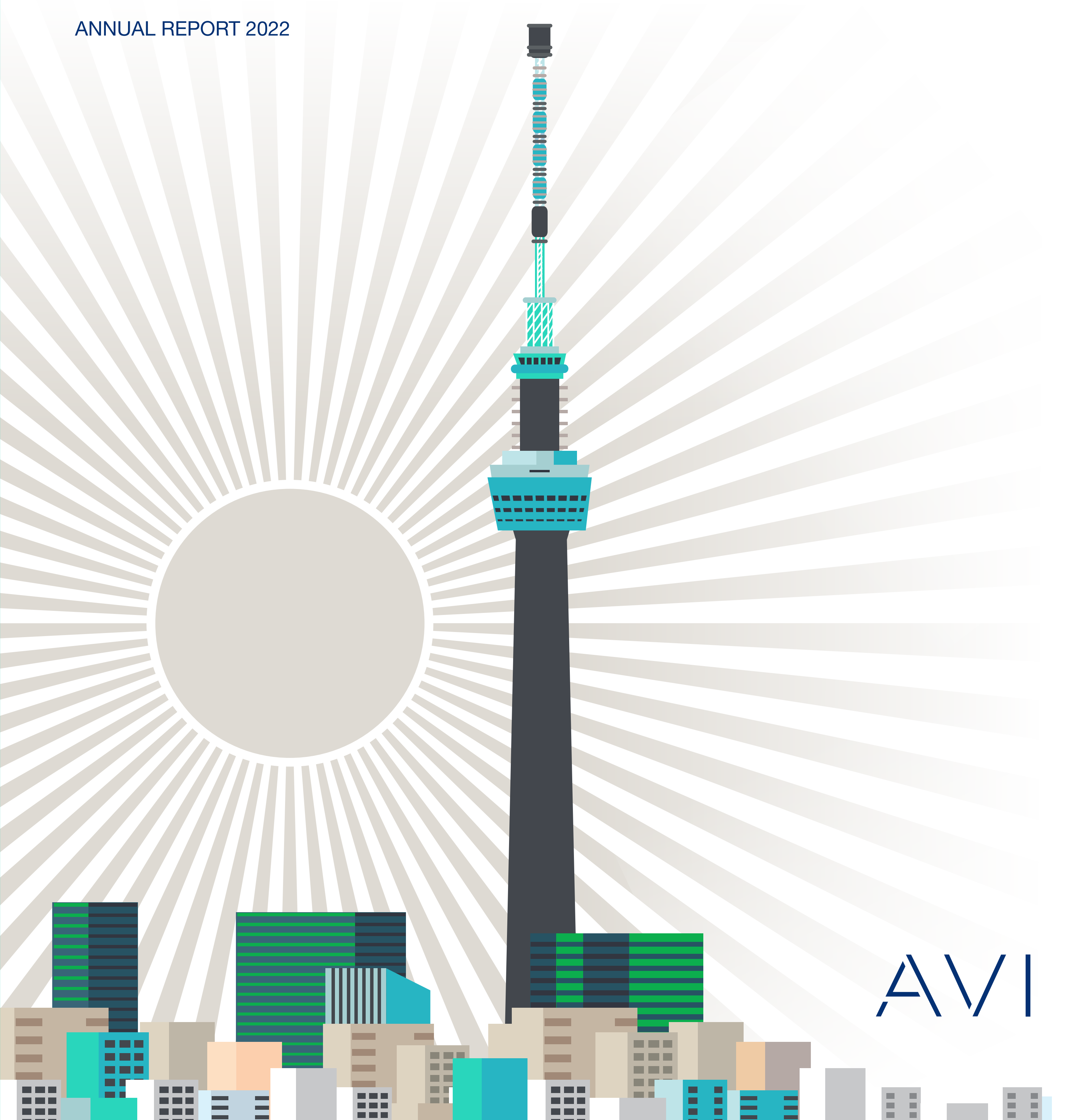
AJOT
AVI Japan Opportunity Trust

Driving positive change through active engagement

ANNUAL REPORT 2022



AVI

Welcome to our 2022 Annual Report

AVI Japan Opportunity Trust plc (“AJOT” or “the Company”) invests in a focused portfolio of quality small and mid-cap listed companies in Japan that have a large portion of their market capitalisation in cash or realisable assets.

An active approach to investing responsibly

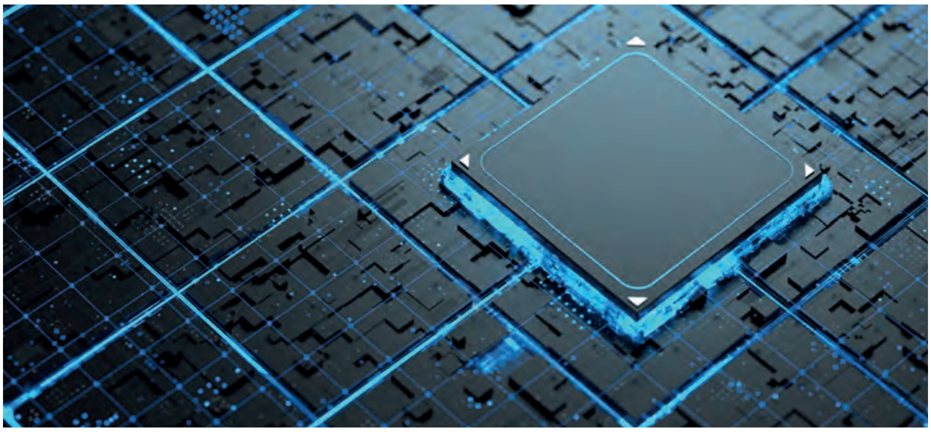
As active investors, AVI considers all drivers relevant to each company’s success, offering suggestions to enhance sustainable corporate value in consideration of all stakeholders and in the best long-term interest of our clients.

We aim to build strong relationships with the boards and management of our portfolio companies. Through constructive engagement, we encourage and expect them to take meaningful action in the context of long-term value creation.

KEY STORIES

How we engage

Read more **on page 22 and 23 of the Annual Report**



Driving positive change through active engagement

Read more about our ESG approach **on page 30 and 31 of the Annual Report**

Portfolio Breakdown by Market Capitalisation

	2022	2021
<£250mn	**26%**	14%
£250mn - £500mn	**15%**	14%
£500mn - £750mn	**19%**	27%
£750mn - £1bn	**17%**	20%
1bn - £2.5bn	**23%**	23%
>£2.5bn	**0%**	2%

A diversified collection of businesses

Read more **on page 08 of the Annual Report**

CONTENTS

The Company's website, which can be found at **www.ajot.co.uk**, includes useful information on the Company, such as price performance, news, monthly and quarterly reports, as well as previous Annual and Half-Year reports.

@AVIJapan

avi-japan-opportunity-trust

u/avi-ajot

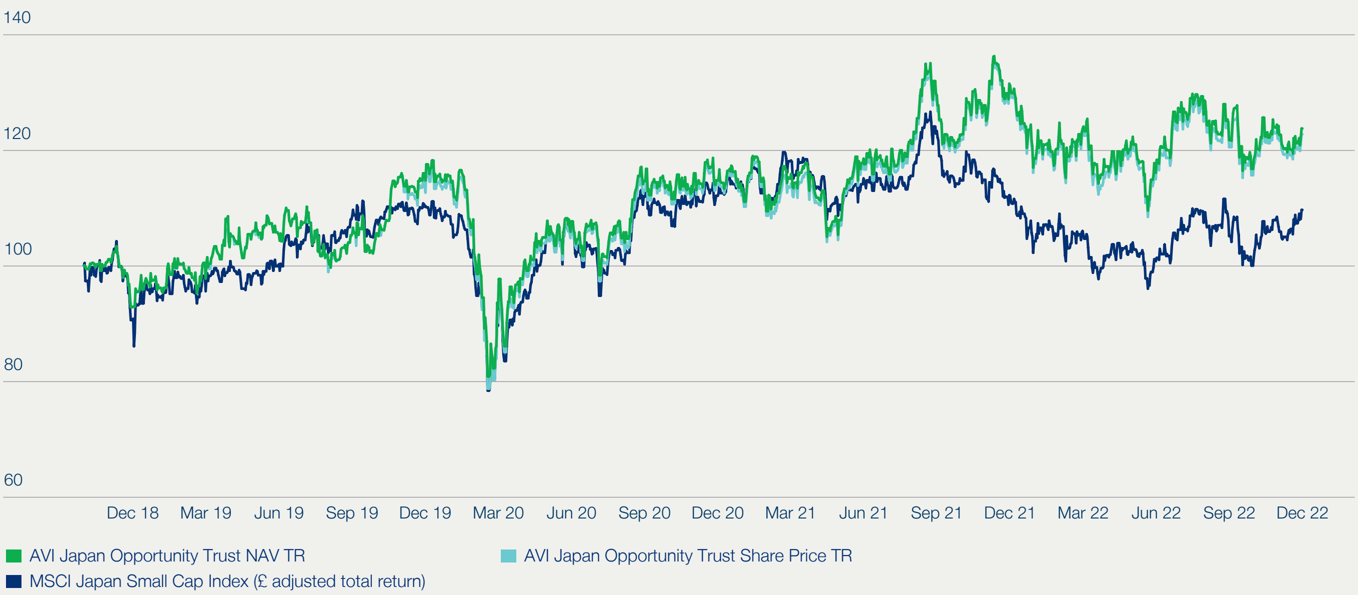
Strategic Report / Company Performance

PERFORMANCE SUMMARY

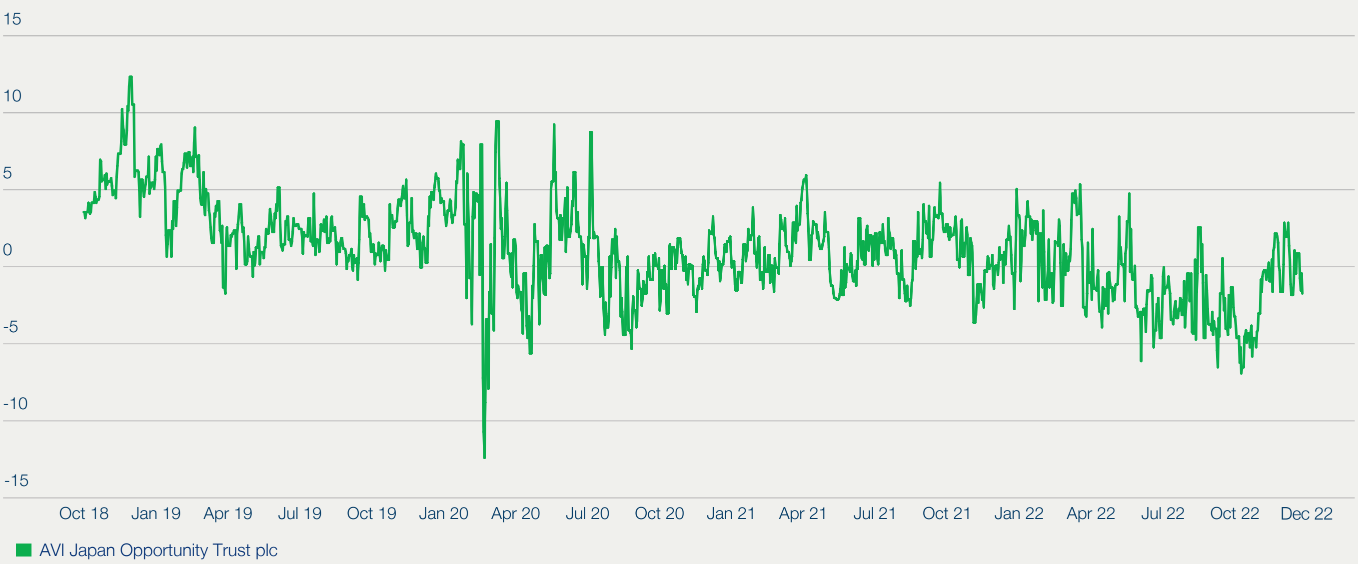
	31 December 2022	31 December 2021
Net Asset Value* (£)	**156,395,000**	160,721,000
Net Asset Value per Share (total return) for the year	**-4.3%**	12.3%
Share price total return for the year	**-4.5%**	10.0%
Comparator Benchmark		
MSCI Japan Small Cap Index (£ adjusted total return)	**-1.0%**	-1.4%
Portfolio Valuation		
Net Cash as % of Market Cap	**41.9%**	39.9%
Net Financial Value as % of Market Cap	**63.0%**	75.9%
EV/EBIT	**6.0x**	5.1x
FCF Yield	**6.0%**	5.4%
	Year to 31 December 2022	Year to 31 December 2021
Earnings and Dividends		
(Loss)/profit before tax	**-£6.6m**	£17.9m
Investment income	**£3.7m**	£3.2m
Revenue earnings per share	**1.69p**	1.55p
Capital earnings per share	**-6.79p**	11.89p
Total earnings per share	**-5.10p**	13.44p
Ordinary dividends per share	**1.55p**	1.40p
Ongoing Charge		
Management, marketing and other expenses (as a percentage of average Shareholders' funds)	**1.5%**	1.5%
2022 Year's Highs/Lows	High	Low
Net asset value per share	**120.7p**	**102.8p**

Net asset value per share at 31 December 2022	114.11p
Share price at 31 December 2022	112.25p
Discount as at 31 December 2022	1.63%
(difference between share price and net asset value)	

Net Asset Value, Share Price* and Benchmark



Premium or Discount to Net Asset Value (%)



* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 71 and 72.

COMPANY PURPOSE

Discovering overlooked and under-researched investment opportunities, and utilising shareholder engagement to unlock long-term value.

ABOUT ASSET VALUE INVESTORS

The Company has appointed Asset Value Investors Limited ("AVI" or the "Investment Manager") as its Alternative Investment Fund Manager.

Asset Value Investors ("AVI") has been investing in Japan for three decades. AVI focuses on undervalued companies with resilient and growing earnings, that are overlooked by investors due to non-fundamental factors.

By utilising nearly 40 years of capital markets experience, having analysed and met with hundreds of Japanese companies across a wide variety of industries, AVI works with management teams, making suggestions on how to grow long-term corporate value and address share price undervaluation.

AVI focuses on four main areas of improvement: capital efficiency, ESG, investor communication and operational strategy. While AVI seeks to work privately and collaboratively with management teams, if progress is not made, AVI will share its ideas with other shareholders in a public forum.

Find more about AVI **on page 10 of the Annual Report**

Capital Structure

As at 31 December 2022, the Company's issued share capital comprised 137,461,702 Ordinary Shares of 1p each, of which 400,000 were held in treasury and therefore the total voting rights attached to Ordinary Shares in issue were 137,061,702. As at 10 March 2023 it comprised 140,361,702 Ordinary Shares, none of which were held in treasury, and therefore the total voting rights attached to Ordinary Shares in issue were 140,361,702.

COMPANY OBJECTIVES AND STRATEGY

AJOT aims to provide Shareholders with total returns in excess of the MSCI Japan Small Cap Index in GBP ("MSCI Japan Small Cap"), through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by Asset Value Investors Limited as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or other realisable assets.

AVI seeks to unlock this value through proactive engagement with management and taking advantage of the increased focus on corporate governance, balance sheet efficiency, and returns to shareholders in Japan.

The companies in the portfolio are selected for their high quality, whether having strong prospects for profit growth or economically resilient earnings. By investing in companies whose corporate value should grow overtime, AVI can be patient in its engagement to unlock value.

Benchmark

The MSCI Japan Small Cap Index.

The Association of Investment Companies ("The AIC")

The Company is a member of The AIC.

Find more about AVI **on page 10 of the Annual Report**

WHAT DO WE INVEST IN

AJOT aims to achieve long-term capital growth by engaging with its concentrated portfolio of Japanese equities to unlock value.

Materials	29%
Capital Goods	19%
Software and Services	18%
Health Care Equipment and Services	7%
Consumer durables and Apparel	6%
Technology Hardware and Equipment	6%
Retailing	5%
Commercial and Professional Services	4%
Automobiles and Components	4%
Transportation	2%

Find more **on page 32 of the Annual Report**

ENGAGED

Building relationships with companies, actively working together to improve shareholder value.

CONCENTRATED

Our portfolio of 20-30 stocks means we devote ample resources to research and engagement for every investment.

LONG-TERM

A five-year horizon aligns our interests with those of management.

OUR PERFORMANCE

Finding Compelling Opportunities in Japan

NAV PERFORMANCE

1 Year	Since Inception ("SI")	Since Inception ("SI")*
-4.3%	21.4%	4.7%

* SI Annualised

DISCOUNT/PREMIUM

31 December 2022	31 December 2021
-1.6%	0.1%

ONGOING CHARGES

2022	2021
1.50%	1.45%

OUR ESG POLICY

Responsible investors

We believe that the integration of ESG and sustainability considerations into our investment strategy is not only integral to comprehensively understanding each investment's ability to create long-term value, but aligned with our values as responsible investors.

Find more about our ESG Policy **on pages 28 and 29 of the Annual Report**

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at 11.30 am on Tuesday, 2 May 2023 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH. Shareholders will be able to submit questions to the Board and AVI ahead of the AGM and answers to these, as well as AVI's presentation, will be made available on the Company's website. Please refer to the Notice of AGM for further information and the resolutions which will be proposed at this meeting.

UNIQUE

Discovering overlooked and under researched investment opportunities to unlock long-term value.

EXPERIENCED

Investing in the Japanese market for over two decades, with a dedicated team in London and Tokyo.

MANAGED BY AVI

Visit the website at:
www.assetvalueinvestors.com

Strategic Report / Chairman's Statement

Four years since launch, your Company has performed well in the face of multiple headwinds.

Norman Crighton
Chairman

Overview of the Year

On behalf of the Board of Directors ("the Board") I am pleased to present the Annual Report for 2022. This past year your Company has pursued its investment objective with ever more conviction and has not been in any way unnerved by the historic sell-off in bond and equity markets. I am truly appreciative of our Shareholders continuing to validate the Board's confidence in our investment approach. This confidence was demonstrated most clearly in October 2022 when Shareholders overwhelmingly decided not to take up the exit opportunity to which they were entitled. I would like to thank our brokers, Singer Capital Markets, for their efforts in canvassing opinion from Shareholders representing a significant majority of the shares in issue, that they did not wish to exit at this time – in so doing they have saved the Company, and you, a substantial amount of money that would have been wasted on the administrative expenses of putting an exit opportunity together. In accordance with the terms of our Initial Public Offering ("IPO"), an exit opportunity will continue to be offered on a biannual basis.

The war in Ukraine and other macroeconomic factors in the last 12 months have created a challenging environment for all investors, and your Company was no exception. Risk aversion has risen, and valuations have fallen, particularly for growth assets.

In Japan specifically, the Bank of Japan's ("BoJ") ultra-low interest rate policy has continued to weigh on the Japanese Yen, despite core inflation reaching a 41-year high of 4% at the end of the year. The persistence of this high inflation rate may have been the root cause for the BoJ's slight modification to the 10-year Japanese Government Bond yield cap in December 2022, which increased from 0.25% to 0.5%. This small shift in policy could indicate that the BoJ is moving away from its loose monetary stance, towards further rate increases in 2023, which would benefit the Yen and have implications for assets globally.

Despite the challenging environment, your Company ended the year -4.4% in GBP terms in respect of net asset value, a less negative return than most global equity markets. However, it was still below the -1.0% return of the official comparator benchmark, the MSCI Japan Small Cap Index. Total net assets at the year end stood at £156.4mn (31 December 2021: £160.7mn). Performance across the portfolio was generally good but was dragged down by two large detractors, Wacom and Pasona (as discussed in more detail on pages 25 and 26). Since inception, however, AJOT has proven to be a source of resilience, with returns since October 2018 of 21.4% versus 8.7% for the benchmark. Year to date 2023, AJOT has returned +7.7% versus the benchmark's return of +2.4%.

Your Company's bottom-up, deep research approach focuses on investing in companies with solid fundamentals and attractive valuations. The portfolio has 63% of its market cap covered by net cash and investment securities, while trading on a lowly 6.0x EV/EBIT multiple. This, coupled with continued engagement, shielded us from the extreme re-pricing experienced in more highly valued stocks, as rising interest rates exposed stretched valuations.

Your manager, AVI, has continued public campaigns at four portfolio companies and sent letters or presentations in private to a further 9. AVI has leveraged its expanded Japan team in the past 12 months to step up the level and intensity of engagement. The team continues to build deep relationships with management, having had numerous high-level meetings with Chairmen, CEOs and outside directors of our portfolio companies. The preferred approach of private engagement has led to notable successes, with a raft of shareholder-friendly measures being introduced across multiple companies without requiring public campaigns. This approach of constructive engagement has helped the Company to navigate the challenging market conditions and deliver strong results for our investors.

Dividend

As provided for in the Prospectus at the IPO, the Company intends to distribute substantially all the net revenue arising from the portfolio. The Company paid an interim dividend of 0.75p per share in November 2022, and the Board has elected to propose a final dividend of 0.80p per share, bringing the total dividend for the year ended 31 December 2022 to 1.55p per share (2021: 1.40p per share).

Investment Strategy

AJOT listed in October 2018 to take advantage of the highly attractive opportunity to invest in under-valued, over-capitalised Japanese small-cap equities with strong underlying business fundamentals. We believed – and still do – that active engagement and corporate action will allow for the unlocking of valuation anomalies unavailable in other global developed markets, with the potential for attractive absolute and relative returns.

Four years since launch, your Company has performed well in the face of multiple headwinds: lacklustre performance of small cap stocks (MSCI Small Cap Japan has underperformed its larger MSCI Japan counterpart by almost 8%); a notable sell-off in the Japanese Yen which has detracted 11% from GBP returns; as well as a turbulent global environment. The Board remains confident AVI is well placed to continue executing on the strategy and that there are still plenty of mispriced investment opportunities.

Share Premium and Issuances

As at 31 December 2022, your Company's shares were trading at a discount of -1.6% to NAV per share. The Board monitors the premium/discount carefully and manages it by periodically issuing or buying back shares. During 2022, we re-issued 250,000 shares from treasury and employed the Company's authorised block listing facility to increase our shares in issue by 4,241,000. 400,000 shares were bought back during the year. As at 31 December 2022, 137,061,702 shares were in circulation, a pleasing increase from the 80,000,000 shares at AJOT's launch.

Since the year end, the Company re-issued the 400,000 shares which had been bought back during the year, as well as a further 2,900,000 shares using the block listing facility. As a result, as at 10 March 2023, 140,361,702 shares were in circulation.

The Directors believe that the performance of the Company since IPO should be attractive to a larger pool of investors and are constantly exploring ways to grow AJOT.

Debt Structure and Gearing

As described in the Prospectus, the Board supports the use of gearing to enhance portfolio performance. The Company has in place a ¥4.33 billion debt facility which was renewed on 2 February 2022. As at 31 December 2022, ¥2.47 billion of the facility had been drawn and net gearing stood at 5.1%.

Governance

The Directors firmly believe that greater diversity in the boardroom leads to better decision-making and therefore higher returns for our Shareholders. Needless to say, your Board meets or surpasses the various recommendations issued by the Parker Review, the Hampton-Alexander Review and the New Listing Rule 9.8.6 (9-11) for gender and ethnic diversity. However, the Board has even greater and, I would argue, more directly relevant diversity within its ranks: the diversity of social background, of education, of skills, of work experience and of lived experience. Our diversity of gender and ethnicity is a happy coincidence of constructing a Board with these broader attributes. Ultimately, I believe that boards should be comprised of the best people for the job, full stop. I am proud to confirm that for your Board these are the very people that we do have in place.

Investment trusts are different from operating companies. We do not have CEOs or CFOs which the FCA mentions in their recommendation for positive diversity on boards. The Board has chosen not to appoint a Senior Independent Director ("SID"), one of the roles that the FCA believes should count towards diversity targets. If a Board is functioning correctly then there should be no need for a SID. The Directors of AJOT are strong, knowledgeable, professional individuals who do not hesitate to inform me when I have made a mistake. It is the Chairman's role to foster a culture where the independence of Directors helps them serve as effective stewards of Shareholder wealth. This is how all boards should operate. For investment trusts a much more important role than that of the SID is filled by the Chair of the Audit Committee and we strongly believe that the FCA should recognise the unusual position of investment trusts and include the Chair of Audit role when looking at diversity considerations. Your Board's Chair of the Audit Committee role is held by a capable female Director.

The role of proxy advisors has increased over the past few years. This, I believe, is to the detriment of the investment trust industry as a whole. Proxy advisors seem to have little understanding of how investment trusts and their boards operate, and unfortunately their decision-making process remains opaque and final.

