AVI Japan Opport.Tst - AJOT Annual Financial Report
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AVI JAPAN OPPORTUNITY TRUST
ANNUAL REPORT 2019

The Directors present the audited Annual Report for the period ended 31 December 2019.

Copies of the Annual Report can be obtained from the Company's website ("AJOT" or the "Company") www.ajot.co.uk or by contacting the Company Secretary by telephone on 01392 477500.

AVI Japan Opportunity Trust plc ("AJOT" or "the Company") invests in a focussed 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.

Portfolio Statistics as at 31 December 2019*	
Net cash/Market Cap	45.1%
Net financial value/Market Cap	81.0%
FCF Yield	5.8%
EV/ FCF Yield	22.3%
EV/ EBIT	3.8
Portfolio discount	-36.1%
Portfolio Yield	2.0%
ROE	7.5%
ROE ex non-core financial assets	18.0%

Performance Summary	
Net asset value per share at 31 December 2019	112.00p
Share price at 31 December 2019	114.25p

Premium as at 31 December 2019	
(difference between share price and net asset value)	2.01%

Financial Highlights - Period from 23 October 2018 to 31 December 2019	
NAV*	+14.3%
Share Price*	+14.3%
Benchmark†	+7.9%

*For all Alternative Performance Measures, please refer to the definitions in the Glossary below.
†MSCI Japan Small Cap Total Return Index (£ adjusted total return)

Overview

Company Objective & Strategy
AJOT aims to provide Shareholders with total returns in excess of the MSCI Japan Small Cap Total Return Index in GBP ("MSCI Japan Small Cap Total Return"), 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 will seek 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.

Benchmark
The MSCI Japan Small Cap Total Return Index.

Capital Structure
As at 31 December 2019, the Company's issued share capital comprised 113,939,742 Ordinary Shares of 1p each and as at 7 February 2020 it comprised 114,889,742 Ordinary Shares. No shares were held in Treasury.

Annual General Meeting
The Company's first Annual General Meeting ("AGM") will be held at 10.30 am on Thursday, 26 March 2020 at the offices of N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX. Please refer to the Notice of AGM for further information and the resolutions which will be proposed at this meeting.

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

Financial Conduct Authority ("FCA") regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments'
The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA")'s rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an authorised investment trust.

The Company's ordinary shares are not classified as 'complex instruments' under the FCA's revised appropriateness criteria adopted in the implementation of MiFID II.

The Association of Investment Companies ("The AIC")
The Company is a member of The AIC.

Website
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 the half year report.

Chairman's Statement

Overview of the Period
It is with great pleasure that I present the first annual report of AVI Japan Opportunity Trust plc ("the Company" or "AJOT"), covering the period from incorporation on 27 July 2018 to 31 December 2019.

AJOT launched on 23 October 2018 with subscriptions for 80 million shares, and the Company was fully invested by the beginning of 2019. Your Investment Manager, Asset Value Investors ("AVI"), has a strong track record of investing in Japan, and has been diligent in forging close working relationships with our investee businesses. Since launch, the AVI team has further deepened those ties with a program of regular communication and face to face meetings with management boards. The engagement has been very positive, and we are especially appreciative of the constructive dialogue that has resulted.

Naturally, this level of engagement is resource intensive and it is encouraging to see that AVI has continued to expand its Japan-focussed staffing, both in London and in Tokyo. These additions help to ensure that the Investment Manager's research process to identify and work with our investments remains at an industry leading standard.

Performance and Dividend
Your Company has generated strong positive returns since launch, with a net asset value ("NAV") per share total return of 14.3%, against a return of 7.9% from the benchmark, the MSCI Japan Small Cap Total Return Index (as measured in GBP). Performance has been driven by strong contributions from several stocks, as well as a relative paucity of detractors. The top three contributors added +8.7% to returns, compared to -1.1% from the worst three detractors.

As at 7 February 2020 (the latest date prior to the publication of this document) the NAV per share was 112.62p per share and the share price 115.60p per share. Since 31 December 2020 the Company has issued an addition 950,000 shares at an average premium of 3.4%.

The Board has elected to propose a final dividend of 0.9 pence per share for the period, for approval by shareholders at the General Meeting. As stated in the prospectus at the Initial Public Offering ("IPO"), the Company intends to distribute substantially all of the net revenue arising from the portfolio and is expected to pay an annual dividend, but this may vary substantially from year to year.

Investment Strategy
The original thesis behind AJOT is that corporate Japan is undergoing a paradigmatic shift in governance. Board independence, over-capitalised balance sheets, and returns on (and of) shareholder capital, are under particular scrutiny. With pressure from the government, regulators and investors both foreign and domestic, Japanese companies feel increasingly compelled to improve corporate governance and streamline their balance sheets. By investing high quality, cashflow generative and compellingly valued stocks, our portfolio stands to profit not only from the sound underlying businesses but also disproportionately from this move towards improved governance.

Your Company has benefitted directly from this trend. A good example of this occurred when electronics maker Toshiba Corp bought in its listed subsidiaries NuFlare Technology and Toshiba Plant Systems & Services, both holdings in the portfolio, at significant premiums to the prevailing share price. The unsustainability of so-called parent-child subsidiary arrangements have been a consistent pillar of our strategy since launch and both companies were significant holdings in our portfolio. For further details, please refer to the Investment Manager's Report below.

To date, ten of AJOT's portfolio companies have announced buybacks, and three were subject to takeovers at substantial premiums. Out of a total of twenty-eight holdings, this is an impressive pace of change and further evidence in favour of the investment thesis.

Share Premium and Issuance
As at 31 December 2019, your Company's shares were trading at a premium of 2.01% to net asset value per share. The Board monitors this premium carefully and manages it by periodically issuing shares. Since May 2019, we have utilised both placings and the Company's authorised block listing facility to increase our shares in issue. As at 31 December 2019, 33,939,742 shares had been issued at an average 2.1% premium to NAV, which has the beneficial effect of modestly increasing NAV per share for existing Shareholders.

Debt Structure and Gearing
As described in the Prospectus, the Board supports the use of gearing to enhance portfolio performance. In April 2019, we entered into a one-year unsecured revolving credit facility for ¥1.465 billion with Scotiabank. In October 2019, following the issuance of additional shares, this facility was increased by a further ¥1.465 billion in order to maintain a broadly similar level of gearing for the portfolio. In total the Company currently has a total debt facility of ¥2.93 billion, equivalent to approximately £20 million. The gearing has been provided at an interest rate of LIBOR plus 0.75%.

