

November 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

## Award

Following hot on the heels of AJOT's AJBell Japan Equity Active win in September, this month we were delighted to collect the Citywire award for the Best Japanese Equities trust.

[Read more below](#)

## Teikoku

Although we've been invested in the pump manufacturer Teikoku Electric for less than a year, we have already achieved a +52% return.

[Read more below](#)

PERFORMANCE<sup>1</sup>  
(Figures to 30 November 2022)

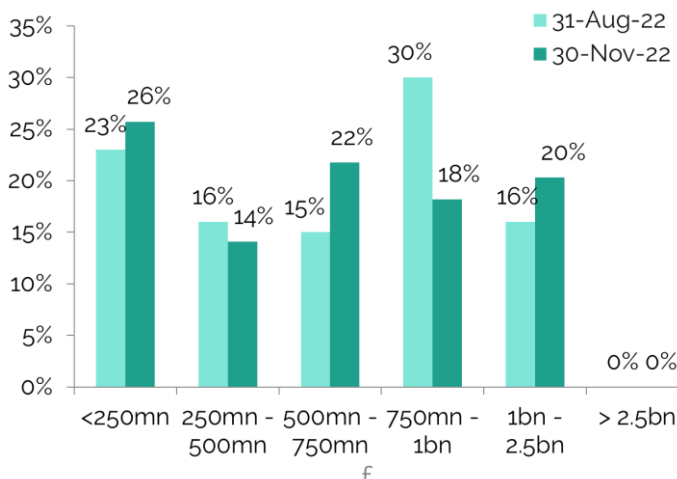
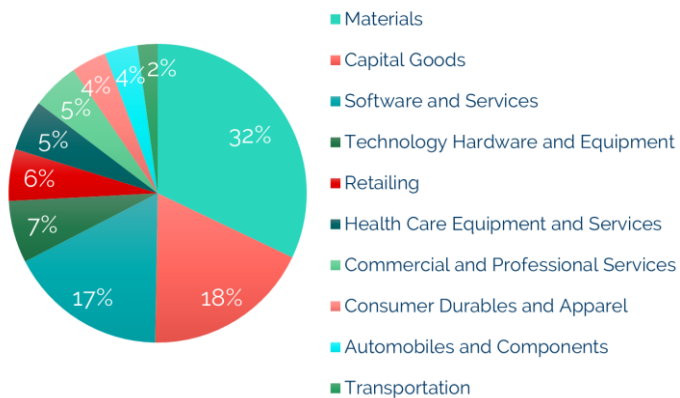
Share Price (pence)	108.8
NAV (pence)	113.5
Premium / (Discount)	-4.2%

	Month	2022 YTD	Since Inception*
AJOT Share Price	2.1%	-8.9%	11.6%
AJOT NAV	3.5%	-4.9%	20.7%
MSCI Japan Small Cap	5.4%	-2.6%	6.8%

Cumulative Return	1 mo	3 mo	6 mo	1 yr	3 yr
AJOT Share Price	2.1%	-4.8%	-1.6%	-8.2%	-1.5%
AJOT NAV	3.5%	-3.9%	1.5%	-1.8%	7.4%
MSCI Japan Small Cap	5.4%	-1.4%	4.7%	-3.2%	-1.6%

## THE FUND

## Sector Breakdown (% of Portfolio)



## Top Ten Equity Holdings % of NAV

Holding	31-Aug-22	Holding	30-Nov-22
DTS	10.3	DTS	8.5
T Hasegawa	9.4	T Hasegawa	7.7
Wacom	8.1	Wacom	7.0
Shin-Etsu Polymer	7.2	Konishi	7.0
Konishi	5.8	Shin-Etsu Polymer	6.8
NS Solutions	5.7	NC Holdings	6.4
Fujitec	5.2	Nihon Kohden	5.9
NC Holdings	5.1	TSI Holdings	5.8
Locondo	4.8	Fujitec	5.7
C Uyemura	4.5	NS Solutions	5.3
<b>TOTAL</b>	<b>66.1</b>	<b>TOTAL</b>	<b>66.1</b>
% Gearing	1.9	% Gearing	5.6
No. of Holdings	26	No. of Holdings	25

## MANAGER'S COMMENT

AJOT's NAV increased by +3.5% over the month. DTS was the largest detractor giving up part of its gains from earlier in the year, while the share prices of Digital Garage, Teikoku Electric and Tokyo Radiator increased by double digits.