The use of a proxy advisor is understandable for an index fund charging minimal fees, but those shareholders are in a minority, or non-existent, in most investment trusts which are actively managed by their shareholders and where investment manager decisions are subject to active Board oversight. While there are good reasons why the Board and the Investment Manager may make certain decisions, there is no forum or opportunity for boards to explain the rationale and circumstances for decisions to proxy advisors, who may then advise a vote against particular resolutions.

Proxy advisors also have an obsession with succession planning. In order to address this concern, the Board has formulated a succession plan which will see new Directors join the Board and existing Directors resign as their duties are handed over. However, I strongly believe that Shareholders should make the ultimate decision on who represents them on the Board and over the coming period I will be seeking Shareholders' views on the evolving composition of the Board, rather than have it dictated by others with an imperfect understanding on how the industry functions, let alone how specifically your Board operates, all while using arbitrary metrics.

Outlook

Japan reopened its doors to tourists on 11 October 2022 and much of the APAC region followed suit. As travel and tourism are set to resume across the continent, the added economic boost that this brings is likely to continue to drive inflationary expectations upwards – a step-change from the long-entrenched deflationary mindset of Japan. The possible impact of these and other factors on BoJ and Japanese Government policy going forward has firmly returned this long neglected country to the forefront of global investors' minds for the first time in a generation.

Furthermore, the fundamental argument for Japanese equities remains compelling, especially when compared to developed market alternatives. Not only are we seeing continued improvements in capital management and corporate governance, but at the end of December 2022, the TOPIX traded at 1x price to book, lower than its long-term average, since 1993, of 2x. Similarly, the TOPIX's trailing PE stood at 14x at the end of December, below its long-term average of 21x (to 1993)*.

Predicting the future macroeconomic landscape is a difficult task. Instead, your Investment Manager's focus remains on finding high-quality companies trading at attractive valuations. AJOT's portfolio has become higher in quality since its launch, and its level of engagement has intensified materially. The current portfolio is well positioned with a concentrated yet diverse collection of high-quality, lowly valued companies, with multiple levers for re-rating. As a Board, we are confident that AJOT can continue building on its successful track record of engagement with companies and delivering overall attractive returns for investors.

In the coming weeks I shall be meeting any institutional investors who would like to see me and I encourage as many Shareholders as possible to attend our fourth AGM in May. The Investment Manager, your Board and I are respectful of the workload of our investors. We remain available to all our Shareholders – institutional and retail – who may wish to discuss an issue or ask a question. As always, please feel free to reach out to me through our broker, Singer Capital Markets, to arrange a meeting.

Norman Crighton
Chairman
15 March 2023

* Bloomberg as at 31 December 2022

Strategic Report / Our Top 10 Holdings

A diversified collection of businesses

The top ten equity investments make up 66.4% of the net assets*, with operating businesses spread across a diverse range of sectors and regions.

* For definitions, see Glossary on pages 71 and 72.
** % of net assets.

Visit our investment platforms
www.assetvalueinvestors.com/ajot/how-to-invest/platforms/

1. DTS CORP

8.0% of portfolio | 6.9x EV/EBIT

DTS provides IT-related services to Japanese corporations. Its business is expanding into Digital-transformation related ("DX") fields such as cloud, robotics and IoT ("Internet of Things"). Japanese companies have underinvested in their IT infrastructure, with antiquated processes and complex legacy systems. With encouragement from the Government, we believe companies will dramatically increase their IT expenditure – much to the benefit of DTS.

Source / Getty Images

2. NIHON KOHDEN CORP

7.5% of portfolio | 9.3x EV/EBIT

Nihon Kohden is a medical equipment manufacturer, with a product lineup of patient monitors, defibrillators and ventilators. It has generated a 5.4% 20-year sales CAGR, with sales declining in only three of the past 37 years, and has grown its overseas business to just over a third of sales. We expect this growth to continue as the business benefits from increased global healthcare expenditure and a shift to higher value-add digital solutions.

Source / Getty Images

6. T HASEGAWA CO LTD

6.6% of portfolio | 9.8x EV/EBIT

T Hasegawa is a top 10 global flavour and fragrance ("F&F") manufacturer. Its products are used in a variety of products from tea to instant noodles. The Company's motto is "a company founded on technology" and it has a rich library of recipes. The F&F industry is appealing because of its high barriers to entry and resilient pricing power, which explains why T Hasegawa's global peers trade on an average EV/EBIT of over 20x.

Source / T Hasegawa Co Ltd

7. SHIN-ETSU POLYMER CO LTD

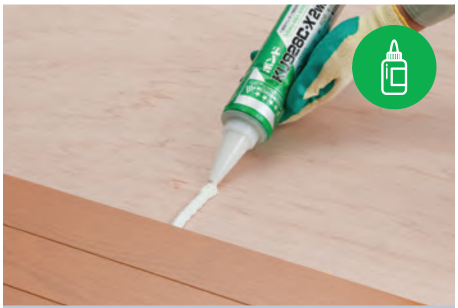
6.5% of portfolio | 3.5x EV/EBIT

Shin-Etsu Polymer manufactures an assortment of devices, but its main product is a container used to carry semiconductor silicon wafers. It is a listed subsidiary of Shin-Etsu Chemical, and our base case is that Shin-Etsu Polymer is taken over. The companies' business operations are intertwined, and the management of both companies have made indications that they are open to addressing the parent/child listing issue.

Source / iStock

38.7%**

7 8 9 10



3. KONISHI CO LTD

7.0% of portfolio | 4.0x EV/EBIT

Konishi is famed for its household glue brand BOND. It has a dominant market share across the domestic adhesives market and successfully expanded its business into infrastructure repair works. We believe Konishi has potential to grow its adhesive offering into more industrial applications and to establish itself overseas, which is not reflected in the lowly 4.0x EV/EBIT valuation.

Source / Konishi Co Ltd

4. NC HOLDINGS CO LTD

6.7% of portfolio | 7.4x EV/EBIT

NC Holdings owns an eclectic mix of businesses, including solar panel consulting, conveyor belts and – the most attractive – car parking systems. Each standalone business has its merits, but they have no synergies combined. This is part of the reason why the business trades on 7.4x EV/EBIT vs our fair value of over 10x.

Source / iStock

5. WACOM CO LTD

6.6% of portfolio | 9.4x EV/EBIT

Wacom is a global leader in digital pen solutions. It is uniquely positioned to benefit from the growing adoption of digital pens. Its dominant market position allows Wacom to be at the forefront of technological innovation, developing solutions that utilise big data, artificial intelligence, and virtual reality. Investors underappreciate the growth potential of Wacom's technology, but under the leadership of the relatively new President and with improved investor communication, we think this will change.

Source / Wacom Co Ltd

8. TSI HOLDINGS CO LTD

6.1% of portfolio | <0.0x EV/EBIT

TSI Holdings owns a collection of diversified apparel brands. Its unique focus on athleisure and outdoor wear sets it apart from competitors, but it trades at a steep discount due to a bloated balance sheet. Net cash, investment securities and real estate account for 176% of TSI's market cap, obscuring the underlying business. Were TSI to trade in line with peers, there would be a +150% upside to the current share price.

Source / TSI Holdings Co Ltd

9. FUJITEC CO LTD

5.8% of portfolio | 18.3x EV/EBIT

Fujitec is a global leader in manufacturing and servicing elevators and escalators. It has a unique focus on Asian markets, which offer a compelling growth opportunity. We launched a public campaign in May 2021, calling on Fujitec to address decades of underperformance and its undervaluation. Fujitec is the largest independent player left in a highly consolidated market, making it an attractive acquisition target for competitors.

Source / Getty Images

10. DIGITAL GARAGE INC

5.6% of portfolio | 7.2x EV/EBIT

Digital Garage's three main business interests are card payment processing, online marketing and venture investments. The real crown jewel is the wholly-owned payment processing business, a beneficiary of shifting habits towards cashless payments. Digital Garage's complex holding structure leads to a large discount and we have been engaging with management on ways to rectify this, including separating the payments business.

Source / Getty Images

BUSINESS MODEL

Company Status

The Company is registered as a public limited company under the Companies Act 2006 and is an investment company under Section 833 of the Companies Act 2006. It is a member of The AIC.

The Company was incorporated on 27 July 2018 and listed on the London Stock Exchange on 23 October 2018.

The Company has been approved as an investment trust under Sections 1158/1159 of the Corporation Tax Act 2010. The Directors are of the opinion, under advice, that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive ("AIFMD").

Investment Objective

The Company's investment objective is to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index, through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by AVI as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets.

Investment Policy

The Company invests in a diversified portfolio of equities listed or quoted in Japan which are considered by the Investment Manager to be undervalued and where cash, listed securities and/or realisable assets make up a significant proportion of the market capitalisation. AVI seeks to unlock this value through proactive engagement with management and taking advantage of the increased focus on corporate governance and returns to shareholders in Japan. The Board has not set any limits on sector weightings or stock selection within the portfolio. Whereas it is not expected that a single holding (including any derivative instrument) will represent more than 10% of the Company's gross assets at the time of investment, the Company has discretion to invest up to 15% of its gross assets in a single holding, if a suitable opportunity arises.

No restrictions are placed on the market capitalisation of investee companies, but the portfolio is weighted towards small and mid-cap companies. The portfolio normally consists of between 20 and 30 holdings although it may contain a lesser or greater number of holdings at any time.

The Company may invest in exchange traded funds, listed anywhere in the world, in order to gain exposure to equities listed or quoted in Japan. On acquisition, no more than 15% of the Company's gross assets will be invested in other UK listed investment companies.

The Company may also use derivatives for gearing and efficient portfolio management purposes.

The Company will not be constrained by any index benchmark in its asset allocation.

Borrowing Policy

The Company may use borrowings for settlement of transactions, to meet ongoing expenses and may be geared through borrowings and/or by entering into long-only contracts for difference or equity swaps that have the effect of gearing the Company's portfolio to seek to enhance performance.

The aggregate of borrowings and long-only contracts for difference and equity swap exposure will not exceed 25% of NAV at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in JPY.

Hedging Policy

The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investments denominated in JPY, although the Investment Manager and the Board may review this from time to time.

Material Changes to the Investment Policy

No material change will be made to the Company's investment policy without Shareholder approval. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which have been taken to rectify the breach.

Management Arrangements

The Company has an independent Board of Directors which has appointed AVI, the Company's Investment Manager, as Alternative Investment Fund Manager ("AIFM") under the terms of an Investment Management Agreement ("IMA") dated 6 September 2018. The IMA is reviewed annually by the Board and may be terminated by one year's notice from either party subject to the provisions for earlier termination as stipulated therein.

The portfolio is managed by Joe Bauernfreund, the Chief Executive Officer and Chief Investment Officer of AVI. He also manages AVI Global Trust Plc and is responsible for all investment decisions across the Investment Manager's strategies. Travel restrictions permitting, he conducts regular visits to Japan, engaging with prospective and current investments, which he has done for over 15 years.

Management fees are charged in accordance with the terms of the management agreement, and provided for when due. The Investment Manager is entitled to an annual fee of 1% per annum of the lesser of the Company's NAV or the Company's market capitalisation, invoiced monthly in arrears. The IMA requires AVI to invest not less than 25% of the management fee in shares in the Company. Management fees paid during the year were £1,516,000 and the number of shares held by AVI is set out in note 15.

J.P. Morgan Europe Limited was appointed as Depositary under an agreement with the Company and AVI dated 6 September 2018 (the "Depositary Agreement"). The Depositary Agreement is terminable on 90 calendar days' notice from either party.

JPMorgan Chase Bank, London Branch, has been appointed as the Company's Custodian under an agreement dated 6 September 2018 (the "Custodian Agreement"). The Custodian Agreement is terminable on 90 calendar days' notice from the Company or 180 calendar days' notice from the Custodian.

Link Company Matters Limited was appointed as corporate Company Secretary on 27 July 2018. The current annual fee is £67,000, which is subject to an annual RPI increase. The agreement may be terminated by either party on six months' written notice.

Link Alternative Fund Administrators Limited has been appointed to provide general administrative functions to the Company. The Administrator receives an annual fee of £100,000. The agreement can be terminated by either the Administrator or the Company on six months' written notice, subject to an initial term of one year.

DIRECTORS' DUTIES

Overview

The Directors' overarching duty is to act in good faith and in a way that is the most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006 ("Section 172"). In doing so, Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make, as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duty under Section 172 below.

To ensure that the Directors are aware of, and understand, their duties, they are provided with the pertinent information when they first join the Board, as well as receive regular and ongoing updates and training on the relevant matters. They also have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice. The schedule of matters reserved for the Board, as well as the terms of reference of its committees, are reviewed on at least an annual basis and further describe Directors' responsibilities and obligations and include any statutory and regulatory duties. The Audit Committee has the responsibility for the ongoing review of the Company's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company's risk register and are subject to periodic and regular reviews and monitoring.

Decision-making

The importance of stakeholder considerations, in particular in the context of decision-making, is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. Examples of decisions made by the Board on this basis include the buyback of 400,000 shares in order to control the discount, as the Board believes that this is in the interest of Shareholders as a whole. Similarly, the Company consulted with its largest institutional and private wealth Shareholders regarding the proposed Exit Opportunity (discussed in more detail on pages 6, 16 and 17) and gave all Shareholders the opportunity to contribute to the process. In addition, in line with increasing stakeholder attention to Environmental, Social and Governance ("ESG") matters, the Board requests regular updates from its main service providers on these topics. Following feedback received from proxy advisers on the 2021 Annual Report, the Company has included more details on succession planning and gender and ethnic diversity.

Stakeholders

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. The Board has discussed which parties should be considered as stakeholders of the Company.

Following thorough review, it was concluded that, as the Company is an externally managed investment company and does not have any employees or customers, its key stakeholders comprise its Shareholders and service providers. The section on the pages following discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

STAKEHOLDERS

SHAREHOLDERS

Shareholders

IMPORTANCE

Continued Shareholder support and engagement are critical to the existence of the Company and the delivery of the long- term strategy of the Company.

BOARD ENGAGEMENT

The Company has over 200 Shareholders, including institutional and retail investors. The Board is committed to maintaining open channels of communication and to engaging with Shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of Shareholders. These include:

- **AGM** – the Company welcomes and encourages attendance and participation from Shareholders at the AGM. Shareholders have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. Shareholders who are unable to attend the AGM in person are offered the opportunity to submit questions via email. The Investment Manager attends the AGM and provides a presentation on the Company's performance and the future outlook, which is made available on the Company's website following the meeting. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM and will take action or make changes, when and as appropriate;
- **Publications** – the Annual Report and Half-Year results are made available on the Company's website and the Annual Report is circulated to Shareholders. These reports provide Shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet and quarterly reports which are available on the Company's website and the publication of which is announced via a Regulatory Information Service. Feedback and/or questions the Company receives from the Shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable;
- **Shareholder meetings** – unlike trading companies, Shareholder meetings often take the form of meeting with the Investment Manager rather than members of the Board. Shareholders are able to meet with the Investment Manager throughout the year and the Investment Manager provides information on the Company and videos of the Investment Manager on the Company's website and via various social medial channels. Feedback from all meetings between the Investment Manager and Shareholders is shared with the Board. The Chairman, the Chairman of the Audit Committee or other members of the Board are available to meet with Shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Investment Manager, the Chairman seeks meetings with Shareholders who might wish to meet with him and Shareholders can contact him through our broker, Singer Capital Markets;
- **Shareholders concerns** – in the event Shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. Other members of the Board are also available to Shareholders if they have concerns that have not been addressed through the normal channels;
- **Exit Opportunity** – the Directors may, at their discretion, offer Shareholders the opportunity to exit the Company at close to NAV every two years. The Board and the Corporate Broker carried out a consultation regarding the potential exit opportunity in 2022 during the summer of 2022, with Shareholders representing a significant majority of the shares in issue. The Company established that Shareholders who expressed an opinion were supportive of the Company forgoing the administrative burden and expense of an exit opportunity in October 2022. A similar consultation will take place in the months leading up to future potential exit opportunities, with the next consultation taking place in 2024; and

<table>
<tr><th>STAKEHOLDERS</th><th>IMPORTANCE</th><th>BOARD ENGAGEMENT</th></tr>
<tr><td>Shareholders
continued</td><td></td><td>Investor Relations updates – at every Board meeting, the Directors receive updates from the Company's broker on the share trading activity, share price performance and any Shareholders' feedback, as well as an update from the Investment Manager on any publications or comments by the press. To gain a deeper understanding of the views of its Shareholders and potential investors, the Investment Manager also undertakes regular Investor Roadshows. Any pertinent feedback is taken into account when Directors discuss the share capital, any possible fundraisings or the dividend policy and actioned as and when appropriate. The willingness of the Shareholders, including the partners and staff of the Investment Manager, to maintain their holdings over the long-term period is another way for the Board to gauge how the Company is meeting its objectives and suggests a presence of a healthy corporate culture.</td></tr>
<tr><td>SERVICE PROVIDERS</td><td></td><td></td></tr>
<tr><td>The Investment Manager</td><td>Holding the Company's shares offers investors an investment vehicle through which they can obtain exposure to AJOT's diversified portfolio of Japanese equities. The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index through active management of the portfolio and engagement with portfolio companies.</td><td>Maintaining a close and constructive working relationship with the Investment Manager is crucial, as the Board and the Investment Manager both aim to continue to achieve consistent, long-term returns in line with the investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture, are:
• encouraging open discussion with the Investment Manager, allowing time and space for original and innovative thinking;
• the Chairman has frequent conversations with the Investment Manager to talk through any matters discussed by the Board between scheduled meetings, as well as any matters raised by the Investment Manager;
• the IMA requires AVI to invest not less than 25% of the management fee in shares in the Company and to hold these for a minimum of two years which ensures that the interests of Shareholders and the Investment Manager are well aligned;
• recognising the alignment of interests mentioned above, adopting a tone of constructive challenge, balanced with robust negotiation of the Investment Manager's terms of engagement if those interests should not be fully congruent;
• drawing on Board Members' individual experience and knowledge to support the Investment Manager in its monitoring of and engagement with portfolio companies; and
• willingness to make the Board Members' experience available to support the Investment Manager in the sound long-term development of its business and resources, recognising that the long-term health of the Investment Manager is in the interests of Shareholders in the Company.</td></tr>
<tr><td>The Administrator, the Company Secretary, the Registrar, the Depositary, the Custodian and the Corporate Broker</td><td>In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of reputable advisors for support in meeting all relevant obligations.</td><td>The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely taken into account. The Board formally assesses their performance, fees and continuing appointment at least annually, to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. For the year under review, all key service providers were asked to complete a questionnaire regarding the matters discussed above, the results of which were discussed during a formal review of service providers at the March 2023 Board meeting. The Audit Committee reviews and evaluates the control environment in place at each service provider and also requests confirmation that key service providers have the relevant policies in place, including those on business continuity, cyber security and fraud prevention.</td></tr>
</table>

Strategic Report / Business Model continued

STAKEHOLDERS	IMPORTANCE	BOARD ENGAGEMENT
OTHER STAKEHOLDERS		
Lender	Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	Therefore, the Company aims to demonstrate to lenders that it is a well-managed business, capable of consistently delivering long-term returns.
Proxy Advisors	Where relevant, the evolving practice and support (or lack thereof) of proxy adviser agencies are considered by the Directors, as the Company aims to build a good reputation and maintain high standards of corporate governance, which contribute to the long-term sustainable success of the Company.	When deemed relevant, the Company will engage with proxy advisers regarding resolutions that will be proposed to the Company's Shareholders at AGMs and, based on feedback received, incorporate changes to future Annual Reports to enhance disclosures.
Regulators	The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its Shareholders.	The Company follows voluntary and best-practice guidance, regularly considers how it meets various regulatory and statutory obligations and how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer-term.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and will be discussed on a regular basis at Board meetings, to ensure that they remain effective.

Culture

The Directors agree that establishing and maintaining a healthy corporate culture within the Board and in its interaction with the Investment Manager, Shareholders and other stakeholders, will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager.

The Board strives to ensure that its culture is in line with the Company's purpose, values and strategy. The Company has a number of policies and procedures in place to assist with maintaining good corporate governance, including those relating to diversity, Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies, as well as the general culture of the Board, regularly through Board meetings and in particular during the annual evaluation process (for more information see the performance evaluation section on page 43).

The Board seeks to appoint the best possible service providers and evaluates their service on a regular basis as described on page 13. The Board considers the culture of the Investment Manager and other service providers, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

Environmental, Social and Governance Matters

As an investment trust without employees, the Company's own direct environmental impact is minimal and as such, the Company is also not required to report against the TCFD framework. The Company has minimal direct greenhouse gas emissions to report from its operations (2022: minimal), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Where a large company does not consume more than 40,000 kWh of energy in a reporting period, it qualifies as a low energy user and is exempt from reporting under these regulations. This exemption applies to the Company.

The Company's operations are delegated to third-party service providers, and the Company has no employees. The Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

The Directors do not have service contracts. There are four Directors, two male and two female. Further information on the Board's policy on diversity and recruitment of new Directors is contained on page 41.

Both the Board and AVI recognise that social, human rights, community, governance and environmental issues have an effect on its investee companies. The Board supports AVI in its belief that good corporate governance will help to deliver sustainable long-term Shareholder value. AVI is an investment management firm that invests on behalf of its clients and its primary duty is to produce returns for its clients. AVI seeks to exercise the rights and responsibilities attached to owning equity securities in line with its investment strategy. A key component of AVI's investment strategy is to understand and engage with the management of public companies. AVI's Stewardship Policy recognises that Shareholder value can be enhanced and sustained through the good stewardship of executives and boards. It therefore follows that in pursuing Shareholder value AVI will implement its investment strategy through proxy voting and active engagement with management and boards. Further details on AVI's environmental, social and governance policy can be found on pages 28 and 29. AVI became supporters of the Task Force on Climate-related Financial Disclosures ("TCFD") in May 2021 and a signatory to the UN-supported Principles for Responsible Investment ("PRI") on 9 April 2021. The PRI is the world's leading proponent of responsible investment which entails the following commitments, developed by an international group of institutional investors.

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, Asset Value Investors Limited commit to the following:

- to incorporate ESG issues into investment analysis and decision-making processes;
- to be an active owner and to incorporate ESG issues into our ownership policies and practices;
- to seek appropriate disclosure on ESG issues by the entities in which we invest;
- to promote acceptance and implementation of the Principles within the investment industry;
- to work with the PRI Secretariat and other signatories, to enhance their effectiveness in implementing the Principles; and
- to report on our activities and progress towards implementing the Principles.

AVI became a signatory to the UN-supported Principles for Responsible Investment ("PRI") on 9 April 2021.

PRI Principles for Responsible Investment

Strategic Report / Business Model continued

Key Performance Indicators

The Company's Board meets regularly and at each meeting reviews performance against a number of key measures. In selecting these measures, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company. These indicators are alternative performance measures ("APM"s).

NAV Total Return Performance[1]

1 Year*	Since Inception ("SI")	SI Annualised
-4.3%	21.4%	4.7%

The Directors regard the Company's NAV total return as being the overall measure of value delivered to Shareholders by the Investment Manager over the long term. Total return reflects both the NAV growth of the Company and also dividends paid to Shareholders. Since the launch on 23 October 2018, the Company's NAV has increased by 21.4%, resulting in an annualised return of 4.7%. The Investment Manager's investment style is such that performance is likely to deviate materially from that of any broadly based equity index. The Board considers the most useful comparator to be the MSCI Japan Small Cap Index. Since the launch on 23 October 2018, the benchmark has increased by 8.7%, resulting in an annualised return of 2.0%. For the year ended 31 December 2022, the Company's NAV fell by -4.3%. The MSCI Japan Small Cap Index fell by -1.0%. A full description of performance and the investment portfolio is contained in the Investment Manager's Report, commencing on page 18.

Discount/Premium[1]

Discount 31 December 2022	Premium High for the period	Discount Low for the period
-1.6%	5.4%	-6.9%

The Board believes that an important driver of an investment trust's discount or premium over the long term is investment performance. However, there can be volatility in the discount or premium. Therefore, the Board seeks Shareholder approval each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium. During the period under review, 4.5 million new shares were issued under the authorisation granted at the 2022 AGM, using the Company's Block Listing Facility. During the year, 400,000 shares were bought back into treasury under the authorisation granted at the 2022 AGM.

Since the year-end, the Company issued further shares through the block listing facility as detailed on page 38 and as at 10 March 2023, the Company had 140,361,702 shares in issue.

The Company has a successful discount control policy whereby if, under normal market conditions, the four-month average share price discount to NAV is greater than -5%, the Company will buy back shares with the intention of reducing the discount to a level no greater than -5%. Since IPO, the Company has only bought back shares on two occasions under this policy, and in each case this was to clear out the remainder of a sell order and not because the discount and time thresholds under the discount control policy had been triggered.