As at 31 December 2019, ¥2.3 billion (£16 million) of the facility has been drawn, with gross gearing standing at 13% of NAV. Including cash, net gearing was negative at -2% (i.e. the Company was in a net cash position). This was driven by the realisation of two large positions at the end of the period, Nuflare and Toshiba Plant, after they were subject to takeover offers at premia to their prevailing share prices.

Outlook
Japan has a long and unenviable history of disappointing investors. Over three 'lost decades' global capital has repeatedly been deployed in the Japanese markets with the promise of revaluations that were going to be inevitable once the attractive valuations and opportunities were recognised. The performance of our portfolio since launch has been highly satisfactory so at the risk of sounding overly guarded, it is still worth injecting a word of caution: it is early days and any Company's true accomplishments can only be measured across the medium to long-term. Change in Japan is arduous (as it is in any culture) and the timing of inflection points, together with the consequent outsized returns, is difficult to predict. However, it is our conviction that change - meaningful change - is in the wind in Japan: with the political will to apply pressure through the revised Stewardship and Governance Codes, and the increasing presence of shareholder-conscious institutional investors, a slow-but-sure shift is coming about in Japan Inc.'s attitude to corporate governance. Perhaps things really are different this time. The companies we invest in continue to operate attractive businesses and boast high and growing levels of cash and realisable securities, all the while trading at valuations not available in other developed markets today. The opportunity set remains rich and continues to hold out the offer of highly attractive risk-adjusted returns. Valuations in the portfolio remain compelling.

The Environmental, Social & Governance ("ESG") Context
There has rightly been a marked increase in the attention paid to ESG factors in investments all over the world. As a UK based investment trust, the regulatory stipulations that apply to us are described and addressed on page 18. In my Chairman's Statement, with input from Yoshi Nishio a AJOT director with deep knowledge of Japan and its culture, I want to go a little further and give an historical overview of how the ESG environment in Japan has developed to differ from the western world. Some of our portfolio companies are involved in activities that traditional ESG funds may seek to avoid. AJOT is not an ESG fund; the basis for making investment decisions is different. However, no responsible citizen, whether private or corporate, can or should ignore the growing calls for everyone to work together for the benefit of all. In this sense, your Board feels that your Company finds itself in an interesting position.

The history of caring for the environment in Japan is a long one, having its foundations in a deep-rooted cultural connection to nature. According to Shinto folklore, the islands that make up the nation owe their very existence to the ocean surrounding them, when the gods Izanami and Izanagi dipped their swords into the sea and the salty water droplets turned into land. Thus, when the air and water supplies suffered severe and tangible pollution during the period of rapid industrialisation in the 1950s, the Japanese people's response was visceral. The government was galvanised into crafting what now seems a very forward-looking framework placing heavy responsibilities on corporations not only to do no harm to the environment, but to take steps to improve it. The recycling of household waste has been commonplace for over twenty years, while as early as 1990, the business group Keidanren published detailed guidelines that required Japanese companies to review their activities from the viewpoint of reducing the burden on the environment and specifically integrating precautions and protections into their operations. More recently, the response to the nuclear accident in Fukushima in 2011 focussed the world's attention on an effective way to ensure that any damage to the environment is rectified immediately and those responsible be dealt with appropriately.

There is therefore a case to be made that Japan Inc. already benefits from high levels of corporate environmental awareness and responsibility. This is likely to take on increasing relevance to global investors as the interpretation of ESG develops over time. Even dedicated ESG funds are now starting to take a more nuanced approach - no longer just bluntly investing in businesses that are sustainable and avoiding others that cause harm - but also seeking out companies that perform traditionally harmful activities in innovative and less harmful ways, thereby starving the less responsible actors of investment. Under these criteria, the universe of companies that AJOT looks at is likely to outperform their non-Japanese counterparts.

In terms of benefits to society, Japan built its post-war prosperity on a slightly different model to the west, one that places a strong emphasis on societal advantage. Here again, history has a lesson to teach. During the Edo period (1603-1868) when the eponymous city, since renamed Tokyo, was the largest city in Asia and its most prosperous commercial hub, the merchants and traders coined a dictum: *sanpo yoshi*. Literally meaning "tripartite contentment", every transaction was thought to have three parties: the buyer, the seller and society. And only if all three parties were satisfied should any deal be concluded. Implicitly or explicitly, this is a dictum that has continued to be followed to this day. Lifetime employment, the paucity of opportunities for outsized personal enrichment, consensus-based decision making, seniority based pay - many of the components of what western commentators have seized on as the essence of what is considered the 'Japanese way' owe their origins to *sanpo yoshi*. This does not mean that Japan doesn't have more improvements to make - the slow progress on gender equality is a very visible failing - but your Board feels that relative to global peers, our investee companies are in a better position to be of benefit to society.

So much for "E" and "S"; the focus for AJOT is "G," where we believe that real change is due in Japan. Better corporate governance and the consequent improvement in shareholder returns, is precisely the opportunity that we are pursuing. As capital flows become ever more international, Japan needs to evolve its particular model of capitalism to reflect and incorporate some aspects of globally accepted standards. AVI has been and always will be respectful of cultural sensitivities while engaging as shareholders. Looking forward, if we can be even a small part of the catalyst that brings about a permanent change in the way Japanese corporations work with their shareholders, AJOT may well come to be looked upon as the exemplary investment vehicle for the 21st century.

Closing Remarks
I would like to thank AVI and all of our service providers whose efforts come together every day to secure AJOT's success. I would also like to thank you, our Shareholders, for your continued support and for the trust that you have placed in us. We will continue working to ensure that we deserve that trust. We hope and believe that our relationship will be a long and rewarding one. If you have any queries, please do not hesitate to contact me personally (norman.crighton@ajot.co.uk), or alternatively speak to our broker N+1 Singer to arrange a meeting.

Norman Crighton
Chairman
12 February 2020

Investment Manager's Report

AVI Japan Opportunity Trust (AJOT) was launched in October 2018. This report covers the period from 23 October 2018 to 31 December 2019. Over this time, your Company has returned +14.3% (on a NAV total return basis in GBP), ahead of the +7.9% total return generated by the benchmark, the MSCI Japan Small Cap Index (in GBP). This robust performance has been driven by a combination of several standout performers and a lack of significant detractors. The +8.6% contribution from the top three contributors, NuFlare Technology (+4.1%), Digital Garage (+2.6%) and Fujitec (+1.9%) far exceeded the combined -1.1% loss from the three largest detractors, Hi-Lex (-0.5%), Konishi (-0.4%), and TBS (-0.2%).

