with a +7.6% share price return. The share price responded well to a new mid-term plan that included a raft of shareholder - positive announcements. Beyond higher shareholder returns which could see up to 33% of the market cap returned to shareholders in the next 3 years, DTS announced a strategy to double EBITDA by 2030, increase ROE to 16% and focus on high-value-added IT services. As the largest shareholder, owning 9.9% of the shares, we have been closely working with management and the Board privately. DTS' response to our engagement has been exemplary – they have listened to our concerns, spent senior management time with us and taken on board our suggestions. The positive share price performance, and significant outperformance vs the market, is we believe, a testament to our efforts and clearly demonstrates the real value of AVI's constructive activism - something that we hope will not have gone unnoticed by our other investee companies as well as other investors in the Japanese markets. Trading on only an 8x EV/EBIT we think DTS still has considerable upside.

Driven by a decline in the share price of listed price comparison website Kakaku.com (-6.8%) coupled with a widening of the discount from 37% to 40%, **Digital Garage** was the largest detractor, reducing returns by 55bps. Digital Garage is a holding company whose key assets are a listed 20% stake in Kakaku.com and one of Japan's largest payment settlement businesses. We estimate that these two assets, along with small stakes in venture start-ups and a digital marketing business, are worth 67% more than the current share price. We attribute the undervaluation partially to the holding structure but also to an incoherent strategy that has been poorly communicated to investors. We sent two presentations to management last year, 72 pages and 23 pages long, which led to a new strategic direction entitled "DG FINTECH SHIFT" - a step in the right direction. Frustratingly, however, Digital Garage continues to include slides on its previous strategy in its investor presentations, confusing investors. At our last meeting, we told management to throw these slides into the virtual trashcan and to focus on creating a clearer, simpler strategy. They seemed to take on board the feedback, and we plan to continue working with management to rectify the undervaluation.

MANAGER'S COMMENT

Fujitec, a top ten global elevator & escalator manufacturer, was the second-largest detractor, reducing returns by 36bps as its share price fell by -10.5%. Having been a strong contributor earlier in the year, the share price has given up nearly all its gains, now up only +5.4% for the year. While Fujitec's share price has outperformed peers, it still trades at a discount, 11.5x EV/EBIT vs 18.0x.

During the month Oasis, a Hong Kong based activist investor, launched a campaign calling for shareholders to vote against the reappointment of President Takakazu Uchiyama, son of Fujitec's founder. Oasis highlighted several related-party transactions dating back to 1989, and as recently as 2021, alleging that Uchiyama has enriched himself at the expense of shareholders. Fujitec responded by appointing a law firm to lead an investigation into the transactions. As a leading shareholder, we discussed the allegations and Fujitec's response at length with the law firm that led the investigation, two outside directors and Fujitec executives, including President Uchiyama.

While we share Oasis' concerns about the related-party transactions, Fujitec's response was more troubling. Instead of admitting wrongdoing and strengthening corporate governance, Fujitec has embarked on a campaign of denial and obscuration. Fujitec's response omitted important details, the law firm Fujitec appointed to lead the investigation was not independent and the Board, amazingly and despite being 50% independent, unequivocally found that not one of the related-party transactions posed a problem for corporate governance. We are deeply disappointed and have made our grievances known to the Company, including suggestions on how to move forward. Regardless of the outcome, we hope that the collective voice of shareholders speaking out against the mistreatment of company assets is a reminder to executives that they are accountable to shareholders, even if they belong to the founding family.

FUND FACTS

Fund Facts	
Launch Date	23 October 2018
Net Assets	£154.5m
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.

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

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