*Peer Group NAV Performance Total Return AIC Japanese Smaller Companies Sector**

AVI Japan Opportunity Trust	JP Morgan Japan Smaller Companies	Baillie Gifford Shin Nippon
-4.3%	-25.3%	-22.8%
Atlantis Japan Trust	**Nippon Active Value**	**Average AIC peer group**
-22.5%	3.5%	-14.3%

The Board is aware of other investment trusts in The AIC Japanese Smaller Companies Sector. Each investment trust has its own focus and strategy which will differ from the one implemented by AVI. The Company's activist approach is concurrent with the focus on corporate governance reform taking place in Japan.

Ongoing Charges[1]

31 December 2022	31 December 2021
1.50%	1.45%

The Board continues to be conscious of expenses and aims to maintain a sensible balance between good service and costs. In reviewing charges, the Board reviews in detail each year the costs incurred and ongoing commercial arrangements with each of the Company's key suppliers. The majority of the ongoing charges ratio is the cost of the fees paid to the Investment Manager. This fee is reviewed annually and the Board believes that the cost is reasonable, given the Investment Manager's activist approach to fund management and the resources required to provide the level of service. The Company adheres to The AIC guidance in calculating its ongoing charges ratio.

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern based on detailed profit & loss and cash flow forecasts, covering the period up to and including 31 December 2024. These forecasts have been 'stressed' for inflation, as well as a severe and sudden downturn in market conditions under which it is assumed that the investment portfolio will lose 45% of its value. Even under this extreme 'stress' scenario, the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date these financial statements were approved). The Directors also regularly assess the resilience of key third-party service providers, most notably the Investment Manager and Fund Administrator. The Directors do not have any concerns about the financial viability of the Company's third-party service providers.

Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance) and the potential exit opportunity in October 2024 as discussed in the viability statement below. Therefore, the financial statements have been prepared on a going concern basis.

* Returns are for the year to 31 December 2022.

1 For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 71 and 72.

Viability

The Directors consider viability as part of their continuing programme of monitoring risk. The Directors believe five years to be a reasonable time horizon to consider the continuing viability of the Company, reflecting a balance between a longer-term investment horizon and the inherent shorter-term uncertainties within equity. The Company is an investment trust whose portfolio is invested in readily realisable listed securities and with some short-term cash deposits.

The five-year time horizon takes into account that the Directors may offer Shareholders a potential opportunity to exit the Company at close to NAV in October 2024 and every two years thereafter. The Board, together with its advisers, will canvass opinion from Shareholders in the months leading up to October 2024 when making the decision in respect of any potential Exit Opportunity. Such a consultation took place during the year under review with respect to the potential exit opportunity in October 2022. Following consultation with Shareholders representing a significant majority of the shares in issue during the summer of 2022, the Company established that Shareholders who expressed an opinion were supportive of the Company forgoing the administrative burden and expense of an exit opportunity in October 2022. Considering this, coupled with investment and share price performance, the Ordinary Shares' liquidity, as well as continued Shareholder satisfaction, the Board does not anticipate more than a minimal take-up of any such exit opportunity in October 2024. The investment strategy remains robust.

The following facts support the Directors' view of the viability of the Company:

- in the year under review, expenses (including finance costs and taxation) were adequately covered by investment income and there is no expectation that these expenses would significantly increase over the next five years. In addition, cash flow forecasts have been prepared and stress tested to simulate: a) inflation at 20% and b) a 45% fall in the value of the investment portfolio. These forecasts illustrate that the Company would continue to hold sufficient cash even under the most severe stress scenarios;
- the Company's investment portfolio is made up of listed equities;
- the Company has short-term debt of ¥2.93 billion via an unsecured revolving credit facility (extended for two years to February 2024 during February 2022). This debt was covered over 11 times as at the end of December 2022 by the Company's total assets. The Directors are of the view that, subject to unforeseen circumstances, the Company will have sufficient resources to meet the costs of annual interest and eventual repayment of principal on this debt; and
- the Company has a large margin of safety over the covenants on its debt.

The Company's viability depends on the Japanese and the global economy and markets continuing to function. The Directors also consider the possibility of a wide-ranging collapse in corporate earnings and/or the market value of listed securities. To the latter point, it should be borne in mind that a significant proportion of the Company's expenses are investment management fees, which would reduce if the market value of the Company's assets were to fall. In arriving at its conclusion, the Board has taken account of the potential effects of another global event (e.g. similar to the COVID-19 pandemic or the invasion of Ukraine) on the value of the Company's assets, income from those assets and the ability of the Company's key suppliers to maintain effective and efficient operations.

In order to maintain viability, the Company has a robust risk control framework which follows the FRC guidelines and has the objectives of reducing the likelihood and impact of: poor judgement in decision-making, risk-taking that exceeds the levels agreed by the Board, human error or control processes being deliberately circumvented.

Taking the above into account, and the potential impact of the principal risks as set out on pages 35 and 36, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of approval of this Annual Report.

> The portfolio trades at 6.0x EV/EBIT and is positioned for several potential idiosyncratic events with upsides of 50-100%. Combined with a cheap Yen and an increasingly supportive macro environment, we are optimistic about prospective returns.

Joe Bauernfreund
Portfolio Manager

2022 was a year filled with challenges and volatility, with a war on European soil and rising interest rates leading to a sell-off in both bonds and equities. However, Japanese equities fared relatively well, with the MSCI Japan Small Cap Index rising by +0.8% in JPY and declining by -1.0% in GBP. This contrasts with the significant declines seen in other markets, such as the Bloomberg UK Government All Bonds Total Return Index, which fell by -25.1%, the MSCI AC World Index, which decreased by -8.1%, and the growth-oriented NASDAQ Composite, which saw a drop of -24.1% (all in GBP). A strong USD flattered these returns and in local currency they fared more poorly.

Despite the challenging market conditions, your Company proved to be a source of resilience, with a GBP NAV decline of -4.4%. This is a testament to the strength of the portfolio and its low starting valuations. Performance across the portfolio was generally good, with several stocks contributing positively to the overall performance. Our three largest contributors, DTS, Fujitec and Teikoku Electric, all benefited from shareholder engagement, leading to a re-rating in their valuations. However, we experienced two large detractors, Wacom and Pasona, which had an outsized impact on performance, reducing returns by -6.4%.

Wacom suffered from a deterioration in its business environment while Pasona's decline was driven by a broad sell-off in growth equities. We will discuss both in more detail later, but the share price weakness has made their investment cases more compelling and we still see upside.

Like much of the rest of the world, inflation continued to creep higher in Japan, with the country's core CPI ending the year at 4.0%, the highest since the late 1980s. Pressure from inflation and relatedly, a low approval rating for Prime Minister Kishida, might have been the catalyst for the BoJ modifying its 10-year Japan Government Bond yield target from 0% ±0.25% to 0% ±0.5% in December 2022. Although only slight, it signalled a change in policy that might pave the way for further rate increases in 2023. The effect was a strengthening of the Yen against Sterling, which at the year low had weakened by -8.8% but ended the year down only -1.9%.

Adjusting for portfolio weight changes, i.e. keeping the weights of the stocks still held at the end of the period constant, the EV/EBIT multiple of the portfolio increased modestly from 5.8x to 6.1x. This was entirely accounted for by Fujitec's multiple rising from 8.6x to 18.3x, with the position beginning the period as a 6.1% weight in the portfolio. Although Fujitec suffered from a temporary decline in earnings driven by lockdowns in China, its share price gained 22% on hopes of an increased chance of a much-anticipated privatisation.

During the year we welcomed Shimpei Ochi to the Japan team. He joins us on a nine-month internship, having advised the Ministry of Economy, Trade and Industry in Japan on their M&A guidelines and subsequently completing a Master of Law from Columbia Law School.

The backdrop for shareholder engagement is as supportive as ever. Fifty-five companies received shareholder proposals during the 2022 AGM season (almost double last year's number), Uniden was taken private in what we believe is the first successful friendly tender offer completed by a foreign engagement fund, while EGMs were called at Fujisoft, Fujitec and Japan Securities Finance.

Increased public engagement activity is helpful for our endeavours, reminding management of our portfolio companies that they are accountable to shareholders, and highlighting the risks of not listening to our suggestions. Support from regulators is also helpful, and it was encouraging that the Japan Stock Exchange continued discussing ways to improve corporate value of companies listed on the TSE. Shortly after the end of 2022, they decided to mandate companies to disclose policies and initiatives to address capital efficiency and low valuations (specifically a price/book ratio below 1x).

Our engagement was mostly behind the scenes, sending 24 detailed letters or presentations and holding 121 meetings with our 25 portfolio companies. This led to notable successes at DTS when in May 2022 it announced a new mid-term plan with a raft of shareholder-friendly measures, and Teikoku Electric when management committed to paying out 100% of earnings to shareholders and announced a 4.3% share buyback, the second in the space of nine months.

Our public engagement was limited to four companies, which were continuations of prior campaigns. We submitted shareholder proposals to NS Solutions, SK Kaken and Tokyo Radiator for the second year in a row, ranging from seeking higher shareholder returns to greater board independence. While all companies have controlling shareholders, we received good support from minority shareholders. The fourth was Fujitec, where at the end of June 2022 we released a public statement questioning whether Fujitec's independent directors were acting in the best interests of shareholders. This followed Fujitec's decision to retain the then President as Chairman, despite his appointment not having been approved by shareholders at the AGM.

There are a number of exciting engagement campaigns developing amongst portfolio companies. We intend to keep these discussions private and will only pursue them in the public domain when our progress stalls and management fail to accept our suggestions. Our lack of public activity this year is evidence of the successes we are having privately and we hope that this continues next year.

PORTFOLIO TRADING

Buying Activity

Almost half of all purchases over the year were concentrated in two new positions: TSI Holdings and Nihon Kohden. TSI Holdings owns a collection of diversified apparel brands, with an attractive investment opportunity from a more shareholder-friendly management team, upside from managing the brands more efficiently and a bloated balance sheet, where net cash, investment securities and real estate account for 176% of TSI's market cap. We believe there is +150% upside to our fair value.

Nihon Kohden is a medical equipment manufacturer, with a product line-up across patient monitors, defibrillators and ventilators. Net cash accounts for 28% of its market cap, trading on a 9.3x EV/EBIT multiple vs medical equipment peers on 15.3x. Aside from the undervaluation, we believe the company is underearning, with margins below peer average. We have identified several improvement measures aimed at doubling the share price, something the President agreed was achievable during a meeting.

We added to positions in Shin-Etsu Polymer (a potential takeover target by its parent company Shin-Etsu Chemical), NC Holdings (where across our funds at year-end we held 21% of the votes), Konishi (open shareholder register and trading on only a 4.0x EV/EBIT multiple), Wacom (on share price weakness), and we continued building our position in LOCONDO.

Selling Activity

In the four years since launching AVI Japan Opportunity Trust, we have built up experience engaging with the management of our portfolio companies. Having gone through three AGMs and holding numerous meetings, this was a year to reflect on whether continued engagement at some companies was the best use of our resources. Our frustration with a handful of companies tended to coincide with companies where there was a high ratio of allegiant shareholders. We sold positions in Kato Sangyo, Daiwa Industries, King Co, Kanaden and Sekisui Jushi. The average % ownership of allegiant shareholders at our companies which are not subsidiaries of parent companies fell from 27% to 21% over the year.

The largest sale was Daibiru, which was subject to a takeover bid by its parent company in 2021, followed by C Uyemura, where we took profits surrounding concerns over a potential semiconductor slowdown and following an +84% return on our investment. Other selling was modest; trimming a few positions on valuation strength to fund purchases of new positions.

CONTRIBUTORS

DTS CORP

Contribution (GBP)	% of net assets
1.4%	8.0%
EV/EBIT	**NFV/Market Cap**
6.9x	44%

DTS, an IT system developer, was the largest contributor to returns with a +22% share price increase, adding 140bps to performance.

We first invested in DTS in January 2020 premised on the appealing backdrop for increased IT development demand and management's openness to engaging with us on how to rectify the undervaluation. Across all AVI funds, we built a 10% ownership stake, becoming the largest shareholder. Since then, we have sent 12 presentations and letters to management covering corporate governance, employee remuneration, balance sheet efficiency and its growth strategy.

In May 2022, DTS responded to our suggestions and announced a new mid-term plan that included a raft of shareholder-friendly policies. Beyond higher shareholder returns which could see up to 35% of the market cap returned to shareholders in the next three years, DTS announced a strategy to double EBITDA by 2030, increase ROE to 16% and focus on high-value-added IT services.

We have been working closely with management and the board behind the scenes on the mid-term plan, holding multiple meetings, including face-to-face discussions in Japan. DTS' response to our engagement has been exemplary – they allowed us frequent dialogue with senior board members and, aside from a few minor points, actioned all 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.

DTS' share price sold off towards the end of the year, ending on an EV/EBIT multiple of 6.9x vs peers' 13.5x. There remains considerable upside, and as the largest shareholder, we will continue engaging with management to achieve a higher share price.

Strategic Report / Investment Manager's Report continued

CONTRIBUTORS

FUJITEC CO LTD

Contribution (GBP)	% of net assets
1.3%	5.8%
EV/EBIT	**NFV/Market Cap**
18.3x	33%

Fujitec, the elevator and escalator company, was the second largest contributor over the period, adding 126 bps to performance as its share price increased +22%. The share price rise was driven by an increase in Fujitec's EV/EBIT multiple from 8.6x to 18.3x.

It was a busy period for our engagement work, which followed on from our public campaign in May 2020. At the end of 2021, Fujitec announced a mid-term plan which we felt was strategically misguided, with confusing growth plans and an unjustifiable capital allocation plan towards M&A. We responded by sending a presentation to the company, showcasing the plan's flaws, putting forward solutions and, importantly, threatening to take our grievances public. To our delight, management responded to all eight of our recommendations and released a supplementary plan at the start of March 2022.

Then in May 2022 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 Mr Uchiyama has enriched himself at the expense of shareholders.

Fujitec's response was troubling. Instead of admitting wrongdoing and strengthening corporate governance, Fujitec embarked on a campaign of denial and obfuscation. Fujitec's response omitted important details, the law firm appointed to investigate the transactions was not independent and the board, amazingly and despite ostensibly being 50% independent, unequivocally concluded that not one of the related-party transactions posed a problem for corporate governance.

When the AGM came around in June 2022, the motion to reappoint Mr Uchiyama as President was withdrawn just one hour before, in what we believe was an effort to conceal his low level of support. Then shortly after the AGM, Mr Uchiyama was reappointed as Chairman without the approval of the shareholders. Fujitec's disregard for shareholder rights and circumnavigation of the AGM voting process was astounding. We released a public statement to that effect, questioning whether Fujitec's outside directors were representing shareholders' best interests.

After our public letter, Oasis continued their campaign and in November 2022 called an Extraordinary General Meeting ("EGM") seeking to replace all of Fujitec's outside directors. The objective is to bring new elevator industry experience, reform the governance structure and, ultimately, unlock trapped value. Given the disgruntled shareholder base, we expect that the vote will be close and put the board in an untenable position where nearly half of the shareholder base does not support their appointment. We hope that the EGM will draw a line in the sand and with an improved board allow the company to focus on growing its business.

Since we established a position in 2018, we have achieved an +89% return. While the valuation is not as compelling as it was when we initiated the position, there is a higher probability that Fujitec could be subject to a takeover bid from a long list of potential suitors.

TSI HOLDINGS

TSI Holdings owns a collection of diversified apparel brands, with a unique exposure to sport and athleisure wear. Its brands include PEARLY GATES, Margaret Howell, HUF and Stüssy.

We started building a position in July 2022. The investment case is predicated on a more shareholder-friendly management team, upside from managing the brands more efficiently and a bloated balance sheet, where net cash, investment securities and real estate account for 176% of TSI's market cap. We believe there is +150% upside to our fair value.

CONTRIBUTORS

TEIKOKU ELECTRIC MFG CO LTD

Contribution (GBP)	% of net assets
1.2%	0.5%
EV/EBIT	**NFV/Market Cap**
7.0x	39%

Despite a short holding period of just over a year, our investment in the pump manufacturer Teikoku Electric has been a resounding success, achieving a +51% return, with management responding positively to our engagement efforts. We identified Teikoku Electric as a company with an overcapitalised balance sheet, a good globally recognised product and a presence of several engagement funds on the register.

Shortly after we acquired a position, we sent a 51-slide presentation to management with a particular focus on exiting a loss-making non-core business and addressing the inefficient balance sheet. Since commencing our dialogue, management's openness to considering a sale of their non-core business has improved and they have taken aggressive steps towards rightsizing the balance sheet. After committing to paying out 100% of earnings at the start of the year, Teikoku Electric announced a buyback of 4.3% of its shares and a 110% increase in the dividend. The buyback came 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 paying a 4.9% dividend yield.

Naturally, the more accommodating attitude towards shareholders, coupled with a +52% upgrade to full-year profit guidance, buoyed the share price. Although the EV/EBIT of 7.2x is below that of peers, the sustainability of the earnings strength is a concern, and we decided to trim our position. Teikoku Electric is still on our watchlist and, should the share price weaken, we might look to rebuild the position.

Strategic Report / Investment Manager's Report continued

Actively engaged: Visiting T Hasegawa

We began building a position in T Hasegawa ("TH"), a global top-ten flavour and fragrance ("F&F") company in March 2021. By the end of the year, it was AJOT's 6th largest position with a 6.6% weight.

The investment merits of F&F companies are not lost on international investors – TH's global peers trade on an average EV/EBITA multiple of 20x. TH trades on 10x, and we do not think the reasons for this are attributable to inferior quality. TH, founded in 1903, first expanded to the US in 1978 and now boasts over a third of sales overseas, mainly to the US and China. Flavours are a critical component of consumers' purchasing decisions while accounting for only a small portion of overall costs. This creates sticky customer contracts, strong barriers to entry, and pricing power. TH has consistently generated double-digit EBIT margins with little cyclicality, evidence of the appealing business model.

Where TH has failed is converting its world-class technology into sales. Sales have grown at an annualised rate of just 1.1% over the past ten years, while peers have compounded at 6.8%. An employee summed up TH's issues on a job review site, stating that "top management tends to be conservative and too cautious and there is no active, enterprising spirits in them". That was the focus of our 13-page letter which we sent to the Company in June 2021, titled "a lost decade". We asked the Company to put behind its conservative, sedentary culture and embrace a new, bolder future.

DANIEL LEE
Head of Japan Research

Q Why are company visits an important part of the process for you?

A It complements the desk research that we do, which accounts for most of our research work. The physical visits help to conceptualise ideas created from behind a computer screen and puts them into real life, and then that sometimes creates new ideas and new perspectives that we hadn't yet considered.

Q Is it helpful to see the beginning to end process of the company?

A It can be, especially when the company has manufacturing facilities. It helps to go through the process in seeing how a product is designed, manufactured, and shipped. As part of our engagement work, we're trying to improve companies. We might see something that looks inefficient, which we can probe and put forward suggestions to rectify. It helps see things that can't be seen from a desk.

Q So how long has it been an investment and what attracts you to the company?

A AJOT first invested in March 2021, just under two years ago. T Hasegawa manufactures vital flavours and other components used in food and drinks. Most of the flavourings go into consumer staple products, which makes it a stable business. If there's a downturn, most people carry on buying their favourite chocolate bar and drink, so it's stable and the flavours are hard to replicate. T Hasegawa also trades at 10x EV/EBITA, a significant discount to global flavour and fragrance manufacturers, which trade at an average of over 20x.

Q What kind of outlook/future do you expect for the company?

A We expect stability, which limits the downside. There's also a president that came in five years ago, who is revamping the entire company culture to become more globally aware and less conservative. Part of that is a more aggressive M&A strategy, and to that end, the company recently bought a business in the US called Mission Foods. We expect to see the new President's actions take effect, with stronger growth and some margin expansion.

Q Can you give some details on the company visit? What do they usually entail?

A It varies by company. If a company is service orientated, there might not be anything to see other than the people and systems, for others it might just be a distribution centre. For manufacturing companies, clearly the factories are an important part of the business. In Japan it's quite rare to get this access, not every investor does. We were granted access because of our close relationships with management and large ownership stakes.

Q Is there a timeline from when you go to the visits to when you decide to potentially invest in that company?

A You don't usually get access to factories or R&D centres unless you are a shareholder. While we are able to meet with management and talk through questions before the investment, the physical visits happen after we've built a relationship with the company.

Q Did it reinforce your expectations or unearth anything that you did not know before?

A It gave us a deeper understanding of T Hasegawa's product quality and the customer value proposition. While it didn't change our outlook on the company, it helped us appreciate the value and confirmed what we had previously thought.

Q What aspects of the visit to the company most impressed you?

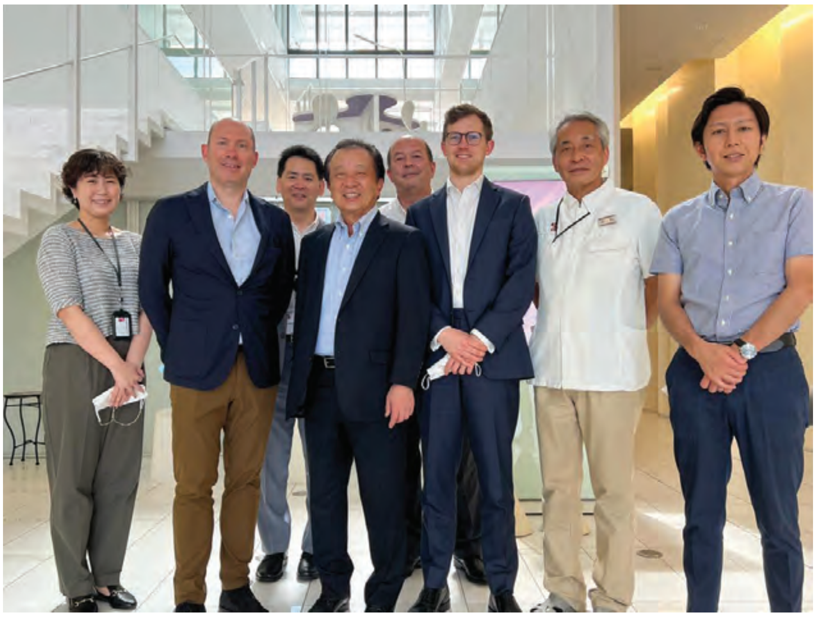
A The flavourings! We were given two cans, one was 5% dilute ethanol and the other the same diluted mixture but with a few drops of their Chardonnay flavour. The flavoured ethanol tasted just like wine. It was remarkable. It could be from a region in France but it's completely artificial. Artificial wines haven't really taken off, but obviously they are a lot cheaper to make, and still tasty.

Q Please can you highlight the in-depth research process you employ in general, not just through company visits.

A Company visits are not critical to the research process. They are part of a long, in-depth process, which can take two to three months. We speak to ex-employees, competitors, industry experts and company directors (including outside directors) to get an understanding of the company.

Q Is this something that differentiates you from other funds?

A We intentionally have a small portfolio of 20 core investments. If you have a portfolio of 100 investments, you will only be able to dedicate a fifth of the time to each. We're able to conduct in-depth research and engagement work because we're concentrated and that is part of our strategy. We aim to know the companies better than most.



Joe Bauernfreund (front row 2nd from left), Daniel Lee (front row 3rd from right) and Jason Bellamy (back row 1st on the right) during their visit to T Hasegawa's R&D facility in Kawasaki. Accompanied by T Hasegawa's President, Head of R&D and Corporate Planning team.

Strategic Report / Investment Manager's Report continued

CONTRIBUTORS

NC HOLDINGS

Contribution (GBP)	% of net assets
1.0%	6.7%
EV/EBIT	**NFV/Market Cap**
7.4x	42%

We started investing in NC Holdings ("NCHD") in June 2021 following an acrimonious public dispute between NCHD and its then-largest shareholder TCS. NCHD owns a collection of businesses, including solar panel consulting, conveyor belts and, the most attractive, car parking systems. Collectively, they trade on an EV/EBIT multiple of just 7.4x, with net cash and investment securities covering 42% of the market cap.

After TCS failed to replace NCHD's board, NCHD repurchased their shares (c.32% of outstanding) at ¥900, a hugely accretive acquisition with the shares closing the year at ¥2,073. With growing confidence in the quality of NCHD's business, the presence of a US-based investor on the shareholder register and a compelling valuation, we have been slowly increasing our position. Over the year we almost doubled our ownership and, at the end of the quarter, we owned 21% of the company across AVI's funds. We note the US investor has also been increasing their ownership and now holds 25% of NCHD's shares.