It has been a difficult time for the Japanese market since AJOT was launched. The TOPIX's +8.2% return has underperformed that of the MSCI Europe (+15.6%) and S&P 500 (+17.4%) indices. Japan is seen as a proxy for global trade and, with the US-China trade war dominating headlines, global investors have continued to be net sellers of Japanese equities, notwithstanding an encouraging reversal of this trend towards the end of the year. However, beneath the surface, companies are continuing to improve standards of corporate governance and increasingly focus on shareholder returns. This is particularly reflected in rising Returns on Equity (ROE) and in the strong increase in announced share buybacks this year. Coupled with fundamental valuation metrics that are far more attractive than the rest of the developed world, we continue to believe that Japan represents one of the most attractive equity market opportunities today.

AJOT invests in strong businesses with high levels of cash flow generation, attractive valuations, and a potential event to unlock the value trapped within bloated corporate balance sheets. We find the greatest number of opportunities in cash-rich, small-cap, Japanese companies that are unloved and under-researched by the market. There have been an increasing number of successful shareholder engagements, which is creating the impetus needed to focus attention on shareholder value. We believe that changes in mindset and culture surrounding shareholders are the catalyst to unlock a tremendous amount of value.

The attributes we look for in our investments can be grouped into three areas: quality, value, and prospects for improving corporate governance. Quality companies reduce the risk of earnings deterioration, which means we can be patient long-term shareholders; the valuation determines the potential upside of the investment; and improving corporate governance provides a catalyst to realise the value, mitigating the risk of value traps.

On the quality front, we try to find companies with stable earnings which over the medium-term have a good chance of growing. They are typically domestic-focused and provide services or goods which are highly valued by their customers, resulting in outsized margins and returns on equity.

Over the past year, the companies in our portfolio grew operating profits by a weighted average of +9.3%. This mainly came from margin expansion, particularly so in the case of Pasona, whose standalone operating profit margin rose from 0.1% to 0.5%. The portfolio's profit growth was a satisfactory result when compared to the +5.2% growth for the companies in the MSCI Japan Small Cap Total Return Index.

Attractive valuations in Japan are caused by a low overall valuation for Japanese companies and the market's heavy discounting of cash and investment securities held on companies' balance sheets. Adjusted for surplus capital, the companies in AJOT's portfolio trade on a weighted average EV/EBIT of 3.8x and have net cash and investment securities that cover 81% of their market caps.

Despite the +14.3% growth in AJOT's NAV, the overall valuation of the portfolio remains attractive. While the EV/EBIT of the portfolio increased from 3.6x at the end of February 2019 (when the portfolio was fully invested) to 3.8x at the end of December 2019, and net cash as a percentage of market cap decreased from 48% to 45%, net financial value ("NFV") as a percentage of market cap grew from 78% to 81%. As our portfolio evolves, we expect fluctuations in its valuation. The slight increase over the year is not significant and the still-attractive portfolio valuation highlights that we continue to find compelling opportunities.

Finally, we turn to corporate governance, the overarching theme of our portfolio. Since the introduction of the Corporate Governance Code in 2015, we have witnessed a gradual, but indisputable, shift in Japanese companies' attitudes towards shareholders.

Over the period, most of our portfolio companies showed signs of positive changes in their attitudes towards corporate governance. These changes have been seen in the form of 'softer' policy changes such as the introduction of stock-based compensation or independent directors, as well as in more impactful moves like share buybacks and takeovers. It is the latter two that have been a particular boon to performance.

Ten of our portfolio companies announced share buybacks over the period and three were subject to takeovers at substantial premia to their prevailing share prices. When one considers that your Company has a portfolio of just 28 investments, and has only been invested for 14 months, the pace of change has been quite impressive.

The subsidiary buy-out theme is one we have discussed extensively in our reporting. The issue of parent-child listings and inadequate protection for minority shareholders is one that is receiving more attention from shareholders and the Government. It has been suggested that listed companies with controlling parent shareholders should be required to have a majority independent board to increase minority shareholder protection. The clear intention is to ultimately reduce the prevalence of parent-child listings, which are rarely seen in developed markets outside of Japan.

We benefitted from the subsidiary buy-out theme over the period, with Toshiba Corp's tender offer for NuFlare Technology and Toshiba Plant Systems & Services, two significant investments for AJOT. Both were majority controlled by Toshiba Corp and, with Toshiba's newly revitalised board and the pressure from regulators surrounding parent-child listings, we felt it was only a matter of time before something happened. After weeks of rumours, Toshiba submitted tender offers to minority shareholders for the shares in each company that it did not already own. These came at premia of +46% and +28% to the undisturbed prices for NuFlare and Toshiba Plant respectively, crystallising returns on investments for AJOT of +93% and +27%.

While the overall standard of corporate governance in Japan has improved, we believe the pace of change is accelerated by shareholder engagement. Often not known to the public, we - and other shareholders like us - are actively engaging with boards behind closed doors. It is sometimes difficult to attribute specific actions to our engagement directly, but we have numerous examples of our portfolio companies announcing steps broadly in line with those suggested in our letters and face-to-face meetings.

Since launching AJOT, we have written 33 letters to 18 of our portfolio companies and met or called them 95 times. Our discussions with management cover a variety of topics including balance sheet efficiency, director compensation, the abolition of poison pills and board independence.

While our investment horizon, and the time frame for judging our performance, is longer than the 14 months that AJOT has existed, it has been an encouraging start. We continue to believe that with growing shareholder engagement, Japanese boards will focus more on driving corporate value and increasing share prices. The market seems to underappreciate this phenomenon, which is why we have been able to build a portfolio at such astonishingly low valuations. The mismatch between the fundamental improvements we have witnessed and continued low valuations presents an exciting opportunity.

AVI Team
The team is led by Joe Bauernfreund with the support of two dedicated Japan analysts, Daniel Lee and Cameron Dryburgh, and Tom Treanor, Head of Research. Since launching AJOT we hired Cameron, a full-time Japanese speaking analyst based in London, added a part-time analyst based in Tokyo who works with us on research projects and increased our utilisation of locally based legal and corporate governance experts. Our increased resource has allowed us to enhance the quality and pace of engagement while allocating more time to researching new ideas. There is no shortage of engagement opportunities or new ideas, and we will continue to invest in the appropriate infrastructure to support the strategy.

Contributors

NuFlare

Contribution to total return	+4.1%
Weight in AJOT net assets	0.0%
EV/EBIT	n/a
NFV/Market Cap	n/a

NuFlare added +4.1% to returns, the strongest performer over the period. While our thesis was for a trade sale of the business, it was still pleasing to see Toshiba Corp make an offer to buyout minorities at a +46% premium to the undisturbed price. With the offer coming after an already strong period in the share price, we realised a return on investment of +93% and an IRR of +110%.