### Investment Trust awards

Following hot on the heels of AJOT's AJBell Japan Equity Active win in September, this month we were delighted to collect the Citywire award for the Best Japanese Equities trust. AJOT's performance since launch has been a testament to the success of finding undervalued, high-quality companies and engaging with management to unlock value. It hasn't been the easiest period for small-cap Japanese companies, but the performance highlights the Trust's ability to generate attractive returns regardless of market conditions.

### New Ideas

Studious readers will notice that two new positions have entered the top ten holdings, TSI Holdings and Nihon Kohden, which we started building in September and July respectively this year.

Nihon Kohden is a medical equipment manufacturer famed for its quality and world-class award-winning products, including patient monitors, ventilators and defibrillators. Since 1985 sales have grown at a CAGR of +4.8%, fallen in only three years, and the overseas business now accounts for over one-third of sales. Nihon Kohden's 10x EV/EBIT multiple compares favourably to a peer average of 16x, and we have identified several levers to narrow the discount. We will put forward our suggestions to management at the start of next year which we hope will be well received. Our estimated upside to the current share price, considering the growth prospects and undervaluation, is over 100%.

TSI Holdings is an apparel company that owns a diversified collection of brands, some globally recognised. While the apparel industry is not without its difficulties, we are being more than compensated with 124% of TSI's market cap covered by net cash and investment securities and a further 31% covered by real estate. Furthermore, we believe TSI's brands are higher quality than average and are well-diversified across sports, women and men's brands. We have built a near 4% stake and plan to engage with management on rectifying the company's undervaluation. Including the value of TSI's real estate we estimate that TSI is worth +130% more than its current share price.

### Teikoku Electric Engagement Success

Although we've been invested in the pump manufacturer Teikoku Electric for less than a year, we have already achieved a +52% return with management responding positively to our, and other shareholders', engagement efforts. We sent a 51-slide presentation to management at the end of May with a particular focus on exiting a loss-making non-core business and addressing the inefficient balance sheet. Since commencing our engagement with management, their openness to considering a sale of their non-core business has improved and they have taken bold steps towards improving balance sheet efficiency. After committing to paying out 100% of earnings earlier in the year, during the month Teikoku Electric announced a 4.3% buyback and a 110% increase in the dividend. The buyback comes shortly after another 4.2% buyback, meaning in just under a year and a half Teikoku Electric will have bought back 8.5% of its shares while also paying a 4.9% dividend yield. Naturally, the share price reacted favourably and coupled with a +52% upgrade to full-year profit guidance, increased by +20%.

## MANAGER'S COMMENT

**Fujitec EGM**

On the last day of the month, activist investor Oasis Management called an Extraordinary General Meeting (EGM) at Fujitec. Since we established a position in 2018, we have engaged with Fujitec on various topics, from operational improvements to enhancing corporate governance. Fujitec has taken excellent steps in improving its corporate value, and we have consequently achieved a +89% return over the life of our investment. However, we are in full support of Oasis' campaign to revitalise Fujitec's Board, who, since Oasis raised accusations of inappropriate transactions from the founding Uchiyama family earlier this year, have acted with blatant disregard for shareholders.

Oasis' EGM notice seeks to replace all of the incumbent independent directors with six new independent directors while retaining the three executives who currently reside on the Board. The objective is to bring new elevator industry experience, reform the governance structure and ultimately unlock trapped value. We expect that, given the disgruntled shareholder base, there is a healthy chance that within the next three months Fujitec will have a significantly different board, and one that will finally rid the Company of Uchiyama's overbearing shadow and focus the Company on creating shareholder value.

Fund Facts

Launch Date	23 October 2018
Net Assets	£155.6m
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

<sup>1</sup> All performance shown in GBP Total Return  
<sup>\*</sup> 23 October 2018 Start Date  
<sup>\*\*</sup> 25% of Management Fee to be reinvested in shares of AJOT  
<sup>\*\*\*</sup> 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.