Our engagement agenda has covered a wide variety of topics, from reviewing NCHD's conglomerate structure to improving corporate governance and adopting a more generous 100% total return pay-out ratio.

NCHD does not disclose a policy on shareholder returns and, excluding the repurchase of shares from TCS, has only paid out about 20% of its net income over the past three years. A 100% dividend pay-out ratio on next year's earnings would amount to a respectable 4.5% dividend yield. So far in our engagement we have not heard a convincing response from management as to why the three assets it owns should be held under the same corporate structure.

We believe if management act on all our suggestions, then the share price would be able to reach our target price of ¥2,700 – ¥3,000, or 30% - 45% higher.

T HASEGAWA

T Hasegawa is a top ten global flavour and fragrance ("F&F") manufacturer. Its products are used in a variety of products from tea to instant noodles.

The F&F industry is appealing because of its high barriers to entry and resilient pricing power. At the end of the period the investment accounts for 6.6% of AJOT's NAV.

Source / T. Hasegawa Co., Ltd.

DETRACTORS

WACOM CO LTD

Contribution (GBP)	% of net assets
-3.5%	6.6%
EV/EBIT	**NFV/Market Cap**
9.4x	24%

The largest detractor over the year was Wacom, who saw its share price decline -35%. Starting the year with a 8.3% weight and being the largest position, the decline had a meaningful impact, detracting 346bps from performance. Wacom is the global leader in digital pen solutions and our investment was premised on the increased adoption of digital drawing and writing. Wacom manufactures both its own branded tablets and sells its technology to other electronic device manufacturers. For example, the S22 Ultra smartphone which launched at the start of 2022 has an embedded Wacom pen.

While we continue to believe that digital writing solutions will see strong growth over the long term, inflationary cost pressures and diminished consumer spending power have weighed on short-term profits. Encouragingly, Wacom's B2B business has been resilient with a growing customer base and higher adoption of digital pens, but the consumer business has suffered from a demand-led slowdown. In October 2022, Wacom released a profit warning revising down its full-year sales and profit guidance by -11% and -56% respectively. We have been a little disappointed in Wacom's investor communications surrounding the profit decline, with comments shortly before the profit warning now appearing naively optimistic, and poor planning to control gross margins and Selling, General and Administrative ("SG&A") expenses. We sent a letter during November 2022 outlining seven actions we think management can take to aid the situation. We recognise that the consumer environment is out of management's control, but there are several self-help measures that we would like to see implemented.

Our conviction in Wacom's technology and long-term growth potential is unchanged, and the market's myopic focus presents an opportunity to take advantage of the share price dislocation. Using normalised earnings, Wacom trades on an EV/EBIT multiple of only 5.3x, a remarkably low valuation considering Wacom's technology and structural growth tailwinds from the increased adoption of digital writing solutions.

We increased our holding in Wacom by 24% over the year, adding to our position on share price weakness. As a top three shareholder, we are working closely with management to address the underperformance and ensure that efforts are being made to maximise shareholder value. With a return to normalised profits, our estimated potential upside to the current share price is in the order of +100%.

Strategic Report / Investment Manager's Report continued

DETRACTORS

PASONA GROUP INC

Contribution (GBP)	% of net assets
-2.9%	3.8%
EV/EBIT	**NFV/Market Cap**
<0.0x	203%

Pasona was a large detractor, reducing returns by 294 bps to performance. The shares returned -43% over the period, driven by a -60% decline in Benefit One's share. Pasona is one of Japan's largest recruitment and outsourcing companies, mainly operating through three business segments: HR, Life, and Public Solutions. Pasona owns a 50% stake in Benefit One, which accounts for 202% of Pasona's market cap. Benefit One is a market leader in providing outsourced HR services, from education and training to healthcare and employee benefit options.

Benefit One's -60% fall was less driven by fundamentals but more by general market concerns over higher valued companies. Benefit One's share price strongly correlated with the MSCI Japan Growth Index which fell -16% over the year vs a smaller fall of -4% for the MSCI Japan. While Pasona traded on a large discount, Benefit One's valuation was on the richer side at the end of last year. We reduced our position by -30% ahead of the fall, but did not manage to exit entirely.

Pasona is making a greater effort this year to help realise the value in its business portfolio. Over the year, it IPO'd Circlace, a 43% owned digital experience consulting firm and Bewith, a business process outsourcing company. It is encouraging to see Pasona's newfound proactivity, and we expect that as the transparency of Pasona's businesses improves and the company continues to grow earnings, we will see a narrowing of the discount to its valuation.

Benefit One has 11.3m captive members on its platform, about 19% of the 60m employed workers in Japan, providing stable cash flows and an opportunity to sell additional services. With Pasona's 69% discount coupled with a more appealing Benefit One valuation, we see upside to Pasona's knocked down share price.

KONISHI

Konishi is an adhesive and civil engineering company. Founded in 1870 as a trading company at the same location where its head office is today, it was the predecessor company of Asahi beer.

We have been shareholders of Konishi since AJOT's launch and, having added to the holding on share price weakness, are now Konishi's largest single shareholder. Despite its quality, Konishi trades on only a 4.0x EV/EBIT multiple. Konishi's peers trade on an EV/EBIT of 14.3x which, if achieved, would result in a +100% upside. This severe mispricing justifies Konishi's place in the portfolio as our third-largest holding.

Source / KONISHI CO., LTD

DETRACTORS

TEIKOKU SEN-I

Contribution (GBP)	% of net assets
-1.2%	2.1%
EV/EBIT	**NFV/Market Cap**
1.2x	85%

Teikoku Sen-I's share price fell -33%, reducing returns by 117bps. Teikoku Sen-I is the leading manufacturer and distributor of disaster prevention equipment in Japan, from fire hoses to airport firefighting trucks. Geographically speaking, Japan is precariously placed and each year suffers from typhoons, earthquakes, and flooding. The Government of Japan is devoting significant resources to disaster prevention infrastructure as have private companies (particularly nuclear power operators).

Teikoku Sen-I is well placed to benefit from this trend and has a fantastic track record of diversifying into new business lines. However, the market has difficulty understanding Teikoku Sen-I's business model as its earnings are extremely seasonal, with over 100% of profits coming in the first and last quarter of the calendar year. It means that investors must wait until the last quarter to get a good handle on the financial situation and, during the year, less sophisticated investors tend to extrapolate the weak Q2 and Q3 earnings.

As usual, profits were low in Q2 and Q3, but grew by +24% in Q1 and we are encouraged by the overall positive trend for Teikoku Sen-I's fiscal year so far. All the weakness over the period therefore came from a fall in the valuation, from an already low EV/EBIT of 4.2x at the start of the year, to a remarkable 1.1x.

We have been gradually reducing our position in Teikoku Sen-I, and trimmed it by a further 10% in 2022. Teikoku Sen-I's business outlook is good and clearly undervalued, trading on a 1.1x EV/EBIT, but the shareholder register is littered with companies that are allegiant to management, frustrating our engagement efforts. As we expect continued earnings growth, we are in no rush to exit the position. Still, we are unlikely to allocate further to the investment and it could be used as a source of capital for higher conviction ideas.

LOCONDO

Contribution (GBP)	% of net assets
-0.8%	4.2%
EV/EBIT	**NFV/Market Cap**
10.0x	29%

LOCONDO is a relatively new position in the portfolio. It runs a fashion e-commerce platform in Japan, which was launched to provide shoe manufacturers a venue to sell online. Importantly, it does not own the inventory of each brand, it simply matches buyers and sellers, then manages the logistics – storage, delivery and returns. This asset light business model is hugely appealing, and its larger peer, ZOZO, trades on an EV/Sales of 5.4x vs LOCONDO's 0.9x.

We were also attracted to LOCONDO's growth potential, with Japan's fashion ecommerce penetration currently standing at only 19% but estimated to grow to 41% by 2030. LOCONDO is aiming to have a 3% market share by 2030 which implies a nine year compound annual growth rate of +19%. After a -73% decline in the share price from its peak in September 2020, we are able to own this fantastic business on an EV/EBIT of just 9.7x and with net cash covering 29% of its market cap. While the EV/EBIT multiple is higher than the average company in AJOT's portfolio, this is more than compensated by its stronger growth prospects, and this is not factored into the share price.

During the year, LOCONDO announced that it had gained the rights to manage the Reebok brand in Japan, owning 66% alongside ITOCHU's 33%. The brand has been poorly managed, owned by Adidas and deprioritised for fear of cannibalising Adidas' sales. Reebok should be hugely accretive for LOCONDO, who only paid for the inventory (at a highly reasonable price) and is a large contributing factor behind management's confidence in growing profits by +75% next year.

We have built a near 10% stake in LOCONDO, making us the largest shareholder. We do not believe that the current share price reflects LOCONDO's intrinsic value and will be working with management on ways to rectify the undervaluation.

Strategic Report / ESG Policy

ABOUT ASSET VALUE INVESTORS

It is our view that a responsible approach to the environment, society and governance is key to long-term sustainable businesses. This guiding principle is embedded not only in our investment philosophy but in how we manage Asset Value Investors as a company.

During 2022, we began the process of measuring our environmental impact. Our primary goal is to reduce emissions, however we are also researching appropriate methods to offset unavoidable emissions.

AVI's 2022 emissions from commuting and business travel

81.5 tonnes CO_2e*

*Calculated in accordance with GHG Protocol Standards (distance-based method).

People are the most important asset at AVI. We recognise that our industry has traditionally been skewed towards a less diverse workforce. We are actively challenging this.

One of the original 200 investment firms to support 10,000 Black Interns Programme.

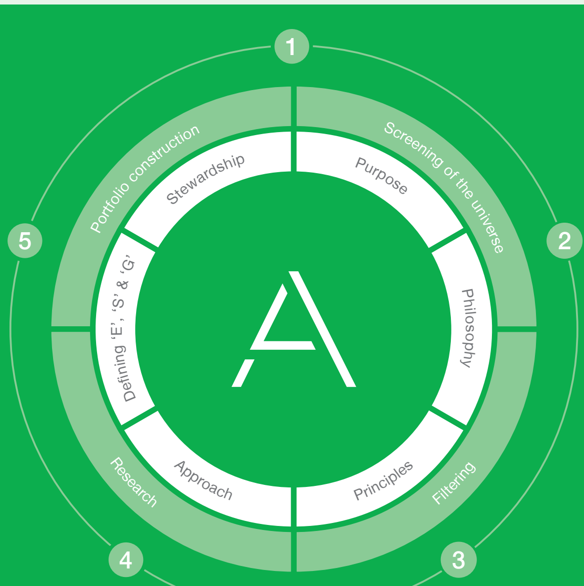
DIVERSITY OF WORKFORCE:

Female	Male
6 (32%)	13 (68%)

We believe that shareholders and stakeholders need not be in conflict.

Employees with equity ownership in AVI

37%



1 PURPOSE

Helping our clients to make the most of their financial future.

The people at Asset Value Investors ("AVI") are committed to leveraging our long heritage, stewardship, and expertise to make investing responsible, accessible, and profitable for everyone – individuals, families, institutions, private companies, and listed companies. Financial returns matter but we are in a unique position to influence positive change by questioning the practices of the companies we invest in for a more sustainable future.

2 PHILOSOPHY

We are fundamentally committed to supporting long-term sustainable businesses that will grow and participate in the prosperity of the economy, with a responsible approach to the environment, society, and governance.

We believe that the integration of ESG and sustainability considerations into our investment strategy is not only integral to comprehensively understanding each investment's ability to create long-term value, but aligned with our values as responsible investors.

3 PRINCIPLES

We are aligned with the PRI's belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation.

Such a system will reward long-term responsible investment and better align investors with the broader objectives of society. AVI became a signatory to the UN-supported Principles for Responsible Investment ("PRI") on 9 April 2021. In doing so, we have confirmed our belief in our duty to act in the best long-term interests of our beneficiaries.

4 APPROACH

As research-driven value investors, we seek to truly understand each company in our portfolio and the context within which it operates on a case-by-case basis.

AVI has built ESG factors into its proprietary database and implemented a number of processes to support the integration of ESG considerations into each stage of the investment process.

5

DEFINING 'E', 'S' & 'G'

Drawing on the World Economic Forum's '21 core metrics', AVI has identified the factors that we believe are the most material and relevant to our investments and developed a bespoke ESG monitoring system to track the performance and progress of our portfolio companies against defined ESG metrics.

E

We define Environmental sustainability within the context of:

- Environmental Impact
- Tackling Climate Change
- Sustainable Management

We believe that there is a collective duty to take urgent and meaningful action in tackling climate change, and corporate transparency and accountability is integral to this.

Our metrics enable us to track a company's environmental impact and assess the extent to which strategies to reduce negative impacts and manage climate-related risks and opportunities are integrated into business strategy.

These metrics are key to highlighting unsustainable business strategy and assessing vulnerability in the context of limited resources, increasingly stringent environmental regulations, and a responsibility to embed environmentally sustainable business practices.

S

Our Social focus is divided into:

- Dignity and Equality
- Wellbeing and Development
- Community Engagement

We believe that long-term value is most effectively created by serving the interests of all stakeholders.

Promoting dignity and equality and investing in the wellbeing and development of employees not only positively impacts society but the sustainability of a company.

Our metrics assess the measures that our investee companies have in place to foster a work environment that is inclusive, safe and rewarding. Moreover, we track the company's approach to community engagement and the steps taken to ensure responsible conduct throughout their supply chain.

G

Our approach to Governance includes:

- Quality of Governing Body
- Corporate Strategy
- Ethical Behaviour

We believe that the dynamism and knowledge necessary for strong governance is supported by the presence of diverse perspectives and skills.

Our metrics in this section examine the composition, representation and independence of the governing body, its integration of sustainability, and the policies and procedures in place to ensure corporate integrity, as well as the mechanisms available to ensure misconduct can be reported and remedied.

PRE-INVESTMENT

Exclusionary screening is not our guiding framework, however there are certain exceptions to this.

AVI will not invest in a company with direct involvement* in:

- Tobacco
- Controversial Weapons
- Pornography

Or companies that engage in child labour or human exploitation as defined by the relevant ILO conventions.

Consider company's **exposure to ESG risks and opportunities**, including climate related risks and opportunities.

Identify whether the company is involved in any actual or potential violations of international norms and standards supported by **ISS^ Norms-based Research**.

* whereby more than 5% of that company's NAV is derived from these activities.

^ Institutional Shareholders Services group of companies.

INVESTMENT PERIOD

ESG monitoring system built into our proprietary database to ensure ESG factors are considered alongside financial analysis.

Ongoing ESG assessments of portfolio companies' performance against defined ESG metrics. A scoring system is used to assess trends and highlight potential areas for engagement.

Tailored questionnaires sent to all companies based on our assessments to request additional ESG information and promote improved sustainability disclosure.

Ongoing controversy monitoring following a clear engagement pathway if companies are flagged.

Constructive engagement with boards and management to help sustainably increase corporate value by building resilience to ESG risks and promoting responsible business practices.

AVI became a signatory to the UN-supported Principles for Responsible Investment ("PRI") on 9 April 2021.

PRI Principles for Responsible Investment

Strategic Report / Our Approach to ESG

Seeking to drive positive change through active engagement

6 STEWARDSHIP

Good stewardship should be viewed as a continuous practice and is essential to preserving and enhancing long-term value.

Active engagement is at the core of our investment strategy and our ESG monitoring system plays an important role in helping us to identify potential areas of engagement. As long-term investors, our aim is to build constructive relationships with the boards and management of the companies in which we invest, addressing issues and offering suggestions to sustainably improve corporate value in consideration of all stakeholders and in the best long-term interest of our clients. We also closely monitor any controversies and potential violations of international norms and standards associated with our universe. Whilst our hope is that controversies do not occur, they can be a marker of how well a company's policies are integrated into business operations and culture, highlighting vulnerabilities or structural problems and indicating where improvements can be made. Through constructive engagement, we encourage and expect investee companies to take meaningful action in addressing weaknesses in the context of long-term value creation.

1 PRIVATE ENGAGEMENT

The majority of our engagement takes place behind closed doors, and we continue to maintain an active dialogue with the boards and management of our portfolio companies on a wide range of topics.

We seek to be constructive partners, offering detailed suggestions and guidance on issues specific to each company, to sustainably grow corporate value.

- Held a total of 121 meetings with our 25 portfolio companies
- Sent 24 detailed letters or presentations
- Made specific ESG-related suggestions covering themes such as scope 3 emissions, supply chain management, Diversity, Equity & Inclusion, employee remuneration, board independence and board diversity
- Companies such as Toagosei and Wacom approached us for ESG advice

2 PUBLIC ENGAGEMENT

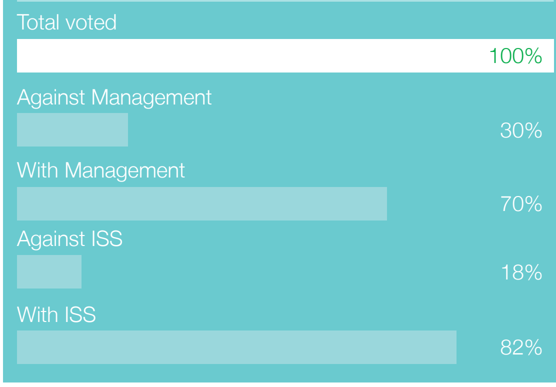
We always aim to engage privately, however we are willing to take our concerns public if necessary.

Company	ESG issue addressed	AVI's 2022 proposal	ISS Support
SK Kaken	• Transparent environmental management • Board independence	View our proposal on the link below	✓
NS Solutions	• Employee welfare	View our proposal on the link below	✓

3 PROXY VOTING

As responsible, active stewards of capital, we vote carefully and thoughtfully at every AGM.

AJOT 2022 PROXY VOTING RECORD



We believe that a responsible approach to the environment, society and governance is key to the long-term sustainability of our companies.

We are committed to actively engaging with our portfolio companies to help build resilience to long-term financially relevant ESG risks, and to promote sustainable attitudes.

2022 was the first full year of implementing our formalised approach to ESG.

- We conducted ESG assessments on 100% of portfolio companies, helping us to identify and address ESG-related issues with our portfolio companies.
- We sent bespoke questionnaires to 20 portfolio companies and received 15 responses. This has helped us to better understand their approach to ESG issues and has proven to be a useful starting point in engaging with our companies on sustainability themes.

Details of our campaign and shareholder proposals submitted to SK Kaken can be viewed here: **https://www.assetvalueinvestors.com/ajot/campaign/painting-a-better-sk-kaken/**

Details of our campaign and shareholder proposals submitted to NS Solutions can be viewed here: **www.assetvalueinvestors.com/ajot/campaign/taking-ns-solutions-to-the-next-level/**

Please visit our website to view our full ESG Policy at: **https://www.assetvalueinvestors.com/ajot/how-to-invest/investor-information/esg-policy/**

DTS

Our engagement with DTS, which provides IT-related services to Japanese companies, is a prime example of the power of private engagement.

At AVI, we seek out investment opportunities with identifiable catalysts for long-term value and the scope to unlock greater value through active engagement. DTS exemplifies this approach: it is well placed to benefit from Japan's digital revolution, and the board and management has been open to our engagement, taking action to enact real change.

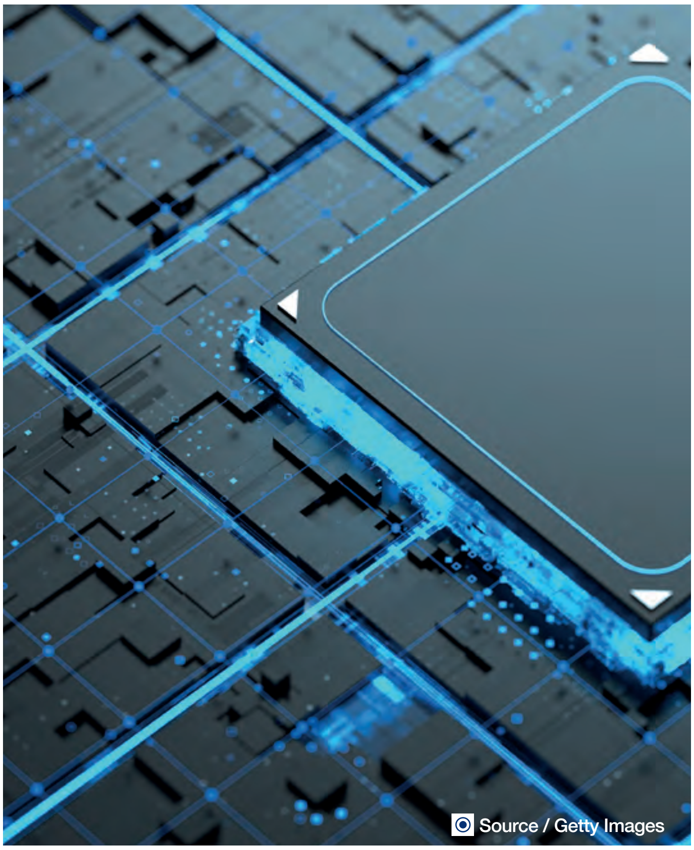
We first invested in DTS in January 2020 and are now the largest shareholder with a c. 9% stake across all AVI funds. We have been working closely with management and the board behind the scenes to rectify its undervaluation and to build sustainable corporate value. Our approach to engagement is highly bespoke, looking at the company as a whole and considering all drivers relevant to its long-term success. We have sent 12 presentations or letters to management and held numerous meetings, offering detailed suggestions covering corporate governance, employee remuneration, diversity, environmental management, balance sheet efficiency and growth strategy.

DTS' response to our engagement has been exemplary – bar a few minor points, all our suggestions were accepted and included in a comprehensive mid-term 2025 plan and long-term 2030 vision announced in May 2022, in which they set out a strategy to double EBITDA by 2030, increase ROE to 16% and focus on high-value-added IT services. The careful management of both people and the planet are important considerations for the long-term sustainability of companies in the IT industry. DTS has shown proactiveness in this regard. Recognising that it operates in an industry traditionally skewed towards low female representation, DTS doubled its diversity targets and also set ambitious environmental targets, formally committing to having them validated by the Science Based Targets Initiative in January 2023.

Of course, the responsible management of both environmental and social issues flows from good governance. DTS has strengthened its corporate governance, adopting an Audit and Supervisory Committee structure, improving board diversity and establishing a Sustainability Committee. This 'tone from the top' will stand it in good stead for future sustainable growth.

DTS' 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.

DTS is well positioned for Japan's digital revolution and is making great strides in living up to its slogan: 'Delivering Tomorrow's Solutions'.



Source / Getty Images

Measures implemented by DTS since the start of our engagement (June 2020)

- Appointed first two female Board members
- Majority of Board now independent (54%)
- Transitioned to Audit and Supervisory Committee Structure
- Established Sustainability Committee
- Published comprehensive mid-term plan and long-term vision, setting out strategy to double EBITDA by 2030
- Increased target for % female managers
- Formally committed to having environmental targets validated by Science Based Targets Initiative

2021 & 2022 YTD PUBLIC CAMPAIGNS

7

Public campaigns since our strategy launch in 2018

Company	Campaign Name	AVI Engagement	Share Price Performance Since Start of 2021
Daibiru	Stop Exploiting Daibiru	Public presentation	71.4%
Tokio Radiator[1]	An Independent Tokyo Radiator	Shareholder proposals	39.0%
NS Solutions[1]	Taking NS Solutions to the Next Level	Shareholder proposals	5.3%
SK Kaken[1]	Painting a Better SK Kaken	Shareholder proposals	8.0%
Fujitec[2]	Taking Fujitec to the Next Level	Public presentation & statement	34.6%

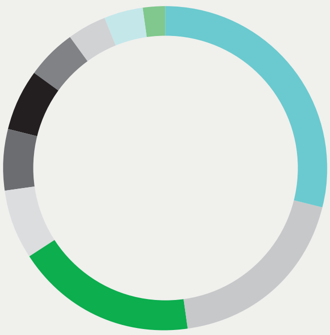
1 New shareholder proposals were submitted in 2022, along with further public engagement.
2 Public campaign started in 2020. A new statement was released in 2022.

Strategic Report / Portfolio Construction

The objective of AVI's portfolio construction is to create a concentrated position in about 20-30 holdings, facilitating a clear monitoring process of the entire portfolio.

AVI picks stocks that meet our investment criteria and once we decide to invest, a minimum position size of approximately 2% of the portfolio is initiated. In determining position sizes, AVI is mindful of liquidity and the likely timing of any catalysts to unlock value. A key consideration is the make-up of the shareholder register, a proxy for how receptive management might be to our suggestions. The portfolio is diverse in the industries within it, but we are sector agnostic and select investments based on quality and value.