Toshiba Corp's offer is a vindication of the parent-child theme within AJOT's portfolio. We have argued that listed subsidiaries should be either bought in or sold off by the parent company, given that the potential for the abuse of minority shareholders' rights depresses the share price. With the Abe administration having been critical of these sorts of arrangements, and Toshiba Corp's recently refreshed board, it felt like simply a matter of time before the company would be required to either acquire or sell off its stake in NuFlare.

Our confidence in a premium offer being made for NuFlare was underpinned by our analysis of the business. At the end of March NuFlare was trading on a 10% free cash flow yield, an EV/EBIT of 1.7x with net cash covering 68% of its market cap. Putting the issues of governance and liquidity to one side, as a strategic buyer would, the valuations the market was subscribing did not correspond to a business with highly valuable technology and a near-monopolistic market share. The lack of NuFlare's sell-side coverage and the market's lack of interest in small-cap Japanese companies allowed us to take advantage of the situation and exploit the inefficiency.

Digital Garage

Contribution to total return	+2.6%
Weight in AJOT net assets	5.8%
EV/EBIT	9.3
NFV/Market Cap	62.3%

Digital Garage was the second strongest contributor over the period, adding +2.6% to performance. The returns were driven equally by an increase in our estimated fundamental value for the company and a narrowing of the discount at which it trades to that value.

Digital Garage has a 20% stake in Kakaku.com, which operates online price comparison and restaurant reservation sites. This investment accounts for 55% of Digital Garage's market cap and obscures the hidden value of Digital Garage's two main businesses, online marketing and credit card payment processing.

We did not acquire shares in Digital Garage until almost two months after launching on valuation grounds. This proved to be a wise decision as we were able to purchase our stake two months later at a price -18% lower than if we had purchased at launch. We then trimmed our position in May as the share price had risen +41% from our initial purchase, before opportunistically adding to our position in August after a -10% fall in the price, bringing our total average buy in price to ¥3,028 vs an end of year price of ¥4,585.

For the first half of Digital Garage's financial year (six months from March to September), Digital Garage's marketing and credit card processing businesses grew profits by +50% and +28% respectively. Being able to purchase these businesses on only a 9.3x EV/EBIT multiple despite such impressive growth rates make for an attractive investment.

Fujitec

Contribution to total return	+1.9%
Weight in AJOT net assets	5.5%
EV/EBIT	8.4
NFV/Market Cap	45.5%

Fujitec, a global elevator manufacturer, was AJOT's third most significant contributor, adding +1.9% to returns. While seemingly a cyclical business tied to construction spending, over half of Fujitec's business, in fact, comes from maintenance and renewal work. Elevator manufacturers are usually awarded the maintenance contract following a new installation. This constitutes a sticky, stable and high-margin revenue stream and can last for decades. Additionally, once an elevator has reached the end of its useful life, the manufacturer who built the lift and then maintained it, is typically awarded the contract for its replacement.

The appeal of the business model is not lost on investors. Kone and Schindler, two European-listed global manufacturers trade on EV/EBIT multiples of 24x and 19x respectively. These valuations far exceed the 8x that Fujitec trades on.

We attribute Fujitec's lower valuation to several factors. 1) Poor balance sheet efficiency. One third of Fujitec's balance sheet is allocated to low yielding cash and investment securities, which accounts for 46% of Fujitec's market cap. These contribute little to profits and are valued at a heavy discount by the market. 2) Poison pill. Fujitec first introduced a poison pill in 2007 to fend off a proposed buyout. By restricting potential buyers, it removes the possibility of a takeover, thus leading to a valuation discount. 3) Weaker margins. Fujitec suffers from lower margins than peers, 7% vs 12%, driven by lower scale and an overly diversified exposure to non-core geographies. 4) Lack of sell-side coverage. No sell-side analysts cover Fujitec while 30 cover Kone and 21 Schindler.

We are working with management and the Board to address these problems who have so far been receptive to our suggestions. Considering not only the valuation upside but also margin upside, Fujitec represents one of the most compelling investments in AJOT's portfolio.

Toshiba Plant

Contribution to total return	+1.5%
Weight in AJOT net assets	0.0%
EV/EBIT	n/a
NFV/Market Cap	n/a

Even though Toshiba Plant spent most of the period as a detractor from performance, after an offer from Toshiba Corp at a +28% premium, it ended the period as our fourth-largest contributor adding +1.5% to returns.

Toshiba Plant is an engineering and construction company offering a full solution to industrial projects, such as power plants, factories and solar farms. With the know-how acquired from construction, Toshiba Plant offers maintenance solutions post-build, which are stable and highly profitable. Since it became a fully integrated engineering and construction company in 2004, profits have grown at an annualised rate of 12.3% and in 16 years, profits declined only once.

Toshiba Plant's business is intertwined with Toshiba Corp's. Toshiba Plant is given subcontract work from Toshiba, most notably for the maintenance of Toshiba's nuclear power plants, and as such it made little sense for Toshiba Plant to operate as a separate entity with minority shareholders. It has always been our contention that Toshiba Corp would ultimately buy-in Toshiba Plant, given the quality of Toshiba Plant's business and the synergies that would accrue to the combined entity.

Our thesis was vindicated when in November, Toshiba Corp finally made an offer to minority shareholders at a +28% premium. AJOT made a +27% return on its investment, which given the short holding period, crystallised a +35% IRR**.**

Nitto FC

Contribution to total return	+1.4%
Weight in AJOT net assets	0.0%
EV/EBIT	n/a
NFV/Market Cap	n/a

Despite a relatively brief holding period, Nitto FC was our fifth largest contributor. Nitto FC's strong business model and extreme undervaluation was noticed by a Japanese private equity firm, who took the company private at a +38% premium in May. Before the takeover, Nitto FC was trading with 83% of its market cap covered by net cash, and an EV/EBIT of 3.3x. In a little over six months, our investment in Nitto FC garnered a profit of +56%, adding 1.4% to returns.

Nitto FC is a good example of the opportunity for private equity investors. Given compelling valuations and potential for efficiency gains, global private equity managers are increasing their exposure to Japan. George Roberts, of KKR, remarked that Japan is KKR's highest priority other than the US. With increasing scrutiny from public shareholders going private is becoming a viable option for companies. For AJOT, the presence of private equity increases the chances of our companies being taken over at a large premium, providing a catalyst for realising the underlying value in the portfolio.