PORTFOLIO VALUE BY SECTOR

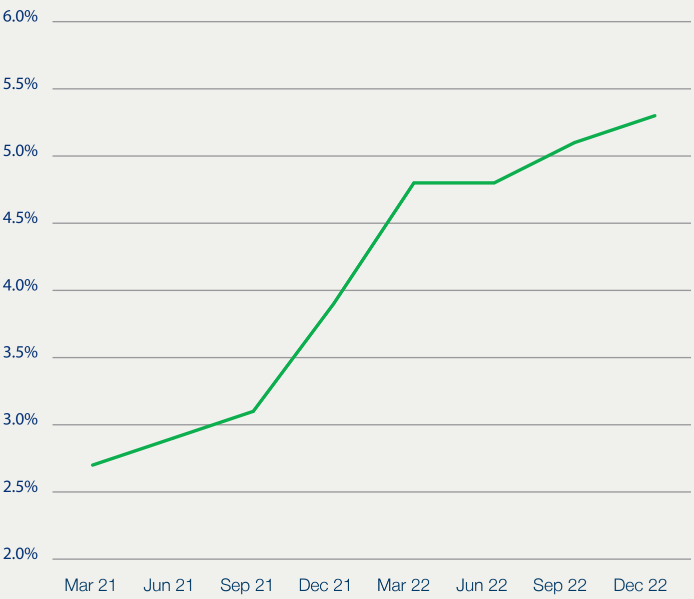


	2022	2021
Materials	**29%**	28%
Capital Goods	**19%**	24%
Software and Services	**18%**	18%
Health Care Equipment and Services	**7%**	0%
Technology Hardware and Equipment	**6%**	8%
Consumer Durables and Apparel	**6%**	0%
Retailing	**5%**	7%
Automobiles and Components	**4%**	4%
Commercial and Professional Services	**4%**	5%
Transportation	**2%**	2%
Food and Staples Retailing	**0%**	4%

EQUITY PORTFOLIO VALUE BY MARKET CAPITALISATION

	2022	2021
<£250mn	**26%**	14%
£250mn - £500mn	**15%**	14%
£500mn - £750mn	**19%**	27%
£750mn - £1bn	**17%**	20%
1bn - £2.5bn	**23%**	23%
>£2.5bn	**0%**	2%

AVERAGE VOTING OWNERSHIP OF PORTFOLIO COMPANIES ACROSS ALL AVI FUNDS



TOP 10 CONCENTRATION (% OF NET ASSETS)

Strategic Report / Japan Investment Team

Joe Bauernfreund
CEO, Portfolio Manager

Daniel Lee
Head of Japan Research

Jason Bellamy
Japan Consultant*

Kaz Sakai
Senior Investment Analyst*

Yuki Nicolas
Japan Team Assistant*

Shimpei Ochi
Investment Analyst*

OUTLOOK

The performance of our portfolio in the wider context of weak global markets is encouraging and shows that fundamentals and valuations do matter. The MSCI Japan Small Cap's return of -1.0% (in GBP) for 2022 against steep declines in other indices proves Japan's diversification value.

We are optimistic about the macro environment in Japan. The weak Yen makes Japan highly cost-competitive, both for tourism and manufacturing. Inflation has returned after a 40-year absence and, with wage growth and increased spending, we could see a more rational allocation of capital and improved productivity, which would bode well for your portfolio companies.

It is challenging to predict how 2023 will unfold, but we remain convinced that valuations are important. Your Company's portfolio trades at a lowly 6.0x EV/EBIT and is positioned for several potential idiosyncratic events with upsides of 50-100%. The potential for a reversal of foreign outflows, a stronger undervalued Yen, and a robust economic environment in the coming years, gives us reason to be optimistic about the potential for attractive absolute returns for our Company's portfolio.

Joe Bauernfreund
Asset Value Investors Limited
15 March 2023

* Native Japanese speaker.

Strategic Report / Investment Portfolio

As at 31 December 2022

Company	Stock Exchange Identifier	% of AJOT net assets	% of investee company	Cost £'000*	Market value £'000	NFV/Market capitalisation[1]	EV/EBIT[1]
DTS	TSE: 9682	8.0%	1.4	10,939	**12,568**	44%	6.9
Nihon Kohden	TSE: 6849	7.5%	0.7	11,274	**11,660**	29%	9.3
Konishi	TSE: 4956	7.0%	2.5	11,055	**10,986**	73%	4.0
NC Holdings	TSE: 6236	6.7%	17.1	7,842	**10,405**	42%	7.4
Wacom	TSE: 6727	6.6%	1.7	13,911	**10,352**	24%	9.4
T Hasegawa	TSE: 4958	6.6%	1.3	8,275	**10,295**	29%	9.8
Shin Etsu Polymer	TSE: 7970	6.5%	1.7	10,055	**10,166**	56%	3.5
TSI Holdings	TSE: 3608	6.1%	3.6	8,733	**9,545**	133%	<0.0
Fujitec	TSE: 6406	5.8%	0.6	5,309	**9,104**	33%	18.3
Digital Garage	TSE: 4819	5.6%	0.6	7,427	**8,833**	81%	7.2
Top ten investments		66.4%		94,820	**103,914**		
NS Solutions	TSE: 2327	5.1%	0.4	8,649	**8,019**	47%	5.1
SK Kaken	TSE: 4628	4.8%	0.9	9,444	**7,413**	96%	1.3
Locondo	TSE: 3558	4.2%	8.5	8,213	**6,603**	29%	9.7
Pasona	TSE: 2168	3.8%	1.2	5,112	**5,888**	198%	<0.0
A-One Seimitsu	TSE: 6156	3.2%	8.0	4,571	**4,977**	86%	4.3
Toagosei	TSE: 4045	3.0%	0.6	5,753	**4,741**	56%	3.8
C Uyemura	TSE: 4966	2.9%	0.6	2,971	**4,571**	51%	3.9
Alps Logistics	TSE: 9055	2.4%	1.4	2,989	**3,680**	46%	3.6
Teikoku Sen-i	TSE: 3302	2.1%	1.3	5,580	**3,334**	85%	1.1
Tokyo Radiator MFG	TSE: 7235	2.0%	4.9	4,250	**3,075**	92%	0.0
Top twenty investments		99.9%		152,352	**156,215**		
Soft99	TSE: 4464	1.9%	1.9	2,811	**2,954**	100%	<0.0
Aichi	TSE: 6345	1.8%	0.8	2,789	**2,803**	77%	2.0
Papyless	TSE: 3641	1.0%	2.5	2,141	**1,543**	18%	<0.0
Teikoku Electric MFG	TSE: 6333	0.5%	0.3	468	**743**	39%	7.0
ITFOR	TSE: 4743	0.0%	0.1	62	**65**	49%	2.4
Total investments		105.1%		160,623	**164,323**		
Other net assets and liabilities		(5.1%)			**(7,928)**		
Net assets		100.0%			**156,395**		

* Please refer to Glossary on pages 71 and 72.

1 Estimates provided by AVI. For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 71 and 72.

Strategic Report / Principal Risks and Uncertainties

The Board has a robust ongoing process for identifying, evaluating and managing the emerging and principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity.

However, as AJOT has a limited operating history, some risks are not yet known and some that are currently not deemed material could later turn out to be material. Following the risk assessment process described above, the Board considers the following as the principal risks faced by the Company and the following controls are in place to manage or mitigate these risks:

▲ Increased ▼ Decreased ◀▶ No change

RISK AREA	CONTROLS AND MITIGATION	
Investment Objective The Company may be unsuccessful in achieving its investment objective, leading to a potential loss of demand for its shares.	The Company has a clearly defined strategy and investment remit. The portfolio is managed by a highly experienced Investment Manager backed by a strong team. The Board relies on the Investment Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company's Benchmark Index, that of its competitors and the outlook of the markets on a regular basis. The Board ensures that there is regular dialogue with major investors, primarily through the Company's broker and the Investment Manager; it follows up on any concerns and regularly reviews the discount control policy.	◀▶
Investment opportunities matching the criteria encapsulated in the investment objective may become less available in the future.	The Board monitors the portfolio's composition, performance and development. Should appropriate opportunities diminish, the Board will consider the future of the Company and may recommend that the Company's investments are sold, it is wound up and cash returned to Shareholders.	◀▶
Gearing The use of borrowings by the Company has the effect of amplifying the gains or losses the Company experiences. A significant fall in portfolio value could cause gearing levels to exceed pre-set limits, requiring the Company to sell investments at short notice.	The Board and the Investment Manager regularly review gearing, as well as the effect of interest rate movements on the Company's finances and the Company's ongoing compliance with the loan covenants. Aggregate borrowings may not exceed 25% of net assets. The Company has in place a two-year ¥2.93 billion (£18.5 million) unsecured revolving facility agreement which was renewed in February 2022. As at 31 December 2022, ¥2.465 billion (£15.532 million) of the facility had been drawn. Interest is payable at a rate equal to TONAR plus 1.15%. As at 31 December 2022, gearing stood at 9.9%.	◀▶
Reliance on the Investment Manager and Other Service Providers The Company has no employees and relies on a number of third-party service providers, principally the Investment Manager, Registrar, Administrator and Custodian / Depositary. It is dependent on the effective operation of its service providers' control systems with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements.	The Board carries out regular reviews of the delegated services to ensure their continued competitiveness and effectiveness, which include assessment of the providers' control systems, whistleblowing, anti-bribery and corruption policies and business continuity plans.	◀▶
The Company is heavily reliant on the Investment Manager's processes, both in terms of making investment decisions and compliance with the investment policy.	The Investment Manager has an established investment process which has proven to be successful within the AVI Global Trust plc portfolio. The Board evaluates the investment process and compliance with investment limits and restrictions in conjunction with its portfolio review at every Board meeting.	◀▶
Cyber Security The Company has limited direct exposure to cyber risk. However, the Company's operations or reputation could be affected if any of its service providers suffered a major cyber security breach.	The Board monitors the preparedness of its service providers in general and requests and reviews updates from key service providers on cyber security and other matters. Following this review, the Board remained satisfied that the risk is given due priority.	◀▶

Strategic Report / Principal Risks and Uncertainties continued

RISK AREA	CONTROLS AND MITIGATION
Portfolio Liquidity The market for smaller Japanese stocks can be illiquid. The Company is exposed to the risk that it will not be able to sell its investments at the current market value or on a timely basis, when the Investment Manager chooses or is required to do so to meet financial liabilities.	The Investment Manager monitors trading volumes and prices, and looks to ensure that a proportion of the portfolio is invested in readily realisable assets. The Board also receives updates on the liquidity of the portfolio and the current level of liquidity of the Company on a regular basis.
Foreign Exchange The functional and presentation currency of the Company is Pounds Sterling. All investments held and income derived from these investments are denominated in Japanese Yen. Certain costs of the Company are impacted by the underlying value of the investments denominated in Japanese Yen and converted to Pounds Sterling. The Company is subject to currency risk on exchange rate movements between Pounds Sterling and Japanese Yen.	It is the Company's current policy not to hedge against currency risk, however the Investment Manager and the Board continuously monitor currency movements and exposure. The revolving credit facility is denominated in Yen and therefore the effect of Yen exchange rate movements on the drawn down facility will be offset against the assets.
Global/Climate/Systemic Unforeseen global disruption, such as a pandemic, climate and nature change-related event, geopolitical conflict or systemic technology failure, could lead to dramatically increased market and Company share price volatility. Fraud and cyber security vulnerability could increase for key service providers.	The Board continuously monitors global developments and their potential impact on the Company; it scrutinises the performance of the Investment Manager and is aware of emerging risks and has a robust process for addressing them. All key service providers are asked to provide updates on business continuity, anti-bribery and corruption, and information security processes on an annual basis.
Concentrated Share Register A substantial portion (around 40%) of the Company's shares are held by two major Shareholders, City of London Investment Management and Finda Oy. A concentrated share register can potentially present issues with regards to voting or liquidity.	The Investment Manager, the Corporate Broker and the Board have a good understanding of the investor base and have good lines of communication with investors in general and a direct communication channel with the major Shareholders in particular.

Approval of Strategic Report
The Strategic Report has been approved by the Board and is signed on its behalf by:

Norman Crighton
Chairman
15 March 2023

Governance / Directors

Your Board

Norman Crighton

Chairman, Non-Executive Director

Date of Appointment:
27 July 2018

External Appointments:
Weiss Korea Opportunity Fund Ltd, RM Infrastructure Income plc and Harmony Energy Income Trust plc.

Experience and Contribution:
Norman Crighton is an experienced public company director, having served on the boards of eight closed-end funds and one operating company. Presently, Norman is also Non-Executive Chair of Weiss Korea Opportunity Fund Limited, RM Infrastructure Income plc and Harmony Energy Income Trust plc.

Norman has extensive fund experience, having previously been Head of Closed-end Funds at Jefferies International and Investment Manager at Metage Capital Limited, leveraging his 32 years of experience in investment trusts. His career in investment banking covered research, sales, market making and proprietary trading, servicing major international institutional clients over 15 years. His work in many countries included restructuring closed-end funds, as well as several IPOs. As a fund manager, Norman managed portfolios of closed-end funds on a hedged and unhedged basis covering developed and emerging markets.

Following on from his long-term promotion of best corporate governance practice, Norman has more recently been focussing on expanding his work into Environmental and Social issues. His work in the investment trust industry is backed up with a master's degree from the University of Exeter in Finance and Investment. Norman is British and resident in the United Kingdom.

Ekaterina Thomson

Chairperson of the Audit Committee, Non-Executive Director

Date of Appointment:
5 September 2018

External Appointments:
Allianz Technology Trust PLC, MIGO Opportunities Trust plc and Henderson EuroTrust plc.

Experience and Contribution:
Katya is Chairperson of the Audit Committee. She is a corporate finance, strategy and business development professional, with over 25 years of experience with UK and European blue chip companies. Katya is a non-executive director and audit committee chairman of Allianz Technology Trust PLC, MIGO Opportunities Trust plc and Henderson EuroTrust plc. She is a member of the Institute of Chartered Accountants in England and Wales. Katya is British and resident in the United Kingdom.

Yoshi Nishio

Non-Executive Director

Date of Appointment:
27 July 2018

External Appointments:
–

Experience and Contribution:
Yoshi began his career at Goldman Sachs International, where he had overall responsibility for the trading of Japanese equities and equity derivative products. Since then, he has combined his twin specialisations of finance and media as an investor, advisor and consultant. Much of his work has had a Japanese focus, with clients ranging from family offices to the office of the chairman of Columbia Pictures in Hollywood in the period following the studio's acquisition by the Sony Corporation, to the Ministry of Finance of the Russian Federation. Yoshi is fluent in Japanese and in English. He was born in Japan but now holds dual British/American citizenship and lives in the United States of America.

Margaret Stephens

Chairperson of the Nomination Committee, Non-Executive Director

Date of Appointment:
5 September 2018

External Appointments:
VH Global Sustainable Energy Opportunities plc and the Nuclear Liabilities Fund.

Experience and Contribution:
Margaret is a Non-Executive Board Member and Chair of the Audit and Risk Committee of VH Global Sustainable Energy Opportunities plc and a Trustee, Director and Chair of the Audit Committee of the Nuclear Liabilities Fund. She was a partner of KPMG until 2016, having qualified as a Chartered Accountant in 1988. From 2007, she played a key role in building KPMG's Global Infrastructure Practice, also leading UK and international due diligence and structuring services on major merger and acquisition transactions and public private partnerships. Margaret was a non-executive Board Member and Chair of the Audit and Risk Assurance Committee of the Department for Exiting the European Union and was also a Board Trustee of the London School of Architecture. Margaret is British and resident in the United Kingdom.

Governance / Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

The Investment Portfolio on page 34, the Corporate Governance Statement on pages 40 to 44, Report from the Audit Committee on pages 49 and 50 and the Shareholder Information on pages 70 to 74 form part of the Report of the Directors.

Directors

The Directors of the Company are listed on page 37. All served throughout the year under review. The Directors will retire at the forthcoming AGM and offer themselves for re-election.

As set out on page 43, the Board carries out an annual review of each Director and of the Board as a whole. The Board considers that all Directors contribute effectively, possess the necessary skills and experience, and continue to demonstrate commitment to their roles as non-executive Directors of the Company. Following the performance review, it was agreed that all Directors should stand for re-election, and the re-election of each of the Directors is recommended by the Board.

The Company has provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 31 December 2022 are set out in the Directors' Remuneration Report on page 47.

Share Capital

The Company's share capital comprises Ordinary Shares with a nominal value of 1p each. The voting rights of the shares on a poll are one vote for each share held. There are no restrictions on the transfer of the Company's Ordinary Shares or voting rights, no shares which carry specific rights with regard to the control of the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the Ordinary Shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the Shareholders pro rata to their holding of Ordinary Shares.

At 31 December 2022, there were 137,461,702 Ordinary Shares of 1p each in issue, of which 400,000 were held in treasury, and therefore the total voting rights attaching to Ordinary Shares in issue were 137,061,702. In the period from 1 January 2023 to 10 March 2023 2,900,000 shares were issued and the 400,000 shares were sold from treasury. The voting rights attaching to Ordinary Shares as at 10 March 2023 were 140,361,702.

The Directors intend to seek annual authority from Shareholders to allot new Ordinary Shares, to disapply pre-emption rights of existing Shareholders and to buyback Ordinary Shares for cancellation or to be held in treasury.

Issues of Shares

At the AGM held on 3 May 2022, the Company was granted authority to allot up to 27,442,300 Ordinary Shares on a non-pre-emptive basis. This authority is due to expire at the Company's forthcoming AGM on 2 May 2023. As at 31 December 2022, the remaining authority to allot Ordinary Shares under the authority granted at the AGM held on 3 May 2022 was 27,192,300 Shares and as at 10 March 2023 the remaining authority was 23,892,300 Shares.

The Company has a block listing of Ordinary Shares to be listed to the premium segment of the Official List of the FCA and admitted to trading on the premium segment of the LSE's main market. During the year, the Company issued 4,241,000 shares utilising the block listing, details of which are provided in the schedule below. As at 31 December 2022, the remaining authority under the block listing facility was 21,383,140 Ordinary Shares and as at 10 March 2023 the remaining authority is 18,483,140 Ordinary Shares.

Shares issued during the year and following year end

Date	No of shares	Price paid per share	Mid market price
13/01/2022	750,000*	£1.2050	£1.8500
26/01/2022	400,000	£1.1590	£1.1500
27/01/2022	760,000	£1.1300	£1.1550
31/01/2022	500,000	£1.1475	£1.1550
07/02/2022	870,000	£1.1550	£1.1550
09/02/2022	961,000	£1.1600	£1.1700
20/06/2022	250,000	£1.0700	£1.0775
16/02/2023	650,000**	£1.2200	£ 1.2175
17/02/2023	1,900,000	£1.2200	£ 1.2200
21/02/2023	750,000	£1.2200	£ 1.2100
Total	**7,791,000**		

* This issue is comprised of 250,000 treasury shares and 500,000 shares issued under the block listing.

** This issue is comprised of 400,000 treasury shares and 250,000 shares issued under the block listing.

Purchase of Shares

At the general meeting held on 3 May 2022, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue as at the close of business on 11 March 2022, such authority to expire on conclusion of the 2023 AGM. During the year, 400,000 Ordinary Shares were bought back for an aggregate amount of £432,000 (nominal value £4,000, representing 0.291% of the called up share capital at the time) under this authority in order to control the discount. As at 31 December 2022, authority to buy back a further 20,168,034 Ordinary Shares remained.

Sale of Shares from Treasury

At the AGM held on 3 May 2022, the Company was authorised to waive pre-emption rights in respect of treasury shares, such authority to expire on conclusion of the 2023 AGM. At the start of the year, 250,000 Ordinary Shares were held in treasury, which were sold on 13 January 2022 for an aggregate amount of £301,250. Since 3 October 2022 and as at 31 December 2022, 400,000 Ordinary Shares were held in treasury. The shares held in treasury were sold from treasury on 16 February 2023 for an aggregate amount of £488,000 and, as at the date of this report, there were no shares held in treasury.

Related Party Transactions

The Company's related parties in the year were its Directors, the Investment Manager, City of London Investment Management and Finda Oy as the Company's largest Shareholders.

There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable. Directors' shareholdings are disclosed on page 47.

In relation to the provision of services by the Investment Manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there have been no material transactions with the Investment Manager affecting the financial position of the Company during the year under review. More details on transactions with the Investment Manager, including amounts outstanding at 31 December 2022 and shares held by AVI, are given in note 15 on page 69.

Finda Oy and City of London Investment Management Company Limited ("City of London"), significant Shareholders of the Company, are deemed to be related parties of the Company for the purposes of the Listing Rules by virtue of their holding in the Company's issued share capital. During the year under review, no transactions took place between the Company and Finda Oy or City of London.

Interests in Share Capital

At 31 December 2022, the following holdings representing more than 3% of the Company's voting rights had been reported to the Company in accordance with the Disclosure Guidance and Transparency Rules. This information was correct at the date of notification, however it should be noted that these holdings may have changed since notified to the Company and may not therefore be wholly accurate statements of actual holdings as at 31 December 2022. However, notification of any change is not required until the next applicable threshold is crossed:

	Number of Ordinary Shares	Percentage of voting rights
Finda Oy	30,000,000	21.86
City of London Investment Management Company Limited	23,000,685	17.7
Investec Wealth & Investment Limited	4,320,570	3.68

During the period between 31 December 2022 and 10 March 2023, the Company has been notified by City of London of a decrease in their holding to 22,434,728 shares, representing 15.98% of the voting rights.

As at 31 December 2022, AVI Ltd & AVI employees owned 2,424,235 shares.

Dividends

The Directors are proposing a final dividend of 0.80 pence per Share for the year to 31 December 2022. Subject to the approval of Shareholders at the forthcoming AGM, the proposed final ordinary dividend will be payable on 26 May 2023 to Shareholders on the register at the close of business on 28 April 2023. The ex-dividend date will be 27 April 2023.

Financial Instruments

The Company utilises financial instruments, which comprise equity investments, cash balances, receivables, payables and borrowings. The risks identified arising from the financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk and credit and counterparty risk. The Company may also enter into derivative transactions to manage risk. The Board and Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed in note 14.

Annual General Meeting ("AGM")

The AGM will be held on Tuesday 2 May 2023 at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH. The Notice of Meeting and details of the resolutions to be put to the AGM are contained in the circular sent to Shareholders with this report.

Directors' Statement as to Disclosure of Information to Auditor

Each of the Directors, who were all members of the Board at the date of approval of this Report, confirms that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditors are unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to Shares issued by the Company is set out on page 38.

Other Information

Information on future developments and financial risks is detailed in the Strategic Report. Further details of post balance sheet events can be found in note 16.

By order of the Board

For and on behalf of Link Company Matters Limited

Company Secretary
15 March 2023

Governance / Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

Applicable Corporate Governance Codes

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 48, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council's ("FRC") 2018 UK Corporate Governance Code (the "UK Code") and The AIC's Code of Corporate Governance issued in 2019, (the "AIC Code"), which complements the UK Code and provides a framework of best practice for investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to Shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The UK Code is available on the FRC website (www.frc.org.uk). The AIC Code is available on the AIC website (www.theaic.co.uk) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of Compliance

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- management performance;
- remuneration and succession planning;
- workforce policies (including remuneration) and practices; and
- the need for an internal audit function.

For the reasons explained in the AIC Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions. The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the principles and provisions of the AIC Code during the year under review except as disclosed below:

- provision 14: No senior independent director has been appointed. All the Directors have different qualities and areas of expertise on which they lead, and concerns can be conveyed to another Director if Shareholders do not wish to raise concerns with the Chairman or the Chairman of the Audit Committee. Any other Director will chair the Board or Nomination Committee meeting when the annual evaluation of the Chairman's performance, his re-election, or the recruitment of his successor, is discussed;
- provision 17: As all of the Directors are independent of the Investment Manager, the Board is of the view that there is no requirement for a separate management engagement committee. The Board as a whole will review the terms of appointment and performance of the Investment Manager and the Company's other third-party service providers (other than the Auditor who is reviewed by the Audit Committee);
- provision 37: As all of the Directors are non-executive, the Board is of the view that there is no requirement for a separate remuneration committee. Directors' fees will be considered by the Board as a whole within the limits approved by Shareholders; and
- provision 23: Directors are not appointed for a specified term, as all Directors are non-executive and the Board believes that a Director's performance and their continued contribution to the running of the Company is of greater importance and relevance to Shareholders than the length of time for which they have served as a Director of the Company. Each Director is subject to the election and re-election provisions set out in the Articles, which provide that a Director appointed during the year is required to retire and seek election by Shareholders at the next AGM following their appointment. Thereafter the Directors intend to offer themselves for re-election annually but, under the Articles, are only required to submit themselves for re-election at least once every three years. Directors who have served for more than nine years will be subject to annual re-election, provided that the Nomination Committee and the Board remain satisfied that the relevant Director's independence is not impaired by their length of service.