Detractors

Hi-Lex

Contribution to total return	-0.5%
Weight in AJOT net assets	1.1%
EV/EBIT	2.4
NFV/Market Cap	81.7%

Hi-Lex was our largest detractor over the period, hindering overall returns by -0.5%. Hi-Lex produces a small range of essential auto components including window and door opening systems and control cables. The Company faces a declining market for a portion of their control cable sales (approximately 10% of total sales) which, over the coming decades are not needed in electric vehicles. As a result Hi-Lex has been allocating capital to door and window products, which are lower margin. This expansionary capital expenditure and lower margin product mix has led to declining profitability.

The last twelve months have been tough for Hi-Lex, cutting full year forecasts midway through the year, with operating profits falling over -30% for a second year in a row as the auto industry continues to be surrounded by uncertainty and weak sentiment. Although the company expects weaker sales in 2020, they also guided for a big upswing in operating profits, to which the market has responded favourably. Despite a difficult year Hi-Lex remains attractive on valuation grounds. Net cash accounts for 58% of Hi-Lex's market cap which, when including stakes in other listed companies, rises to 82% of the market cap. Hi-Lex thus trades on an EV/EBIT of 2.4x.

Although Hi-Lex has fallen -15% from our purchase price, its small average 1.5% weight over the period reduced its impact on portfolio returns, detracting only -0.5% overall.

Konishi

Contribution to total return	-0.4%
Weight in AJOT net assets	4.7%
EV/EBIT	3.3
NFV/Market Cap	56.1%

Konishi was a lacklustre performer over the period, more painful in relative rather than absolute terms. Its share price fell -4% from our average buy-in price, on weaker than anticipated operating profits and a lack of corporate governance improvement.

Konishi is a chemical company that manufactures adhesives, sealants and tape. It is best known for its glue brand in Japan called "Bondo", the equivalent of "Super Glue" in the UK. It also sells sealants for DIY home repairs and to professionals in the construction industry. Through the sale of sealants to professionals, it has successfully expanded its business into construction, particularly infrastructure repair work. With Japan's aging infrastructure, repair work is a useful tailwind for Konishi. A pure play peer in this area trades on an EV/EBIT of 19x showing the exciting dynamics of the industry.

We have been disappointed with the lack of progress Konishi has made to improve corporate governance. With a payout ratio of just 20%, only two independent directors on a nine-person board, and 31% of total assets in cash and investment securities, there is much to be improved. Collectively with AVI Global Trust, we own 3.6% of Konishi's voting rights, and given the underwhelming share price performance, we plan to step up our engagement with the Board over the coming year.

Tokyo Broadcasting System

Contribution to total return	-0.2%
Weight in AJOT net assets	5.0%
EV/EBIT	<0.0
NFV/Market Cap	113.9%

Tokyo Broadcasting System ("TBS") has continued to be a frustrating holding in the portfolio. Since the launch of AJOT its share price has fallen -13.7%, even as the share prices of its two largest cross-shareholdings, Tokyo Electron and Recruit, rose by +67.1% and +27.6% respectively. TBS's stakes in these two companies have now swollen to 95% of TBS's market cap.

In their full-year results management gave a weak outlook for the FY2020 profitability due to reorganisation costs and the beginning of 4K broadcasting. This was compounded by announcing a dividend pay-out ratio of only 23% (below the company's stated 30% policy) and giving no further strategy for reducing cross-shareholdings. Investors had previously been hopeful for the prospects of a strategic change in policy, following a sell-side research note in February which explicitly mentioned the possibility of a large-scale sale of securities and greater shareholder returns through buybacks and dividends. The market reaction to the announcements was distinctly negative, with the stock falling by -15%.

Further disappointment came when TBS declined to take part in either Tokyo Electron's buyback or a block offering of Recruit shares. We were disappointed by this as both represented opportunities to reduce the extraordinarily large allocation in TBS's NAV.

Against this, there are some grounds for optimism: in March, TBS sold down around 8% of one of its largest holdings, Tokyo Electron, introduced stock-based compensation for directors, and there was a 3% reduction in key allegiant shareholders' stakes.

Despite a difficult year, we believe that the investment case for TBS remains strong. It has excess cash, listed securities, and prime Tokyo real estate which cover its market capitalisation almost two times over. TBS is, in effect, an asset manager with a small broadcasting business. Whilst thus far TBS has been ambiguous in its intentions for these assets, we believe that if it were to announce a clearly defined strategic policy to reduce its over-capitalised balance sheet, the market would reward the company with a much higher share price. We remain in regular dialogue with TBS's board of directors in order to produce a satisfactory outcome for all stakeholders. We added to our position on share price weakness during the year.

Environmental, Social & Governance Issues
AVI undertakes detailed research on its existing and candidate holdings, and environmental, social and governance (ESG) factors form part of this research process. Our process does not involve the use of a filter to screen out stocks that score poorly on an ESG scale, or a filter to only include positive-scoring ESG stocks. We assess each potential investment on a case-by-case basis to identify potential strengths and weaknesses in a firm's conduct and operations. We believe that firms which score highly on ESG metrics have a beneficial impact on society and, as such, we work hard with the companies we invest in where we see deficiencies that can be corrected.

The emphasis in AJOT's portfolio is on governance factors. A significant amount of AVI's research process is dedicated to understanding the shortcomings in governance practices that may occur at your Company's investments. These shortcomings include, among others: inefficient balance sheets, low dividend payouts and share buybacks, depressed returns on equity, excessive board tenure policies, lack of board independence, and outdated corporate defence tools (such as poison pills). Where our analysis reveals less-than-ideal corporate governance practices, we engage with the board and management in a constructive and private manner in order to provide our expertise on the matter and to suggest solutions that will benefit all stakeholders. In so doing, we believe that we can unlock value for shareholders.

AVI respects the protection of the environment. We are encouraged that the World Business Council for Sustainable Development (WBCSC) has reported positively on Japan in their 2019 report : 'There is a strong focus on disclosure of corporate performance on environmental issues. Environmental topics are covered by 71% of reporting provisions in Japan, compared to 62% for the rest of the world and 65% for major economies.'

We aim to understand the network of relationships within which the investee company exists, including relationships with suppliers, customers, employees and society-at-large. We engage in dialogue with companies where we see practices that could be improved; an area of particular focus is employee relationships. In this regard, we have been pleased to see progress in Japan on minimum wage laws, greater female participation in the workforce generally, and a reduction in the levels of overtime required of employees.

Outlook
Standards of corporate governance in Japan are improving, along with an increased focus on shareholder returns. Record share buybacks during 2019 point to a growing acceptance by Japanese corporates that their ever increasing levels of surplus cash ought to be put to better use than simply sitting idly on their balance sheets. With large parts of the Japanese stock market - particularly the small and midcap segments - trading at low valuation multiples, there is huge scope for prices to re-rate upwards. At the heart of the renewed focus on shareholder returns, lies shareholder engagement. This has not been a particularly fruitful or popular activity in the past. However, the Stewardship Code along with the Corporate Governance Code, are encouraging domestic and foreign investors to engage with the management of the companies they are invested in. The increased levels of shareholder engagement are having an impact and we believe they will continue to do so.

Alongside shareholder engagement and company share buybacks, we have also seen increased levels of corporate activity. During the year Japan even experienced a number of contested takeovers- something that the country has rarely experienced before. This points to a recognition that some Japanese companies are under-valued and there is plenty of scope for unlocking this value.

AJOT will continue to try and identify the best possible candidates for inclusion in our concentrated portfolio. We will continue to engage pro-actively with the companies we are invested in on your behalf. And we are confident that there is plenty of upside within the existing portfolio.

We thank you for your support.

Joe Bauernfreund
Asset Value Investors Limited

Top 10 investments*

1. SK Kaken (7.1% of portfolio, 5.2 ev/ebit)
SK Kaken specialises in industrial paints, commanding more than 50% domestic market share. It is a stable business with consistent earnings and margins but a low payout ratio has led to cash ballooning on the balance sheet. This capital inefficiency masks an otherwise high-quality business.

2. Teikoku Sen-i (6.9% of portfolio, 4.9 ev/ebit)
Founded as a textile company, Teikoku Sen-i's main business now is in manufacturing disaster prevention equipment. It has a strong track record of growth with high operating margins. Despite this it trades at a 34% discount due to an inefficient balance sheet and other corporate governance failings.

3. Digital Garage (5.7% of portfolio, 9.3 ev/ebit)
Its three main business interests are in: credit card payment processing, online market, and venture investments. Digital Garage has a good track record of incubating young tech businesses in Japan and being at the front of digital innovation. It also has a large stake in the online price comparison site Kakaku.com which accounts for 47% of Digital Garage's NAV.

4. Fujitec (5.5% of portfolio, 8.4 ev/ebit)
A leading manufacturer of lifts and escalators with a global presence. It trades at a significant discount compared to global peers due to weak margins outside of Japan, low ROE exacerbated by a large cash pile on its balance sheet, and the presence of a poison pill. We believe that with some improvements in corporate governance and margins Fujitec should be trading at the same multiples as its global competitors and there is room for considerable upside.

5. C Uyemura (5.3% of portfolio, 4.9 ev/ebit)
C Uyemura makes plating and surface finishing related chemical products. Although it has a long history of developing and manufacturing high-quality products, several years of hoarding cash, opaque business and capital allocation strategies have depressed its value. We were very pleased to see C Uyemura conduct its first buyback in eight years, which the market viewed very favourably.

6. Pasona (5.3% of portfolio, <0 ev/ebit)
A staffing company providing dispatch workers and recruitment services throughout Japan. Pasona has a 50% stake in Benefit One, a provider of welfare agency services. Benefit One has grown rapidly in recent years and Pasona's stake in the company is worth 277% of its market cap. The listed subsidiary phenomenon is a problem particularly acute in Japan and one we have paid close attention to as it comes under increasing scrutiny and pressure.

7. Secom Joshinetsu (5.2% of portfolio, 2.8 ev/ebit)
Secom Joshinetsu, a regional subsidiary of Secom, is another example of the problems of parent- subsidiary listings in Japan. It operates in Niigata, Gunma, and Nagano prefectures providing security services. Despite having similar business characteristics to its parent, Secom, Secom Joshinetsu trades at a severe discount.

8. Kato Sangyo (5.1% of portfolio, 2.8 ev/ebit)
A leading wholesaler of food and drinks, primarily in Japan but growing fast abroad, particularly in South East Asia. As with many other companies in AJOT the strength of its core business contrasts strongly with inefficient deployment of its capital. Alongside a string of unnecessary cross-shareholdings tying up capital, cash takes up 36% of balance sheet assets, weighing down heavily on its ROE.

9. Tokyo Broadcasting System (5.0% of portfolio, <0 ev/ebit)
TBS is a well-known broadcaster in Japan. The bulk of TBS's value lies in its large real estate holdings and its cross-shareholdings, most significantly in Tokyo Electron and Recruit Holdings. The company justifies this misallocation of capital on the grounds of protecting key business relationships, but these reasons stand up to little scrutiny and consequently TBS trades at a 47% discount.

10. Toyota Industries (4.7% of portfolio, 4.6 ev/ebit)
Originally the core of the Toyota Group, the links between Toyota Industries and the Toyota Motor Group are still strong. Toyota Industries owns 6.7% of the auto company and in turn is 30% owned by Toyota Motor. This 6.7% stake is worth 85% of Toyota Industries' market cap. Toyota Industries itself manufactures forklifts, compressors for engines and air conditioning units. It is the largest manufacturer worldwide of forklifts.

*All ev/ebit figures are estimates provided by AVI. Please refer to the Glossary below.

Portfolio Construction

The objective of AVI's portfolio construction process is to create a concentrated portfolio of 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. Often, a key consideration will be the make-up of the shareholder register, as this will indicate the likely support AVI could expect in any shareholder proposal it submits to the company. The portfolio is diverse in the industries within it but we are sector agnostic and select investments based on quality and value.

Geographic Location of Portfolio Company Headquarters

Tokyo	48%
Kansai	41%
Nagoya	5%
Niigata	5%
Hiroshima	1%

Equity Portfolio Value by Market Capitalisation

35.5%	£250m-£500m
27.5%	£500m-£1bn
25.0%	>£1 billion
12.0%	<£250m

Portfolio Value by Sector

39.7%	Industrials
21.1%	Materials
17.2%	Consumer Discretionary
7.1%	Information Technology
5.2%	Consumer Staples
5.1%	Communication Services
4.6%	Health Care