Role of the Board

A management agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority. This includes management of the Company's assets and some marketing services. The Board is collectively responsible for the success of the Company and a formal schedule of matters reserved to the Board for decision has been approved, which is available on the Company's website: www.ajot.co.uk. This includes strategy and management, Board and committee membership and other appointments, appointment and oversight of delegates, corporate structure and share capital, remuneration, financial reporting and controls, company contracts, internal controls, corporate governance and policies.

The Board is responsible for the approval of annual and half-year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects.

The Board's role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. It is responsible for setting the Company's standards and values and for ensuring that its obligations to its Shareholders and other stakeholders are understood and met. The Board sets the Company's strategic aims (subject to the Company's Articles of Association, and to such approval of the Shareholders in General Meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met. The Articles of Association may only be amended by way of a special resolution of shareholders.

The Board meets formally at least four times a year, with additional ad hoc Board or Committee meetings arranged when required. The Directors have regular contact with the Investment Manager and Company Secretary between formal meetings. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's NAV, share price, premium, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the investment restrictions required by the FCA and s1158 of the Corporation Tax Act 2010, the Company's objective, investment, borrowing and hedging policies and reviews the investment strategy. The Board regularly receives reports from the Investment Manager on marketing and investor relations. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, Link Company Matters Limited, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Board Composition

The Board is chaired by Norman Crighton, and consists of four non-executive Directors who have all served throughout the year. All of the Board are regarded as independent of the Company's Investment Manager, including the Chairman. The Directors have a breadth of investment, financial and professional experience relevant to the Company's business and brief biographical details of each Director are set out on page 37.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

The Directors acknowledge the benefits of Board diversity and continual review of the Board's and individual Directors' effectiveness, while seeking to retain a balance of knowledge of the Company, diversity and continuity in the relationship with the Investment Manager. The Board has adopted a Diversity Policy in line with its commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. The Board does not feel that it would be appropriate to set targets as all appointments must be made on merit. However, diversity generally will be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each Board vacancy. The Board has established the following objectives for achieving diversity on the Board:

- all Board appointments will be made on merit, in the context of the skills, background, knowledge and experience that are needed for the Board to be effective; and
- long lists of potential non-executive directors should include diverse candidates of appropriate merit.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office during normal business hours and at the Company's AGM.

The Board notes the new FCA rules on diversity and inclusion on company boards, namely that from accounting periods commencing on or after 1 April 2022 included in Listing Rule 9.8.6 (9-11):

- At least 40% of individuals on the Board to be women;
- At least one senior Board position to be held by a woman; and
- At least one individual on the Board to be from a minority ethnic background.

The Company continues to develop its succession planning in line with these recommendations and is opting to disclose its diversity data earlier than required by the recommendations, for full transparency.

In accordance with Listing Rule 9 Annex 2.1, the below tables, in prescribed format, show the gender and ethnic background of the Directors at the year end.

Gender identity or sex	Number of Board members	Percentage on the Board	Number of senior positions on the Board*
Men	1	25%	–
Women	2	50%	1
Not specified/ prefer not to say	1	25%	1

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board*
White British or other White (including minority white groups)	2	50%	1
Mixed/Multiple Ethnic Groups	–	–	–
Asian/Asian British	1	25%	–
Black/African/Caribbean/ Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/ prefer not to say	1	25%	1

* Listing Rule 9.8.6(9) includes only the positions of chair, chief executive, senior independent director and chief financial officer in this category. Other than the Chairman of the Board, the Company does not have these roles, as it is an externally managed investment trust without employees and therefore this target is not applicable. The Company has chosen to report against this target by including the position of Audit Committee Chairman as a senior position.

The data in the above tables was collected through self-reporting by the Directors, who were asked to indicate which of the categories specified in the prescribed tables were most applicable to them.

Responsibilities of the Chairman, the Board and its Committees

The Chairman leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Company has adopted a document setting out the responsibilities of the Chairman, which is available on the website: www.ajot.co.uk.

Tenure

Directors are generally initially appointed by the Board, until the following AGM when, as required by the Company's Articles of Association, they will stand for re-election by Shareholders. Thereafter, a Director's appointment is subject to an annual performance evaluation and the approval of Shareholders at each AGM, in accordance with corporate governance best practice.

Under the Articles of Association, Shareholders may remove a Director before the end of his or her term by passing a special resolution at a meeting, and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place. A special resolution is passed if more than 75% and an ordinary resolution if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

In accordance with the above and the AIC Code, all Directors will stand for re-election at the 2023 AGM. The contribution and performance of the Directors seeking re-election was reviewed by the Nomination Committee at its meeting in March 2023, which recommended to the Board their continuing appointment.

Governance / Corporate Governance Statement continued

The Board has adopted a formal tenure policy for Directors based on a continual review of performance. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board takes into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. It is not anticipated that any of the Directors would normally serve in excess of nine years. In exceptional circumstances, which would be fully explained to Shareholders at the time, a one or two-year extension might be appropriate.

Similarly, it is not anticipated that the Chairman will normally serve in excess of nine years. However, in exceptional circumstances, which would be fully explained at the time, a one or two-year extension might be appropriate, given the entirely non-executive nature of the Board and in particular where the Chairman has not been appointed in his position for the entire duration of his tenure as a Director. As with all Directors, the continuing appointment of the Chairman is subject to ongoing review of performance, including a satisfactory annual evaluation, annual re-election by Shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board.

Board Independence

All Directors are non-executive, have a range of other interests and are not dependent on the Company itself. At the Nomination Committee meeting in March 2023, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Investment Manager. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and knowledge and understanding of the Company are of great benefit to Shareholders.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts").

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. The Board has a formal system in place, in line with the Articles of Association for Directors, to declare any new situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes and the register of interests. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts, and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively. The Chairman has had no relationship that may have created a conflict between his interests and those of the Company's Shareholders.

Induction and Training

On appointment, the Company Secretary provides all Directors with induction training. The training covers the Company's investment strategy, policies and practices. The Directors are also given regular briefings on changes in law and regulatory requirements that affect the Company and the Directors. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible for general secretarial functions and for assisting the Company with compliance with its continuing obligations as a company listed on the premium segment of the Official List. The Company Secretary is also responsible for ensuring good information flows between all parties.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover was in place throughout the year and remains in place at the date of this report. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. The Company has granted indemnity to Directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as Directors of the Company.

Board Committees

The Board delegates certain responsibilities and functions to the Audit Committee and the Nomination Committee. Both Committees comprise all Directors. The terms of reference for these Committees are available on the website www.ajot.co.uk or via the Company Secretary.

Separate Remuneration and Management Engagement Committees have not been established as the Board consists of only independent non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the Remuneration Policy set out on page 45, which is subject to periodic Shareholder approval. The investment management agreement and performance of the Investment Manager is reviewed by the Board as a whole on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its Shareholders. The Board as a whole also reviews the terms of appointment and performance of the Company's other service providers.

Audit Committee

The Audit Committee comprises all Directors and is chaired by Katya Thomson, who is a Chartered Accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Audit Committee's members has recent and relevant financial experience. The Audit Committee as a whole is considered to have competence relevant to the sector. All members of the Audit Committee are independent. The Chairman of the Board is a member of the Audit Committee but, in line with the AIC Code, does not chair it and was considered independent on appointment. The Chairman's membership of the Audit Committee is considered appropriate given his extensive knowledge of the Investment Trust sector.

The Report of the Audit Committee, which forms part of this Corporate Governance Statement, can be found on pages 49 and 50.

Nomination Committee

The Nomination Committee, consisting of all of the Directors and chaired by Margaret Stephens, meets at least annually. The Nomination Committee is responsible for ensuring that the Board has an appropriate balance of skills and experience to carry out its duties, to select and propose suitable candidates for appointment when necessary and for making recommendations regarding the re-election of existing Directors.

When considering succession planning and tenure policy, the Nomination Committee bears in mind the balance of skills, knowledge, experience, gender and diversity of Directors, the achievement of the Company's investment objective and compliance with the Company's Articles of Association and the AIC Code. The Nomination Committee will make recommendations when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when recruitment becomes necessary.

The Nomination Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow an annual performance evaluation of the Board, its Committees and individual Directors and consideration of the Director's independence. The evaluation of individual Directors takes into account whether they have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board and its Committees considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

The Nomination Committee met in March 2023 to carry out its annual review of the Board, its composition and size and its Committees, the results of which are detailed below. Notwithstanding the fact that all of the current Directors have served for less than five years and in order to ensure an orderly transition, the Nomination Committee has begun discussing succession planning and agreed that a staggered approach will be taken to replace the current Directors in due course and refresh the Board.

The current intention is for recruitment for the first two new Directors to commence in 2025, with appointments to follow in 2026. Further changes will then take place in the following years to refresh the entire Board. The Nomination Committee has scheduled these Board changes in a manner which will at times result in the Board consisting of five Directors, to ensure an orderly handover of in particular the functions of the Chairman of the Audit Committee and the Chairman of the Board. Further information on succession planning and recruitment will be provided in future Annual Reports, as and when appropriate.

Board and Committee Meeting Attendance

The table details the number of scheduled Board and Committee meetings held during the year under review and the number of meetings attended by each Director.

	Board	Audit Committee	Nomination Committee
Norman Crighton	4(4)	2(2)	1(1)
Yoshi Nishio	4(4)	2(2)	1(1)
Margaret Stephens	4(4)	2(2)	1(1)
Katya Thomson	4(4)	2(2)	1(1)

The number in brackets denotes the number of meetings each was entitled to attend.

The Directors also met on an ad hoc basis during the year to undertake business, such as to discuss marketing arrangements and to review portfolio developments with the Investment Manager.

Performance Evaluation

In January 2023, the Nomination Committee conducted a review of the Board's performance, together with that of its Committees, the Chairman and each individual Director, as well as their independence. This was conducted by way of individual discussions between the Nomination Committee Chairman and, separately, Chairman of the Board, with each Director, as well as a discussion between the Chairman of the Board and the Nomination Committee Chairman. A summary of the findings was then discussed at the Nomination Committee meeting held in March 2023. It was concluded that the performance of the Board, its Committees, the Chairman and each individual Director was satisfactory, and the Board has a good balance of skills, knowledge and experience, and includes individuals from different social, geographical and ethnic backgrounds. It is considered that each of the Directors remains independent of the Investment Manager, makes a significant contribution and devotes sufficient time to the affairs of the Company, the Chairman continues to display effective leadership and all Directors seeking re-election at the Company's AGM merit re-election by Shareholders.

Internal Control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Audit Committee supports the Board in the continuous monitoring of the internal control and risk management framework. The Board has established an ongoing process for identifying, evaluating and managing the principal and new or emerging risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014.

The risk management process and system of internal control was in operation throughout the year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

In arriving at its judgement of what risks the Company faces, the Board, through the Audit Committee, has considered the Company's operations in light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the extent to which third parties operate the relevant controls.

The Company maintains a risk matrix which identifies key risks faced by the Company and controls in place to mitigate those risks. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate against them. This risk matrix is reviewed twice a year by the Audit Committee and at other times as necessary.

The Directors confirm that they have carried out a robust assessment of the Company's emerging and principal risks as identified by the Board, which are set out on pages 35 and 36, as well as the controls in place to manage or mitigate those risks.

Governance / Corporate Governance Statement continued

The Board reviews financial information produced by the Investment Manager and the Administrator on a regular basis. Most functions for the day-to-day management of the Company are subcontracted, and the Directors therefore obtain assurances and information, including internal control reports, from key third-party suppliers regarding the internal systems and controls operated in their respective organisations. During the year under review, the Board also requested and reviewed updates from key service providers on business continuity, cyber security and fraud prevention.

By the means of the procedures set out above, the Board confirms that it has reviewed, and is satisfied with, the effectiveness of the Company's system of internal control for the year ended 31 December 2022, and to the date of approval of this Annual Report and Financial Statements.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

Internal Audit Function

As the Company is an externally managed investment company with day-to-day management and administrative functions being outsourced to third parties, and as the Company does not have executive Directors, employees or internal operations, the Board does not consider it necessary to establish an internal audit function, as it believes the existing system of monitoring and reporting by the third parties to be appropriate and sufficient.

Accountability and Relationship with AVI

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 48, the Independent Auditors' Report on pages 51 to 54 and the Viability Statement on page 17.

The Board has delegated contractually to external third parties, including the Investment Manager, the management of the investment portfolio, the custodial services (including the safeguarding of the assets), the day-to-day accounting and cash management, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. Further information on management arrangements can be found on page 10.

The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

Representatives of AVI attend Board meetings, enabling the Directors to probe further on matters of concern. The Board and the Investment Manager operate in a supportive, co-operative and open environment.

Continued Appointment of the Investment Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. In addition to the monitoring of investment performance at each Board meeting, an annual review of the Company's investment performance over both the short and longer terms is undertaken.

Following an annual review, it is the Directors' opinion that the continuing appointment of AVI, the Investment Manager, on the existing terms, is in the best interests of the Company and its Shareholders as a whole.

By order of the Board

For and on behalf of Link Company Matters Limited

Company Secretary
15 March 2023

Governance / Directors' Remuneration Report

Directors' Remuneration Policy

The Remuneration Policy provides details of the remuneration policy for the Directors of the Company. The Remuneration Policy was approved by Shareholders at the AGM of the Company held on 3 May 2022. Remuneration Policy Provisions apply until they are next put to Shareholders for approval at intervals of not more than three years, or if the Remuneration Policy is varied, in which event Shareholder approval for the new Remuneration Policy will be sought. The Remuneration Policy is provided below, which remains as approved at the 2022 AGM.

The Company follows the recommendation of the AIC Code of Corporate Governance that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined from time to time at the Board's discretion with reference to comparable organisations and appointments.

All Directors are non-executive, appointed under the terms of letters of appointment. There are no service contracts in place. The Company has no employees. In line with the majority of investment trusts and the AIC Code, there are no performance conditions attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

The Board has set three levels of fees: one for a Director and additional fees for the Chairman of the Audit Committee and the Chairman of the Board. Fees are reviewed annually in accordance with the above policy. Annual fees are pro-rated where a change takes place during a financial year. The fee for any new Director appointed to the Board will be determined on the same basis.

In addition to the annual fee, under the Company's Articles of Association, any Director who is requested to perform services which, in the opinion of the Board, go beyond the ordinary duties of a director, may be paid such extra remuneration as the Board may in its discretion decide in addition to or in substitution for any other remuneration that they may be entitled to receive. Should any extra remuneration be paid during the year, details of the events, duties and responsibilities that gave rise to the additional Directors' fees would be disclosed in the Annual Report. Directors are also entitled to reimbursement of reasonable fees and expenses incurred by them in the performance of their duties.

The approval of Shareholders would be required to increase the aggregate annual Directors' Remuneration limit of £250,000, as set out in the Company's Articles of Association.

None of the Directors has any entitlement to pensions or pension related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance related payments. No Director is entitled to any other monetary payment or any assets of the Company, except in their capacity (where applicable) as Shareholders of the Company. Directors' Letters of Appointment expressly prohibit any entitlement to payment on loss of office.

Directors' and Officers' liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors. The Company has also provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The Company is committed to ongoing Shareholder dialogue and any views expressed by Shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

Report on Implementation

This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 as amended in August 2013. The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors' remuneration. The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive, and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board may amend the level of remuneration paid to individual Directors within the parameters of the Remuneration Policy.

Statement from the Chairman

As the Company has no employees and the Board is comprised wholly of non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole, at its discretion, within an aggregate set amount per annum. This aggregate ceiling had been set at £250,000 in the Company's Articles of Association and in the Remuneration Policy as approved on 2 May 2022.

Each Director abstains from voting on their own individual remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

During the year the Board carried out a review of the level of Directors' fees in accordance with the Remuneration Policy. As part of this review, the Board considered the Company's performance, the demands placed on Directors' time and the level of fees being paid to non-executive directors in the Company's peer group. Taking these matters into consideration, the review concluded that the fees being paid to the Company's Directors were below the average. As a result, with effect from 1 January 2023, fees were increased to £40,500 (previously £37,500) per annum for the Chairman, £37,800 (previously £35,000) per annum for the Chairperson of the Audit Committee and £35,100 (previously £32,500) per annum for other Directors. The Board is satisfied that the changes to the remuneration of the Directors are compliant with the Directors' Remuneration Policy.

There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

Directors' Emoluments (audited information)

Directors are only entitled to fixed fees at such rates as are determined by the Board from time to time and in accordance with the Directors' Remuneration Policy as approved by the Shareholders.

None of the Directors has any entitlement to pensions or pension-related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance-related payments. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly, the Single Total Figure table below does not include columns for any of these items or their monetary equivalents. Directors' & Officers' liability insurance is maintained and paid for by the Company on behalf of the Directors.

Governance / Directors' Remuneration Report continued

In line with market practice, the Company has agreed to indemnify the Directors in respect of costs, charges, losses, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under Section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' & Officers' liability insurance maintained by the Company be exhausted.

The Directors who served during the year received the following emoluments:

Single Total Figure Table (audited information)

	Fees paid*		Taxable benefits		Total				
Name of Director	2022	2021	2022	2021	2022	2021	% change 2021-2022	% change 2020-2021	% change 2019-2020†
Norman Crighton	**37,500**	35,625	**–**	–	**37,500**	35,625	5.3%	1.8%	12.7%
Yoshi Nishio	**32,500**	30,625	**–**	–	**32,500**	30,625	6.1%	2.1%	13.9%
Margaret Stephens	**32,500**	30,625	**–**	–	**32,500**	30,625	6.1%	2.1%	15.2%
Katya Thomson	**35,000**	33,125	**–**	–	**35,000**	33,125	5.7%	1.9%	15.2%
	137,500	130,000	**–**	–	**137,500**	130,000	5.8%	2.0%	14.2%

* Excluding Employer's National Insurance Contribution.

† The 2019 fees used to calculate the percentage change were for those paid in the period from 1 January 2019 to 31 December 2019, rather than the period from IPO on 23 October 2018 to 31 December 2019, to provide a more accurate comparison.

Sums Paid to Third Parties (audited information)

None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Other Benefits

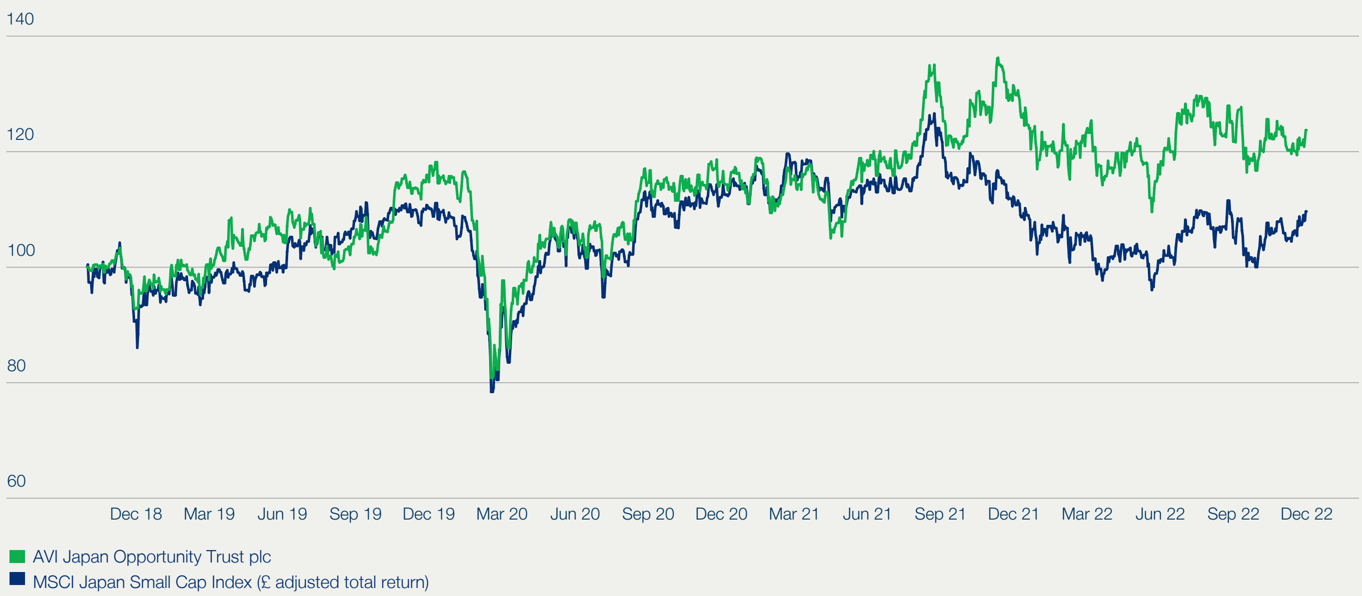
Taxable benefits – Article 105 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings or any other meeting which they, as Directors, are entitled to attend.

Pensions related benefits – Article 106 permits the Company to provide gratuities or pensions or similar benefits for Directors of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

Performance

The chart below illustrates the total Shareholder return for a holding in the Company's shares, as compared to the MSCI Japan Small Cap (£ adjusted total return), which the Board has adopted as the measure for both the Company's performance and that of the Investment Manager for the year, over the period since inception of the Company.

Total Shareholder Return vs MSCI Japan Small Cap



Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2022 £'000	2021 £'000	Difference £'000
Spend on Directors' fees*	**138**	130	8
Distribution to Shareholders	**2,151**	1,885	266
Management fee and other expenses**	**2,322**	2,115	207

* As the Company has no employees the total spend on remuneration comprises only the Directors' fees.

** Note: the items listed in the table above are as required by the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 s.20, with the exception of the management fee and other expenses, which has been included because the Directors believe it will help Shareholders' understanding of the relative importance of the spend on pay. The figures for this measure are the same as those shown in note 3 to the financial statements.

Statement of Directors' Shareholding and Share Interests (audited information)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity and debt securities of the Company at 31 December 2022 are shown in the table below:

Name of Director	Ordinary Shares
Norman Crighton	26,575
Yoshi Nishio	–
Margaret Stephens	10,000
Katya Thomson	10,000
Total	46,575

There have been no changes to Directors' interests between 31 December 2022 and the date of this Report.

Statement of Voting at AGM

At the 2022 AGM, 42,261,853 votes (99.26%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 129,211 (0.30%) were against, 187,917 (0.44 %) were at the Chairman's discretion and 4,500 were withheld; the percentages of votes excludes votes withheld. In relation to the approval of the Remuneration Policy which was most recently approved at the 2022 AGM, 42,292,385 (99.33%) votes were received for the resolution, 98,679 (0.23%) were against, 187,917 (0.44%) were at the Chairman's discretion and 4,500 were withheld. The percentages of votes excludes votes withheld.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Implementation summarises, as applicable, for the year to 31 December 2022:

(a) the major decisions on Directors' remuneration;

(b) any discretion which has been exercised in the award of Directors' remuneration;

(c) any substantial changes relating to Directors' remuneration made during the year; and

(d) the context in which the changes occurred and decisions have been taken.

A resolution to approve this Directors' Remuneration Report will be proposed at the AGM to be held on 2 May 2023.

Norman Crighton
Chairman
15 March 2023

Governance / Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements and have elected to prepare the company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Website Publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities Pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

In the opinion of the Board, the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy.

Directors Statement as to the Disclosure of Information to Auditor

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

For and on behalf of the Board

Norman Crighton
Chairman
15 March 2023

Governance / Report from the Audit Committee

I am pleased to present the Audit Committee Report for the year ended 31 December 2022.

The Audit Committee (the "Committee") met twice during the year under review and once following the year end. The Company's Auditors are invited to attend meetings as necessary. Representatives of the Investment Manager may also be invited.

Details of the composition of the Committee are set out in the Corporate Governance Statement on page 42.

Responsibilities of the Committee

The Committee's responsibilities are set out in formal terms of reference which are available on the Company's website and are reviewed at least annually. The Committee's primary responsibilities are set as follows:

- to monitor the integrity of the financial statements of the Company, including its Annual and Half-Yearly reports and any other formal announcements of the Company relating to its financial performance, and to review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the Auditor;
- to review the Half-Yearly and Annual Reports;
- to review the Company's internal financial controls and the internal control and risk management systems of the Company and its third-party service providers;
- to make recommendations to the Board in relation to the appointment of the external auditor and their remuneration;
- to review the scope, results, cost effectiveness, independence and objectivity of the external auditor;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services and consider relevant guidance regarding the provision of non-audit services by the external audit firm; and
- to review circulars issued in respect of major non-routine and corporate transactions.