Investment Portfolio
At 31 December 2020

Company	Stock Exchange Identifier	% of investee company	Cost £'000*	Market value £'000	% of AJOT net assets	NFV/Market Capitalisation[1]	EV/EBIT[1]
SK Kaken	JASDAQ: 4628	0.8	8,763	9,110	7.1%	62%	5.2
Teikoku Sen-i	TSE: 3302	2.0	8,513	8,775	6.9%	58%	4.9
Digital Garage	TSE: 4819	0.5	5,203	7,242	5.7%	62%	9.3
Fujitec	TSE: 6406	0.6	5,460	7,049	5.5%	46%	8.4
C. Uyemura	TSE: 4966	1.2	5,895	6,760	5.3%	57%	4.9
Pasona	TSE: 2168	1.5	6,228	6,722	5.3%	274%	<0
Secom Joshinetsu	TSE:4342	1.8	5,564	6,565	5.2%	74%	2.8
Kato Sangyo	TSE: 9869	0.7	6,327	6,522	5.1%	77%	2.8
Tokyo Broadcasting System	TSE: 9401	0.3	6,624	6,409	5.0%	114%	<0
Toyota Industries	TSE: 6201	0.0	6,051	6,039	4.7%	72%	4.6
Top ten investments			**64,628**	**71,193**	**55.8%**		
Konishi	TSE: 4956	1.3	6,282	5,901	4.6%	56%	3.3
Fukuda Denshi	JASDAQ: 6960	0.5	5,203	5,735	4.5%	65%	3.8
Daiwa Industries	TSE: 6459	1.1	4,920	4,957	3.9%	90%	1.0
Seikisui Jushi	TSE: 4212	0.6	4,467	4,897	3.8%	69%	3.4
Toagosei	TSE: 4045	0.4	4,507	4,733	3.7%	58%	4.5
Kanden	TSE: 8081	1.6	3,997	4,282	3.3%	72%	2.9
Tokyo Radiator MFG	TSE: 7235	3.3	3,105	3,028	2.4%	91%	1.1
Alps Logistics	TSE: 9055	1.4	2,989	2,976	2.3%	38%	4.8
King	TSE: 8118	2.8	2,638	2,652	2.1%	108%	<0
Nishimatsuya Chain	TSE: 7545	0.6	2,605	2,502	2.0%	97%	4.6
Top twenty investments			**105,341**	**112,856**	**88.4%**		
Tachi-S	TSE: 7239	0.7	2,523	2,298	1.8%	65%	5.1
A-One Seimitsu	JASDAQ: 6156	4.0	2,339	2,295	1.8%	96%	0.5
Soft99	TSE: 4464	1.3	1,988	2,071	1.6%	94%	0.6

CAC Holdings	TSE: 4725	0.8	1,541	1,719	1.4%	50%	5.4
Nishikawa Rubber	TSE: 5161	0.6	1,594	1,466	1.2%	71%	1.4
Hi-Lex	TSE: 7279	0.3	1,658	1,416	1.1%	82%	2.4
Aichi	TSE: 6345	0.3	1,186	1,242	1.0%	57%	3.2
Techno Associe	TSE: 8249	0.1	150	168	0.1%	80%	1.8
Total investments			**118,320**	**125,531**	**98.4%**		
Other net assets and liabilities				2,079	1.6%[2]		
Net assets				127,610	100.0%		

* Please refer to Glossary below.

[1] Estimates provided by AVI. Refer to Glossary below.

[2] Gearing. Please refer to Glossary below.

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 capital growth in excess of the MSCI Japan Small Cap Total Return 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 exists 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 on-going 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 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. 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 Net Asset Value 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 period were £1,060,000 and the number of shares held by AVI is set out in note 14.

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 £60,000, 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 £90,000. 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 maintaining 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 the stakeholder considerations, in particular in the context of decision-making, is taken into account at every Board meeting. All discussions involve careful considerations of the longer-term consequences of any decisions and their implications for stakeholders.

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. During the period under review, 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 below discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

Importance	Board Engagement
Shareholders	
Continued shareholder support and engagement are critical to existence of the business and the delivery of the long-term strategy of the business. The Directors intend to offer shareholders the opportunity to exit the Company at close to NAV in October 2022 and every two years thereafter. The Board and Corporate Broker will canvass opinion from Shareholders in the months leading up to October 2022 (and at each appropriate interval thereafter) when making any decision in respect of any potential Exit Opportunity.	The Company has over 200 shareholders, including institutional and retail investors. The Board is committed to maintaining open channels of communication and to engage with Shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of Shareholders. These include: • **Annual General Meeting** ("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. The Investment Manager attends the AGM and will provide a presentation on the Company's performance and the future outlook. 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 period and the 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 Manager, the Chairman seeks meetings with Shareholders who might wish to meet with him; • **Shareholder 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; and • **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 press. To gain a deeper understanding of the views of its Shareholders and potential investors, the Investment Manager will also undertake 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.
Other stakeholders	
The Investment Manager	
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 capital growth in excess of the MSCI Japan Small Cap Index through active management of the portfolio and engagement with portfolio companies.	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 its investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture are: • Encouraging open discussion with the Manager, allowing time and space for original and innovative thinking; • 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 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 Manager's terms of engagement if those interests should not be fully congruent; • Drawing on Board Members' individual experience and knowledge to support the Manager in its monitoring of and engagement with portfolio companies; and • Willingness to make the Board Members' experience available to support the 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.
The Administrator, the Company Secretary, the Registrar, the Depositary, the Custodian and the Corporate Broker	
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.	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. The Audit Committee reviews and evaluates the control environments in place at each service provider.
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	
The evolving practice and support (or lack thereof) of proxy adviser agencies are important to 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.	The Board recognises that the views, questions from, and recommendations of many proxy adviser agencies provide a valuable feedback mechanism and play a part in in highlighting evolving Shareholders' expectations and concerns. 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 and Accounts 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 and 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 on 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 a culture of good 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 which is undertaken by each Director (for more information see the performance evaluation section on page 30 of the Annual Report).

The Board seeks to appoint the best possible service providers and evaluates their service on a regular basis. 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 company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, 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.

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 relevant Acts.

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 on pages 28 and 29 of the Annual Report.

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 page 22 of the Annual Report.

KPIs
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.

Net Asset Value Performance in Absolute and Relative Terms
+14.3% 23 October 2018 to 31 December 2019
+11.9% Annualised
The Directors regard the Company's NAV total return as being the overall measure of value delivered to Shareholders over the long -term. Total return reflects both the net asset value growth of the Company and also dividends paid to Shareholders. Since the launch on 23 October 2018 the Company's NAV has increased 14.3% resulting in an annualised return of 11.9%. 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 Total Return Index. Since the launch on 23 October 2018 the benchmark has increased 7.9% resulting in an annualised return of 6.6%. A full description of performance and the investment portfolio is contained in the Investment Manager's Report.

Discount/Premium
2.0% Premium - 31 December 2019
12.4% Premium - High for the period
0.8% Discount - Low for the period
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, 34.9 million new shares were issued through placings and under the authorisation granted by the Company's Block Listing Facility.