Activities in the Year

During the year, the Committee has:

- conducted a detailed review of the internal controls and risk management systems of the Company and its third-party service providers;
- reviewed the service levels provided by the Company's Custodian and Depositary;
- considered the emerging and principal risks facing the Company and the mitigating controls in place;
- carried out a detailed review of the external Auditor's performance during the 2021 audit;
- agreed the audit plan and fees with the Auditor in respect of the Annual Report for the year ended 31 December 2022, including the principal areas of focus;
- reviewed the Company's Half-Yearly Report and financial statements, discussed the appropriateness of the accounting policies adopted and recommended these to the Board for approval;
- assessed whether it was appropriate to prepare the Company's financial statements on a going concern basis and made recommendations to the Board. This review included challenging the assumptions on viability of the Company and reviewing stress tests focused on its ability to continue to meet its liabilities;
- considered the appropriate level of dividend to be paid by the Company for recommendation to the Board; and
- examined in detail the methodology and assumptions applied in valuing the assets of the Company.

Following the year end, the Committee has received and discussed with the Auditor their report on the results of the audit and reviewed this Annual Report and Financial Statements, discussed the appropriateness of the accounting policies adopted and recommended these to the Board for approval.

Significant Issues

The Committee considered the following key issues in relation to the Company's financial statements during the year. A more detailed explanation of the consideration of the issues set out below, and the steps taken to manage them, is set out in the principal risks and uncertainties on pages 35 and 36.

Valuation of Investments

The Committee considered the valuation of the investment portfolio. The Company's portfolio currently consists of quoted investments, which are valued by reference to their bid prices on the relevant exchange. Third-party fund valuations are received from the fund managers and reviewed by the Directors. Any future unquoted or illiquid investments will be valued by the Directors based on recommendations from the Investment Manager's pricing committee.

Maintaining Internal Controls

The Committee has considered carefully the internal control systems. As the Company relies heavily on third-party suppliers, the Committee monitors the services and control levels of all of its suppliers on an ongoing basis, as explained below.

Going Concern and Long-term Viability of the Company

The Committee considered the Company's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis. The Committee also considered the longer-term viability statement within the Annual Report for the year ended 31 December 2022, covering a five-year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 17.

Internal Controls

The Committee carefully considers the internal control systems by continually monitoring the services and controls of its third-party service providers.

The Committee reviewed the risk matrix at both of its meetings held during the year under review and where appropriate it was updated. The results of this ongoing process, as well as the principal risks identified, and controls put in place to manage or mitigate these risks are detailed on pages 35 and 36 of this Report. The Committee received a report on internal control and compliance from the Investment Manager and the Company's other service providers and no significant matters of concern were identified.

The Company does not have an internal audit function. During the year, the Committee reviewed whether an internal audit function would be of value and concluded that this would provide minimal additional comfort at considerable extra cost to the Company. While the Committee believes that the existing systems of monitoring and reporting by third parties remain appropriate and adequate, it will continue, on an annual basis, to actively consider possible areas within the Company's controls environment which may need to be reviewed in detail.

Governance / Report from the Audit Committee continued

External Auditor

BDO LLP has been the Auditor to the Company since launch in 2018. No tender for the audit of the Company has been undertaken. In accordance with the Competitions and Markets Authority Order, a competitive audit tender must be carried out at least every ten years. The Company is therefore required to carry out a tender no later than in respect of the financial year ending 31 December 2029. The Committee will review the continuing appointment of the Auditor on an annual basis and give regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

Audit fees and Non-audit Services provided by the Auditor

In accordance with the Company's non-audit services policy, the Audit Committee reviews the scope and nature of all proposed non-audit services before engagement, to ensure that auditor independence and objectivity are safeguarded. The policy includes a list of non-audit services which may be provided by the Auditor provided there is no apparent threat to independence, as well as a list of services which are prohibited. Non-audit services are capped at 70.0% of the average of the statutory audit fees for the preceding three years.

Information on the fees paid to the Auditor is set out in note 3 to the Financial Statements on page 62.

Effectiveness of the External Audit

The Audit Committee monitors and reviews the effectiveness of the external audit carried out by the Auditor, including a detailed review of the audit plan and the audit results report, and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor. This review takes into account the experience and tenure of the audit partner and team, the nature and level of services provided, and confirmation that the Auditor has complied with independence standards. During the year to 31 December 2022, the Committee carried out a detailed review of the quality and effectiveness of the 2021 audit. The review was based on feedback requested from the Investment Manager, the Administrator and the Company Secretary and discussions with the Auditor. No serious issues were identified with regards to the effectiveness of the external audit. Any concerns with effectiveness of the external audit process would be reported to the Board.

Independence and Objectivity of the Auditor

The Committee has considered the independence and objectivity of the Auditor. No non-audit fees were paid to BDO LLP during the year to 31 December 2022 (2021: £nil). The Committee is satisfied that the Auditor has fulfilled its obligations to the Company and its Shareholders and remains independent and objective.

Appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the year and a review of its independence and objectivity, the Committee has recommended to the Board the re-appointment of BDO LLP as Auditor to the Company.

Ekaterina Thomson
Chairperson of the Audit Committee
15 March 2023

Governance / Independent Auditor's Report
to the Members of AVI Japan Opportunities Trust plc

Opinion on the Financial Statements
In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AVI Japan Opportunity Trust plc (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence
Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 8 October 2018 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement, including retenders and reappointments, is four years, covering the years ended 31 December 2019 to 31 December 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions Relating to Going Concern
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing and assessing the cash flow forecasts used in Directors' going concern assessment and the stress testing performed by assessing them for reasonableness and performing our own more severe stress-testing;
- An assessment of the financing facilities available to the Company, including their nature and terms of repayment;
- Reviewing loan arrangements with the bank for covenants in place, recalculating the period end covenant compliance and assessing future covenant compliance and headroom under market downturn scenarios; and
- Assessing whether the Company has the ability to pay forecast expenditure, in both the base and stress tested scenarios, taking into account the liquidity of the Company's investment portfolio. We assessed the key assumptions being investment valuations and income and expenditure against existing levels.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2022	2021
Key audit matters	Valuation and ownership of investments	✓	✓
Materiality	£1.5m based on 1% of net assets (£1.6m based on 1% of net assets)		

An Overview of the Scope of our Audit
Our audit was scope by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Governance / Independent Auditor's Report continued

to the Members of AVI Japan Opportunities Trust plc

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation and ownership of investments (Notes 1,8 and 14 to the financial statements) The investment portfolio at the year-end comprised of listed equity investments. There is a risk that the prices used for the listed investments held by the Company are not reflective of fair value and the risk that errors made in the recording of investment holdings result in the incorrect reflection of investments owned by the Company. Therefore, we considered the valuation and ownership of investments to be the most significant audit area, as investments represent the most significant balance in the financial statements and underpin the principal activity of the Company. For these reasons and the materiality of the balance in relation to the financial statements as a whole, we considered this to be a key audit matter.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: • Compared the valuations used by management to independent third-party sources; • Obtained direct independent confirmation from the custodian regarding the investments held at year end; • Recalculating the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share; and • Assessed whether there were contra indicators, such as liquidity considerations to suggest that the bid price was not the most appropriate indication of fair value by considering the realisation period for individual holdings. **Key observations:** Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the listed equity investments was not appropriate.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	COMPANY FINANCIAL STATEMENTS	
	2022	2021
Materiality	£1,500,000	£1,600,000
Basis for determining materiality	1% of net assets	1% of net assets
Rationale for the benchmark applied	Our audit materiality was set at 1% of net assets as it is the most relevant metric for investors and a driver of shareholder value. In setting materiality, we have had regard to the nature and disposition of the investment portfolio.	
Performance materiality	£1,120,000	£1,200,000
Basis for determining performance materiality	75% of materiality The level of performance materiality applied was set after having considered a number of factors, including the expected total value of known and likely misstatements and the level of transactions in the year.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £30,000 (2021: £32,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 48; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 48.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 48; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 35 and 36; • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 43 and 44; and • The section describing the work of the Audit Committee set out on page 49 and 50.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Governance / Independent Auditor's Report continued
to the Members of AVI Japan Opportunities Trust plc

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FRC listing and DTR rules, the principles of the UK Corporate Governance Code and industry practice represented by the Statement of Recommended Practice (SORP). We also considered the Company's qualification as an investment company under UK tax legislation as any breach of this would lead to the Company being penalised.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. Our tests included:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance of any known, reported or indications of non-compliance with laws and regulations, including fraud occurring within the Company and its operations; and
- review of minutes of Board meetings throughout the period for any instances of non-compliance with laws and regulations.

We also addressed the risk of management override of internal controls, including testing a sample of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement.

We have communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of Our Report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

15 March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements / Statement of Comprehensive Income

For the year ended 31 December 2022

	Notes	For the year ended 31 December 2022 Revenue return £'000	Capital return £'000	Total £'000	For the year ended 31 December 2021 Revenue return £'000	Capital return £'000	Total £'000
Income							
Investment income	2	**3,667**	**–**	**3,667**	3,190	–	3,190
(Losses)/gains on investments held at fair value	8	**–**	**(7,657)**	**(7,657)**	–	15,646	15,646
Exchange gains/(losses) on currency balances		**–**	**950**	**950**	–	(612)	(612)
		3,667	**(6,707)**	**(3,040)**	3,190	15,034	18,224
Expenses							
Investment management fee	3	**(152)**	**(1,364)**	**(1,516)**	(145)	(1,302)	(1,447)
Other expenses	3	**(806)**	**–**	**(806)**	(668)	–	(668)
Profit/(loss) before finance costs and tax		**2,709**	**(8,071)**	**(5,362)**	2,377	13,732	16,109
Finance costs	4	**(21)**	**(187)**	**(208)**	(21)	(187)	(208)
Exchange (losses)/gains on revolving credit facility	4	**–**	**(1,044)**	**(1,044)**	–	1,956	1,956
Profit/(loss) before taxation		**2,688**	**(9,302)**	**(6,614)**	2,356	15,501	17,857
Taxation	5	**(377)**	**–**	**(377)**	(326)	–	(326)
Profit/(loss) for the year		**2,311**	**(9,302)**	**(6,991)**	2,030	15,501	17,531
Earnings per Ordinary Share	7	**1.69p**	**(6.79p)**	**(5.10p)**	1.55p	11.89p	13.44p

The total column of this statement is the Income Statement of the Company prepared in accordance with International Accounting Standards in conformity with the requirements of UK IFRS. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

There is no other comprehensive income, and therefore the loss for the year after tax is also the total comprehensive income.

The accompanying notes are an integral part of these financial statements.

Financial Statements / Statement of Changes in Equity

For the year ended 31 December 2022

	Ordinary Share capital £'000	Share premium £'000	Special reserve* £'000	Capital reserve* £'000	Revenue reserve** £'000	Total £'000
For the year ended 31 December 2022						
Balance as at 31 December 2021	**1,332**	**55,374**	**77,324**	**25,230**	**1,461**	**160,721**
Issue of Ordinary Shares	**43**	**4,849**	**–**	**–**	**–**	**4,892**
Expenses of share issues	**–**	**(93)**	**(6)**	**–**	**–**	**(99)**
Ordinary Shares issued from treasury	**–**	**25**	**270**	**–**	**–**	**295**
Ordinary Shares bought back and held in treasury	**–**	**–**	**(435)**	**–**	**–**	**(435)**
Total comprehensive income for the year	**–**	**–**	**–**	**(9,302)**	**2,311**	**(6,991)**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**(1,988)**	**(1,988)**
Balance as at 31 December 2022	**1,375**	**60,155**	**77,153**	**15,928**	**1,784**	**156,395**
For the year ended 31 December 2021						
Balance as at 31 December 2020	1,175	38,242	77,588	9,729	1,216	127,950
Issue of Ordinary Shares	157	17,818	–	–	–	17,975
Expenses of share issue	–	(686)	–	–	–	(686)
Ordinary Shares bought back and held in treasury	–	–	(264)	–	–	(264)
Total comprehensive income for the year	–	–	–	15,501	2,030	17,531
Ordinary dividends paid	–	–	–	–	(1,785)	(1,785)
Balance as at 31 December 2021	1,332	55,374	77,324	25,230	1,461	160,721

* Distributable reserves. Within the balance of the capital reserve, £12,705,000 (31 December 2021: £5,544,000) relates to realised gains which is distributable by way of dividend. The remaining £4,156,000 (31 December 2021: £21,074,000) relates to unrealised gains on investments and is non-distributable.

** Revenue reserve is fully distributable by way of dividend.

The accompanying notes are an integral part of these financial statements.

Financial Statements / Balance Sheet
As at 31 December 2022

	Notes	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	**164,323**	171,249
		164,323	171,249
Current assets			
Receivables	9	**196**	404
Cash and cash equivalents		**7,792**	8,165
		7,988	8,569
Total assets		**172,311**	179,818
Current liabilities			
Revolving credit facility	10	**–**	(18,787)
Other payables	10	**(384)**	(310)
		(384)	(19,097)
Total assets less current liabilities		**171,927**	160,721
Non-current liabilities			
Revolving credit facility	11	**(15,532)**	–
Net assets		**156,395**	160,721
Equity attributable to equity Shareholders			
Ordinary Share capital	12	**1,375**	1,332
Share premium		**60,155**	55,374
Special reserve		**77,153**	77,324
Capital reserve		**15,928**	25,230
Revenue reserve		**1,784**	1,461
Total equity		**156,395**	160,721
Net asset value per Ordinary Share – basic and diluted	13	**114.11p**	120.87p
Number of shares in issue excluding treasury	12	**137,061,702**	132,970,702

These financial statements were approved and authorised for issue by the Board of AVI Japan Opportunity Trust plc on 15 March 2023 and were signed on its behalf by:

Norman Crighton

The accompanying notes are an integral part of these financial statements.

Registered in England & Wales No. 11487703

Financial Statements / Statement of Cash Flows

For the year ended 31 December 2022

	31 December 2022 £'000	31 December 2021 £'000
Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities		
(Loss)/profit before taxation	**(6,614)**	17,857
Losses/(gains) on investments held at fair value through profit or loss	**7,657**	(15,646)
Decrease in other receivables	**71**	316
Exchange losses/(gains) on revolving credit facility	**1,044**	(1,956)
Exchange (gains)/losses on currency balances	**(737)**	694
Interest paid	**190**	187
Increase in other payables	**74**	7
Taxation paid	**(377)**	(326)
Net cash inflow from operating activities	**1,308**	1,133
Investing activities		
Purchases of investments	**(55,223)**	(62,903)
Sales of investments	**54,628**	44,036
Net cash outflow from investing activities	**(595)**	(18,867)
Financing activities		
Dividends paid	**(1,988)**	(1,785)
Issue of shares	**4,923**	17,975
Issue of Ordinary Shares from treasury	**264**	–
Cost of share issues	**(99)**	(686)
Payments for Ordinary Shares bought back and held in treasury	**(435)**	(264)
Repayment of revolving credit facility	**(9,013)**	–
Drawdown of revolving credit facility	**5,999**	5,512
Interest paid	**(190)**	(187)
Cash (outflow)/inflow from financing activities	**(539)**	20,565
Increase in cash and cash equivalents	**174**	2,831
Reconciliation of net cash flow movement		
Cash and cash equivalents at beginning of year	**8,165**	6,028
Exchange losses on currency balances	**(547)**	(694)
Increase in cash and cash equivalents	**174**	2,831
Cash and cash equivalents at end of year	**7,792**	8,165

The accompanying notes are an integral part of these financial statements.

Financial Statements / Notes to the Financial Statements

For the year ended 31 December 2022

1 General Information and Accounting Policies

AVI Japan Opportunity Trust plc is a public limited company incorporated on 27 July 2018 and registered in England and Wales. The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010 and its investment approach is detailed in the Strategic Report.

The Company commenced trading and was listed on the London Stock Exchange on 23 October 2018.

The financial statements of the Company have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of UK IFRS. The financial statements have also been prepared in accordance with the AIC SORP for the financial statements of investment trust companies and venture capital trusts.

Basis of Preparation

The financial statements of the Company have been prepared for the year ended 31 December 2022.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by The AIC, supplementary information which analyses the Statement of Comprehensive Income between items of revenue and a capital nature has been prepared alongside the Statement of Comprehensive Income.

The Company invests in Japan with subsequent cash flows (dividend receipts and interest payments) being received in Japanese Yen, however the Directors consider the Company's functional currency to be Pounds Sterling as the Shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom, principally having its Shareholder base in the United Kingdom, and pays dividend and expenses in Pounds Sterling. The Directors have chosen to present the financial statements in Pounds Sterling rounded to the nearest thousand, except where otherwise indicated.

Going Concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met. The Directors have made an assessment of the Company's ability to continue as a going concern based on detailed profit & loss and cash flow forecasts, covering the period up to and including 31 December 2024. These forecasts have been 'stressed' for inflation, as well as a severe but plausible and sudden downturn in market conditions under which it is assumed that the investment portfolio will lose 45% of its value. Even under this extreme 'stress' scenario, the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved. The Directors also regularly assess the resilience of key third-party service providers, most notably the Investment Manager and Fund Administrator. The Directors do not have any concerns about the financial viability of the Company's third-party service providers. In making their assessment, the Directors have considered the likely impacts of international and economic uncertainties on the Company, operations and the investment portfolio. These include, but are not limited to, another global event similar to the COVID–19 pandemic, the war in Ukraine, political and economic instability in the UK, supply shortages and inflationary pressures. The Directors noted that the Company, with the current cash balance and holding a portfolio of liquid listed investments, is able to meet the obligations of the Company as they fall due.

The Investment Manager assesses the exposure to risk when making each investment decision, monitors cash flows and the performance of the portfolio on a daily basis.

The current cash balance plus available additional borrowing, through the revolving credit facility (extended for two years to February 2024 during February 2022), enables the Company to meet any funding requirements and finance future additional investments. The Company is a closed–ended fund, where assets are not required to be liquidated to meet day–to–day redemptions.

The Company's IPO Prospectus stated Directors may, at their discretion, deliver a full or a partial exit opportunity to Shareholders during October 2022 and every two years thereafter. Through consultation with Shareholders representing a significant majority of the shares in issue, during the summer of 2022, the Company established that Shareholders who expressed an opinion were supportive of the Company forgoing the administrative burden and expense of an exit opportunity in October 2022. The mechanism for any future exit opportunity would be dependent on various factors, including the number of Shareholders seeking to participate in the exit opportunity, the liquidity of the underlying market and/or the demand for Shares from other investors. The Directors have reviewed the Shareholders of the Company, Shareholder feedback received during the consultation in relation to the first potential exit opportunity during the year under review, the current market position and performance. It is anticipated no significant uptake by Shareholders of any potential realisation opportunity in 2024 is expected and the Company will continue as a going concern.

Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

The Company invests in companies listed in Japan on recognised exchanges.

Financial Statements / Notes to the Financial Statements continued
For the year ended 31 December 2022

1 General Information and Accounting Policies continued

Accounting Developments
In the year under review, the Company has applied amendments to IFRS issued by the IASB adopted in conformity with UK IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. This incorporated:

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37); and
- Annual improvements to IFRS Standards.

The adoption of the changes to accounting standards has had no material impact on these or prior years' financial statements.

There are amendments to IAS/IFRS that will apply from 1 January 2023 as follows:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.

Amendments to IAS/IFRS applicable from 1 January 2024 are:

- Classification of liabilities as current or non–current (Amendments to IAS 1); and
- Non–current liabilities with Covenants (Amendments to IAS 1).

The Directors do not anticipate the adoption of these will have a material impact on the financial statements.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Statement of Comprehensive Income and the disclosure of contingent assets at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The areas requiring judgement and estimation in the preparation of the financial statements are: recognising and classifying unusual or special dividends received as either revenue or capital in nature; allocation of expenses between capital and income, and setting of the level of dividends paid and proposed.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. There are no further significant judgements or estimates in these financial statements.

Investments
The investment objective of the Company is to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index in GBP, through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by the Investment Manager as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets.

The investments held by the Company are measured 'at fair value through profit or loss'. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as 'Gains or losses on investments held through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments. When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is the bid price. The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable, and the cumulative gain or loss that had been accumulated is recognised in profit or loss.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 14.

Foreign currency
Transactions denominated in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing on the date of transaction. Items which are denominated in foreign currencies are translated at the rates prevailing on the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as exchange gain or loss in the capital reserve or revenue, reserve depending on whether the gain or loss is capital or revenue in nature.

Cash and Cash Equivalents
Cash comprises cash in hand and demand deposits. Cash equivalents are short–term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents.

1 General Information and Accounting Policies continued

Receivables and payables

Receivables and payables are short term in nature, do not carry any interest, effective interest is not applied and are measured where applicable at amortised cost revalued for exchange rate movements.

Revolving Credit Facility

The revolving credit facility is shown at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserve and shown in the capital column of the Statement of Comprehensive Income.

Income

Dividends receivable on quoted equity shares are taken to revenue on an ex–dividend basis. Dividends receivable on equity shares where no ex–dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non–equity shares are recognised on a time–apportioned basis. Dividends from overseas companies are shown gross of any withholding taxes. Irrecoverable withholding taxes are disclosed within taxation in the Statement of Comprehensive Income.

Special dividends are taken to the revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case–by–case basis.

When the Company has elected to receive scrip dividends in the form of additional shares, rather than cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

All other income is accounted for on a time–apportioned accruals basis and is recognised in the Statement of Comprehensive Income.

Expenses and Finance Costs

All expenses and finance costs are accounted for on an accruals basis. On the basis of the Board's expected long–term split of total returns the Company charges 90% of its management fee and finance costs to capital.

Taxation

The charge for taxation is based on the net revenue for the year and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes.

The tax charge consists of overseas tax not recoverable.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the 'marginal' basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

Dividends Payable to Shareholders

Dividends to Shareholders are recognised as a liability when approved in a general meeting and the liability derecognised when paid.

Share Premium

The share premium account represents the accumulated premium paid for shares issued above their nominal value less issue expenses. This is a reserve forming part of the non–distributable reserves. The following items are taken to this reserve:

- costs associated with the issue of equity; and
- premium on the issue of shares.

Special Reserve

The special reserve was created by the cancellation of the share premium account by order of the court and forms part of the distributable reserves. The following items are taken to this reserve:

- costs of share buybacks.

Capital Reserve

The following are taken to the capital reserve through the capital column in the Statement of Comprehensive Income:

Capital reserve – other, forming part of the distributable reserves:

- gains and losses on the disposal of investments;
- issue expenses on revolving credit facility;
- exchange differences of a capital nature; and
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Capital reserve – investment holding gains, not distributable:

- increase and decrease in the valuation of investments held at the year end.

Revenue Reserve

The revenue reserve represents the surplus of accumulated profits and is distributable by way of dividends.

Financial Statements / Notes to the Financial Statements continued

For the year ended 31 December 2022

2 Income

	31 December 2022 £'000	31 December 2021 £'000
Income from investments		
Overseas dividends	**3,772**	3,265
Bank and deposit interest	**(24)**	(30)
Exchange losses on receipt of income*	**(81)**	(45)
Total income	**3,667**	3,190

* Exchange movements arise from ex–dividend date to payment date.

3 Investment Management Fee and Other Expenses

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Management fee	**152**	**1,364**	**1,516**	145	1,302	1,447
Other expenses:						
Directors' emoluments – fees	**138**	**–**	**138**	130	–	130
Directors' insurances & other expenses	**12**	**–**	**12**	11	–	11
Directors' National Insurance Contributions	**15**	**–**	**15**	13	–	13
Auditor's remuneration – audit services	**47**	**–**	**47**	41	–	41
Marketing	**212**	**–**	**212**	102	–	102
Printing and postage costs	**27**	**–**	**27**	26	–	26
Registrar fees	**18**	**–**	**18**	18	–	18
Custodian fees	**28**	**–**	**28**	33	–	33
Depositary fees	**32**	**–**	**32**	33	–	33
Advisory and professional fees	**240**	**–**	**240**	237	–	237
Regulatory fees	**29**	**–**	**29**	24	–	24
Irrecoverable VAT	**8**		**8**	–	–	–
Total other expenses	**806**	**–**	**806**	668	–	668

The management fee of 1% per annum is calculated on the lesser of the Company's NAV or Market Capitalisation at each quarter end. The Investment Manager will invest 25% of the management fee it receives in shares of the Company (through open market purchases) and will hold these for a minimum of two years.

4 Finance Costs

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
JPY revolving credit facility	**(21)**	**(187)**	**(208)**	(21)	(187)	(208)
Exchange (loss)/gain on JPY revolving credit facility*	**–**	**(1,044)**	**(1,044)**	–	1,956	1,956

* Revaluation of revolving credit facility.

Details of the revolving credit facility are set out in notes 10 and 11.

5 Taxation

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Analysis of charge for the year						
Overseas tax not recoverable*	**377**	**–**	**377**	284	–	284
Tax charge for the year	**377**	**–**	**377**	284	–	284

* Tax deducted on payment of overseas dividends by local tax authorities.

The tax assessed for the year is the standard rate of corporation tax in the United Kingdom of 19%. The differences are explained below:

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Return on ordinary activities after interest payable but before appropriations	**2,688**	**(9,302)**	**(6,614)**	2,356	15,501	17,857
Theoretical tax at UK corporation tax rate of 19% (2021: 19%)	**511**	**(1,767)**	**(1,256)**	448	2,945	3,393
Effects of:						
– Tax – exempt overseas investment income	**(717)**	**–**	**(717)**	(612)	–	(612)
– Foreign exchange (gains)/losses not taxable	**15**	**18**	**33**	–	–	–
– (Losses)/gains on investments and exchange losses on capital items	**–**	**1,455**	**1,455**	–	(2,856)	(2,856)
– Excess management expenses carried forward	**182**	**259**	**441**	164	(89)	75
– Movement in non-trading loan relationship deficit not utilised	**9**	**35**	**44**	–	–	–
– Overseas tax not recoverable	**377**	**–**	**377**	326	–	326
Tax charge for the year	**377**	**–**	**377**	326	–	326

At 31 December 2022, the Company had unrelieved tax losses of £8,758,000 (31 December 2021: £4,458,000) that are available to offset future taxable revenue. A deferred tax asset of £2,189,000 (31 December 2021: £1,114,000), which has been calculated using a corporation tax rate of 25% (2021: 25%), has not been recognised because the Company is not expected to generate sufficient taxable income in future periods to utilise these tax losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company.

6 Dividends

	31 December 2022 £'000	31 December 2021 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2021 of 0.70p (2020: 0.65p) per Ordinary Share	**960**	860
Interim dividend for the year ended 31 December 2022 of 0.75p (2021: 0.70p) per Ordinary Share	**1,028**	925
	1,988	1,785

Set out below are the interim and final dividends paid or proposed on Ordinary Shares in respect of the financial year, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered:

	31 December 2022 £'000	31 December 2021 £'000
Interim dividend for the year ended 31 December 2022: 0.75p (2021: 0.70p) per Ordinary Share	**1,028**	925
Proposed final dividend for the year ended 31 December 2022 of 0.80p (2021: 0.70p) per Ordinary Share	**1,123***	960
	2,151	1,885

* Based on shares in circulation on 9 March 2023.

Financial Statements / Notes to the Financial Statements continued

For the year ended 31 December 2022

7 Earnings per Ordinary Share

The earnings per Ordinary Share is based on the Company's net loss after tax of £6,991,000 (year ended 31 December 2021: profit of £17,531,000) and on 136,908,472 (year ended 31 December 2021: 130,418,782) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The earnings per Ordinary Share detailed above can be further analysed between revenue and capital as follows:

	Year ended 31 December 2022			Year ended 31 December 2021		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Net profit/(loss) (£'000)	**2,311**	**(9,302)**	**(6,991)**	2,030	15,501	17,531
Weighted average number of Ordinary Shares			**136,908,472**			130,418,782
Earnings per Ordinary Share	**1.69p**	**(6.79p)**	**(5.10p)**	1.55p	11.89p	13.44p

There are no dilutive instruments issued by the Company.

8 Investments Held at Fair Value Through Profit or Loss

	31 December 2022 £'000	31 December 2021 £'000
Financial assets held at fair value		
Opening book cost	**152,677**	127,909
Opening investment holding gains	**18,572**	8,707
Opening fair value	**171,249**	136,616
Movement in the year:		
Purchases at cost: Equities	**55,224**	62,834
Sales proceeds: Equities	**(54,493)**	(43,847)
– realised gains on equity sales	**7,215**	5,780
(Decrease)/increase in investment holding gains	**(14,872)**	9,866
Closing fair value	**164,323**	171,249
Closing book cost	**160,623**	152,677
Closing investment holding gains	**3,700**	18,572
Closing fair value	**164,323**	171,249

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Transaction costs		
Cost on acquisition	**32**	35
Cost on disposals	**30**	26
	62	61
Analysis of capital gains		
Gains on sales of financial assets based on historical cost	**7,215**	5,780
Movement in investment holding gains for the year	**(14,872)**	9,866
Net (losses)/gains on investments held at fair value	**(7,657)**	15,646

The Company received £54,493,000 (year ended 31 December 2021: £43,847,000) from investments sold in the year. The book cost of these investments when they were purchased was £47,278,000 (year ended 31 December 2021: £38,067,000). These investments have been revalued over time and until they were sold any unrealised gains or losses were included in the fair value of the investments.

The Company has five interests amounting to an investment of 3% or more of the equity capital which are set out in the Investment Portfolio on page 34.

9 Receivables

	2022 £'000	2021 £'000
Due from brokers	**–**	136
Dividends receivables	**159**	215
VAT recoverable	**10**	18
Prepayments	**27**	35
	196	404

No receivables are past due or impaired.

10 Current Liabilities

	2022 £'000	2021 £'000
Revolving credit facility	**–**	18,787*
Payables:		
Management fees	**124**	133
Interest payable	**51**	66
Purchases for future settlement	**1**	–
Accrued expenses	**208**	111
	384	310
Total current liabilities	**384**	19,097

11 Non-Current Liabilities

	2022 £'000	2021 £'000
Revolving credit facility	**15,532***	–
Total	**15,532**	–

* The facility was extended to February 2024 being greater than 12 months (2021: less than 12 months) from the Balance Sheet date and is considered a Non-current liability. The facility may be repaid at the discretion of the Company at any point in time.

Revolving Credit Facility

Effective 2 February 2022, the Company extended the revolving credit facility ("the facility") for a further two years to 2 February 2024, with the ¥1.4 billion option removed to leave a facility size of ¥2.93 billion. Interest is charged at the Tokyo Overnight Average Rate ("TONAR") (if TONAR – the reference rate is less than zero this shall be deemed to be zero). The interest is payable bi-annually, and the current interest rate (and also the effective rate) is 1.15%. Prior to 2 February 2022, interest was charged at LIBOR plus 0.95% and the other terms set out below remain unchanged.

When less than 50% of the facility is utilised, commitment fees of 0.375% are charged on undrawn balances. If over 50% is drawn down, 0.325% is payable on the undrawn amount. As at the date of this report, the Company has drawn down ¥2.465 billion of the facility and the commitment fee is payable. The commitment fees are payable quarterly.

Under the terms of the facility, the net assets shall not be less than £75 million and the adjusted total net assets to borrowing ratio shall not be less than 4.5:1.

The facility is shown at amortised cost and revalued for exchange rate movements. Costs of £20,000 were incurred in relation to the extension of the facility. Any gain or loss arising from changes in exchange rates are included in the capital reserves and shown in the capital column of the Statement of Comprehensive Income. Interest costs are charged to capital and revenue in accordance with the Company's accounting policies.

Financial Statements / Notes to the Financial Statements continued

For the year ended 31 December 2022

12 Share Capital

	As at 31 December 2022 Ordinary Shares of 1p each	
Alloted, called up and fully paid	**Number of shares**	Nominal value £'000
Balance at beginning of year	**133,220,702**	1,332
Issue of Ordinary Shares	**4,241,000**	43
	137,461,702	1,375
Treasury shares:		
Balance at beginning of year	**250,000**	
Issue of Ordinary Shares from treasury	**(250,000)**	
Buyback of Ordinary Shares into treasury	**400,000**	
Balance at end of year	**400,000**	
Total Ordinary Share capital excluding treasury shares	**137,061,702**	

During the year ended 31 December 2022, 4,491,000 (31 December 2021: 15,730,960) Ordinary Shares were issued for a net consideration of £4,824,000 (31 December 2021: £17,289,000), including 250,000 Ordinary Shares issued from treasury (31 December 2021: Nil).

During the year, 400,000 Ordinary Shares (31 December 2021: 250,000) were bought back and placed in treasury for an aggregate consideration of £171,000 (31 December 2021: £264,000).

13 NAV per Ordinary Share

The NAV per Ordinary Share is based on net assets of £156,395,000 (31 December 2021: £160,721,000) and on 137,061,702 (31 December 2021: 132,970,702) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

14 Financial Instruments and Capital Disclosures

Investment Objective and Policy

The investment objective of the Company is to achieve a total return through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying NAV.

The Company's investment objective and policy are detailed on page 10.

The Company's financial instruments comprise equity investments, cash balances, receivables, payables and borrowings. The Company makes use of borrowings to achieve improved performance in rising markets.

Risks

The risks identified arising from the financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk and credit and counterparty risk. The Company may also enter into derivative transactions to manage risk.

The Board and Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed below.

Market Risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss which the Company might suffer through holding market positions by way of price movements, interest rate movements, exchange rate movements and systematic risk (risk inherent to the market, reflecting economic and geopolitical factors). The Investment Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

Market Price Risk

Market price risk (i.e. changes in market prices other than those arising from currency risk or interest rate risk) may affect the value of investments.

Adherence to investment policies mitigates the risk of excessive exposure to any particular type of security or issuer. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with the objective of maximising overall returns to shareholders. The assessment of market risk is based on the Company's portfolio as held at the year end. The Company has experienced volatility in the fair value of investments during recent years due to COVID-19, the Russian invasion of Ukraine, UK political and economic instability, and inflation. The Company has used 10% to demonstrate the impact of a reduction/increase in the fair value of the investments and the impact upon the Company that might arise from future events.

The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with the objective of maximising overall returns to Shareholders. If the fair value of the Company's investments at the year end increased or decreased by 10%, then it would have had an impact on the Company's capital return through (losses)/gains on investments held at fair value, impacting profit/(loss) and the NAV, by £16,432,000 (31 December 2021: £17,125,000).

14 Financial Instruments and Capital Disclosures continued

Foreign Currency

The value of the Company's assets and the total return earned by the Company's Shareholders can be significantly affected by foreign exchange rate movements as most of the Company's assets are denominated in currencies other than Pounds Sterling, the currency in which the Company's financial statements are prepared. Income denominated in foreign currencies is converted to Pounds Sterling upon receipt. The JPY exchange rate at 31 December 2022 was ¥158.705:£1 (31 December 2021: ¥155.96:£1).

Currency Risk

	GBP £'000	**JPY £'000**	**Total £'000**
At 31 December 2022			
Receivables	**37**	**159**	**196**
Cash and cash equivalents	**1,066**	**6,726**	**7,792**
JPY revolving credit facility	**–**	**(15,532)**	**(15,532)**
Payables	**(332)**	**(52)**	**(384)**
Currency exposure on net monetary items	**771**	**(8,699)**	**(7,928)**
Investments held at fair value through profit or loss	**–**	**164,323**	**164,323**
Total net currency exposure	**771**	**155,624**	**156,395**

	GBP £'000	JPY £'000	Total £'000
At 31 December 2021			
Receivables	53	351	404
Cash and cash equivalents	1,363	6,802	8,165
JPY revolving credit facility	–	(18,787)	(18,787)
Payables	(244)	(66)	(310)
Currency exposure on net monetary items	1,172	(11,700)	(10,528)
Investment held at fair value through profit or loss	–	171,249	171,249
Total net currency exposure	1,172	159,549	160,721

A 5% decline in Sterling against foreign currency denominated (i.e. non Pounds Sterling) assets and liabilities held at the year end would have increased the net assets and exchange gains and losses, impacting profit/(loss), by £7,781,000 (31 December 2021: £7,977,000). A 5% rise in Sterling against foreign currency denominated assets and liabilities held at the year end would have decreased the net assets and exchange gains and losses, impacting profit/(loss) by £7,781,000 (31 December 2021: £7,977,000).

Interest Rate Risk

Interest rate movements may affect:

- the level of income receivable on cash deposits; and
- the interest payable on variable rate borrowings.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The exposure at 31 December of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	31 December 2022 £'000	31 December 2021 £'000
Exposure to floating interest rates		
Cash and cash equivalents	**7,792**	8,165
JPY revolving credit facility	**(15,532)**	(18,787)

If the above level of cash was maintained for a year, a 1% increase in interest rates would decrease the revenue return and net assets by £77,000 (31 December 2021: £106,000). Management proactively manages cash balances. If there was a fall of 1% in interest rates, it would potentially impact the Company by turning positive interest to negative interest. The total effect would be a change in profit/(loss) and the NAV, through a cost increase/revenue reduction, of £77,000 (31 December 2021: £106,000).

The current interest rate chargeable on the revolving credit facility (the "facility") is 1.15% and the effective interest rate 1.15%. The effective rate chargeable for a year on the current drawn down balance of ¥2,465,000,000 is £179,000.

Financial Statements / Notes to the Financial Statements continued

For the year ended 31 December 2022

14 Financial Instruments and Capital Disclosures continued

Liquidity Risk

Liquidity risk is mitigated by the fact that the Company has £7,792,000 (2021: £8,165,000) cash at bank, the assets are readily realisable, which can be easily sold to meet funding commitments and further short-term flexibility is available through the use of bank borrowings. The current revolving credit facility is repayable on 6 February 2024, or prior to that date. Repayment may be completed through cash repayments, further borrowings and/or disposal of investments. Unlisted investments, if any, in the portfolio are subject to liquidity risk which is taken into account by the Directors when arriving at their valuation.

The Company is a closed-ended fund, assets do not need to be liquidated to meet redemptions, and sufficient liquidity is maintained to meet obligations as they fall due.

The remaining contractual payments on the Company's financial liabilities at 31 December 2022, based on the earliest date on which payment can be required and current exchange rates at the Balance Sheet date undiscounted amounts, were as follows:

	In one year or less £'000	In more than 1 year but not more than 2 years £'000	Total £'000
At 31 December 2022			
JPY revolving credit facility	**(173)**	**(15,617)**	**(15,790)**
Payables	**(384)**	**–**	**(384)**
	(557)	**(15,617)**	**(16,174)**

	Due in 1 year or less £'000
At 31 December 2021	
JPY revolving credit facility	(18,787)
Payables	(310)
	(19,097)

Credit Risk

Credit risk is mitigated by diversifying the counterparties through which the Investment Manager conducts investment transactions. The credit standing of all counterparties is reviewed periodically, with limits set on amounts due from any one counterparty. As at 31 December 2022, cash was held with J.P. Morgan Chase Bank (A2* Moody's credit rating).

The total credit exposure represents the carrying value of cash and receivable balances and totals £7,988,000 (31 December 2021: £8,569,000).

Fair Values of Financial Assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value is the amount at which the asset could be sold or the liability transferred in an orderly transaction between market participants, at the measurement date, other than a forced or liquidation sale.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The table below sets out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

14 Financial Instruments and Capital Disclosures continued

Fair values of Financial Assets continued

Financial assets at fair value through profit or loss at 31 December 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	**164,323**	**–**	**–**	**164,323**
	164,323	**–**	**–**	**164,323**

Financial assets at fair value through profit or loss at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	171,249	–	–	171,249
	171,249	–	–	171,249

There have been no transfers during the year between Levels 1, 2 and 3.

Capital Management Policies and Procedures

The structure of the Company's capital is described on page 04 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 56.

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying NAV, through an appropriate balance of equity capital and debt; and
- to maximise the return to Shareholders while maintaining a capital base to allow the Company to operate effectively and meet obligations as they fall due.

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Company's capital on an ongoing basis. These reviews include:

- the level of gearing, which takes account of the Company's position and the Investment Manager's views on the market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are set out in the Strategic Report. The Company is subject to externally imposed capital requirements:

- as a public company, the Company is required to have a minimum share capital of £50,000; and
- in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006, the Company, as an investment company:
  - is only able to make a dividend distribution to the extent that the assets of the Company are equal to at least one and a half times its liabilities after the dividend payment has been made; and
  - is required to make a dividend distribution each year such that it does not retain more than 15% of the income that it derives from shares and securities.

These requirements are unchanged since last year and the Company has complied with these requirements at all times since commencing trading on 23 October 2018.

15 Related Party Disclosures and Investment Management Fees

Fees paid to the Company's Directors are disclosed in the Directors' Remuneration Report on page 46 and in note 3 on page 62.

The Company paid management fees to AVI during the year amounting to £1,525,000 (2021: £1,420,000). As at the year end, £124,000 remained outstanding in respect of management fees (2021: £133,000). At 31 December 2022, AVI held 1,275,000 Ordinary Shares (2021: 975,000 Ordinary Shares) of the Company.

Finda Oy and City of London Investment Management Company Limited ("City of London"), significant Shareholders of the Company, are deemed to be related parties of the Company for the purposes of the Listing Rules by virtue of their holding in the Company's issued share capital. During the year under review, no material transactions took place between the Company and Finda Oy or City of London. As at 31 December 2022, the Company had not been notified of any change to Finda Oy's holding, apart from a small reduction in the percentage held by Finda Oy due to an increase in the issued share capital during the year. At the date of the latest notification, on 9 February 2022, Finda Oy's holding represented 21.8% of the voting rights. No notifications were received from City of London during the year under review, but since the year end City of London informed the Company on 23 February 2023 that its holding had reduced to 15.89% of the voting rights. As at 10 March 2023, no further notifications have been received from either of the significant Shareholders.

16 Post Balance Sheet Events

Since 31 December 2022 the Company has issued 3,300,000 Ordinary Shares, of which 400,000 Ordinary Shares were issued from treasury, at an average price of 122p as detailed on page 38.

Shareholder Information / AIFMD Disclosures

The Company's AIFM is Asset Value Investors Limited.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Those disclosures that are required to be made pre-investment are included within an AIFMD Investor Disclosure Document. This, together with other necessary disclosures required under AIFMD, can be found on the Company's website www.ajot.co.uk. All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The AIFM's remuneration disclosures can be found on the Company's website www.ajot.co.uk.

Alternative Performance Measure ("APM")
An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

The definitions below are utilised for the measures of the Company, the investment portfolio and underlying individual investments held by the Company. Certain of the metrics are to look through to the investments held, excluding certain non-core activities, so the performance of the actual core of the investment may be evaluated. Where a company in the investment portfolio holds a number of listed investments these are excluded in order to determine the actual core value metrics.

Comparator Benchmark
The Company's Comparator Benchmark is the MSCI Japan Small Cap Index, expressed in Sterling terms. The benchmark is an index which measures the performance of the Japan Small Cap equity market. The weighting of index constituents is based on their market capitalisation. Dividends paid by index constituents are assumed to be reinvested in the relevant securities at the prevailing market price. The Investment Manager's investment decisions are not influenced by whether a particular company's shares are, or are not, included in the benchmark. The benchmark is used only as a yard stick to compare investment performance.

Cost
The book cost of each investment is the total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.

Discount/Premium
If the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

The discount and performance are calculated in accordance with guidelines issued by The AIC. The discount is calculated using the net asset values per share inclusive of accrued income with debt at market value.

Earnings Before Interest and Taxes ("EBIT")
EBIT is equivalent to profit before finance costs and tax set out in the statement of comprehensive income.

Enterprise Value ("EV")
Enterprise Value reflects the economic value of the business by taking the market capitalisation less cash, investment securities and the value of treasury shares plus debt and net pension liabilities.

Enterprise Value ("EV")/Earnings Before Interest and Taxes ("EBIT")
A multiple based valuation metric that takes account of the excess capital on a company's balance sheet. For example, if a company held 80% of its market capitalisation in NFV (defined under Net Financial Value/Market Capitalisation), and had a market capitalisation of 100 and EBIT of 10, the EV/EBIT would be 2x, (100-80)/10.

Enterprise Value ("EV") Free Cash Flow Yield ("EV FCF Yield")
A similar calculation to free cash flow yield, except the free cash flow excludes interest and dividend income and is divided by enterprise value. This gives a representation for how overcapitalised and undervalued a company is. If a company were to pay out of all of its NFV (defined under Net Financial Value/Market Capitalisation) and the share price remained the same, the EV FCF Yield would become the FCF yield. For example, take a company with a market capitalisation of 100 that had NFV of 80 and FCF of 8. The FCF yield would be 8%, 8/100, but if the company paid out all of its NFV the FCF yield would become 40%, 8/(100-80). This gives an indication of how cheaply the market values the underlying business once excess capital is stripped out.

Free Cash Flow ("FCF") Yield
Free cash flow is the amount of cash profits that a business generates, adjusted for the minimum level of capital expenditure required to maintain the company in a steady state. It measures how much a business could pay out to equity investors without impairing the core business. When free cash flow is divided by the market value, we obtain the free cash flow yield.

Gearing
Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the Shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

The gearing of 9.9% (31 December 2021: 11.7%) represents borrowings of £15,532,000 (31 December 2021: £18,787,000) expressed as a percentage of Shareholders' funds of £156,395,000 (31 December 2021: £160,721,000). The gearing of –5.1% (31 December 2021: -6.6%) represents borrowings net of cash of (£7,928,000) (31 December 2021: (£10,528,000) expressed as a percentage of Shareholders' funds of £156,395,000 (31 December 2021: £160,721,000).

Net Asset Value ("NAV")
The NAV is Shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The total NAV per share is calculated by dividing the NAV by the number of Ordinary Shares in issue.

Net Cash/Market Capitalisation
Net cash consists of cash and the value of treasury shares less debt and net pension liabilities. It is a measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a net cash/market capitalisation of 100% is zero.

Net Financial Value ("NFV")/Market Capitalisation
Net Financial Value consists of cash, investment securities (less capital gains tax) and the value of treasury shares less debt and net pension liabilities. A measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a NFV/market capitalisation of 100% is zero.

Shareholder Information / Glossary continued

Ongoing Charges Ratio
The Company's Expense Ratio is its annualised expenses (excluding finance costs and certain non-recurring items) of £2,322,000 (2021: £2,115,000) (being investment management fees of £1,516,000 (2021: £1,447,000) and other expenses of £806,000 (2021: £668,000) less non-recurring expenses of £nil (2021: £nil) expressed as a percentage of the average monthly net assets of £154,813,000 (2021: £146,056,000) of the Company during the year.

Portfolio Discount
A proprietary estimate of how far below fair value a given company is trading. For example, if a company with a market capitalisation of 100 had 80 NFV and a calculated fair value of the operating business of 90, we would attribute it a discount of -41%, 100/(90+80) -1. This indicates the amount of potential upside. The company trading on a -41% discount has a potential upside of +69%, 1/(1-0.41).

Portfolio Yield
The weighted-average dividend yield of each underlying company in AJOT's portfolio.

Return on Equity ("ROE")
A measure of performance calculated by dividing net income by Shareholder equity.

ROE ex Non-Core Financial Assets
Non-core financial assets consists of cash and investment securities (less capital gains tax) less debt and net pension liabilities. The ROE is calculated as if non-core financial assets were paid out to Shareholders. Companies with high balance sheet allocations to non-core, low yielding financial assets have depressed ROEs. The exclusion of non-core financial assets gives a fairer representation of the true ROE of the underlying business.

Total Return – NAV and Share Price Returns
The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. Any dividends received by a Shareholder are assumed to have been reinvested in either additional shares in the Company or in the assets of the Company at the prevailing NAV, in either case at the time that the shares begin to trade ex-dividend.

Shareholder Information / Investing in the Company

The Company's Ordinary Shares are listed on the London Stock Exchange and can be bought directly on the London Stock Exchange or through the platforms listed on www.ajot.co.uk/how-to-invest/platforms/.

Share Prices

The share price is published daily in The Financial Times, as well as on the Company's website: www.ajot.co.uk

Dividends

Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, can complete a mandate form for the purpose. Mandate forms may be obtained from Link Group, using the contact details given below or via www.signalshares.com (by clicking on 'your dividend options' and following the on screen instructions). The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into Shareholders' bank accounts, dividend tax vouchers are sent to Shareholders' registered addresses.

Registrar Customer Support Centre

Link Group Customer Support Centre is available to answer any queries you have in relation to your shareholding:

– By phone: from the UK, call 0371 664 0300, from overseas call +44 (0) 371 664 0300 calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday, excluding public holidays in England and Wales);
– By email: enquiries@linkgroup.co.uk; and
– By post: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Change of Address

Communications with Shareholders are mailed to the last address held on the share register. Any change or amendment should be notified to Link Group using the contact details given above, under the signature of the registered holder.

Daily NAV

The daily NAV of the Company's shares can be obtained from the London Stock Exchange or via the website: www.ajot.co.uk

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Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday, excluding public holidays in England and Wales.

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AJOT

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