Peer Group NAV Performance Total Return AIC Japanese Smaller Companies Sector*
+14.3% AVI Japan Opportunity Trust
+16.9% Atlantis Japan Growth
+11.7% JPMorgan Japan Smaller Companies
+10.8% Average AIC peer group
+3.9% Baillie Gifford Shin Nippon

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.

*Returns are for the period 23 October 2018 to 31December 2019

Ongoing Charges
1.64% - 31 December 2019
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 and are satisfi ed that 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 fi nancial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast signifi cant 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 fi nancial position in respect of its cash fl ows, borrowing facilities and investment commitments (of which there are none of signifi cance). Therefore the financial statements have been prepared on a going concern basis.

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 markets, although they do have due regard to viability over the longer term and particularly to key points outside this time frame, such as the due dates for the repayment of long-term debt. 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 is deemed appropriate despite the fact that Shareholders will be given the opportunity to redeem their investment at NAV on the fourth anniversary of the Company (October 2022). Considering investment- and share price performance, as well as apparent Shareholder satisfaction, the Board does not anticipate more than a minimal take-up of the redemption opportunity. The investment strategy remains robust and the Board expects this to remain viable well beyond October 2022.

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

- In the period under review, expenses (including finance costs and taxation) were adequately covered by investment income;
- The Company's investment portfolio is made up of listed equities;
- The Company has short-term debt of ¥ 2.3bn via an unsecured revolving credit facility. This debt was covered over 9 times as at the end of December 2019 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 in ad valorem investment management fees, which would reduce if the market value of the Company's assets were to fall.

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 below, 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.

Principal Risks and Uncertainties

The Prospectus issued in September 2018 (available from the Company's website - www.ajot.co.uk) includes details of what the Company considers to be the key principal risks faced by the business. The Board has a robust ongoing process for identifying, evaluating and managing the 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:

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 on-going compliance with the loan covenants. Aggregate borrowings may not exceed 25% of net assets. The Company entered into a 364 day ¥1.465 billion unsecured revolving facility agreement with Scotiabank Europe PLC which was increased by ¥1.465 billion in October 2019. As at 31 December 2019, ¥2.3 billion (£16 million) of the facility had been drawn. Interest is payable at a rate equal to LIBOR plus 0.75%. As at 31 December 2019, gearing stood at 13%.
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 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 this regard and is satisfied that the risk is given due priority.
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 presentational currency of the Company is Pounds Sterling. All investments with income derived from these investments are denominated in Japanese Yen. Costs of the Company are denominated in 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 off set against the assets.

Environmental, social and governance policy

Factor	What we look at	The tools we use
Governance	Good governance has always been at the core of AVI's investment approach. The two areas of focus are: • How managers and directors guide a business. This includes topics such as dividend policy, capital expenditure, merger and acquisition activity, and buybacks. • The set of rules that describes the company's governing mechanisms, including incentive and compensation structures, tenure policy, shareholder rights and remedies, and (specifically in Japan) poison pills.	We engage with our investee businesses in a variety of ways. Our preference is for collaborative engagement with management, although we will have the ability and willingness to bring issues to broader attention where we deem it necessary. The Corporate Governance and Stewardship Codes provide a useful framework for our interactions with companies, as they provide a set of standards against which we can measure a company's standing and progress. The various methods through which we engage with companies include: voting at AGMs; letters to boards requesting change; dialogue (usually via meetings and letters) with management and boards about governance issues.
Social	We try to understand the social system that an investee company operates within. The areas of focus are: • The stakeholder relationships between the company and its suppliers, customers, employees, and society-at-large.	As a minority shareholder, AVI advises and guides its investee companies in these areas. In this regard, we have been pleased to see progress in Japan on minimum wage laws, and a reduction in levels of overtime required of employees. Areas of engagement for the 'Social' aspect include: • Discussions on unequal relationships between stakeholders and how they can be remedied. • How employees are remunerated.
Environmental	As a responsible steward of capital, AVI fully supports policies and actions implemented by its portfolio companies to support a sustainable environment.	Our influence is limited as AVI is not involved in the day-today activities of its portfolio companies. However, we look to understand a company's stewardship of the environment to ensure that there are no egregious practices.

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

Norman Crighton
Chairman
12 February 2020

Board of Directors

Norman Crighton, non-executive Chairman
Ekaterina Thomson (known as Katya), non-executive Chairperson of the Audit Committee
Yoshi Nishio, non-executive Director
Margaret Stephens, non-executive Director

Extracts from the Directors' Report

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 2019, there were 113,939,742 Ordinary Shares of 1p each in issue, of which none were held in treasury and therefore the total voting rights attaching to Ordinary Shares in issue were 113,939,742. 950,000 shares were issued in the period from 1 January 2020 to 7 February 2020 and the voting rights attaching to Ordinary Shares as at 7 February 2020 was 114,889,742.

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 General Meeting held on 24 August 2018, the Company was granted authority to allot up 200,000,000 shares under a share issuance programme. This authority expired on 6 September 2019. On 23 October 2018, 80,000,000 Ordinary Shares were issued at £1.00 each, pursuant to a placing and offer for subscription.

The Company undertook an equity placing on 26 April 2019, which resulted in 12,854,742 new Ordinary Shares of 1 pence each being issued at a price of £1.0113 per share, raising gross proceeds of approximately £13.0 million (before expenses). These shares were admitted to trading on the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange on 15 May 2019. The terms of issue were fixed on 10 May 2019 and the market price on that date was £1.0325 per share.

On 28 June 2019 pursuant to the authority to allot shares granted at the General Meeting held on 24 August 2018, the Company made an application to the FCA for a block listing of 16,000,000 Ordinary Shares to be admitted to the Official List of the FCA and to trading on the London Stock Exchange. The block listing became effective on 4 July 2019 and shares were issued under the block listing on the dates and at the price indicated in the table below. All were issued at a premium to NAV.

As at 31 December 2019, the remaining authority under the block listing facility was 8,015,000 Ordinary Shares and as at 7 February 2020 the remaining authority is 7,065,000 Ordinary Shares.

At the General Meeting held on 28 October 2019, the Company was granted authority to allot up to 18,897,948 Ordinary Shares. In addition, the Company was granted authority to issue up to 14,365,000 Ordinary Shares to Finda Oy, a significant Shareholder, as a related party. On

8 November 2019, the Company announced that Finda Oy had subscribed for 13,100,000 Ordinary Shares at £1.0708 each (mid market price on 8 November 2019: £1.0625 per share). These shares were admitted to trading on the London Stock Exchange on 11 November 2019.

As at 31 December 2019, the remaining authority to allot Ordinary Shares under the authority granted at the General meeting held on 28 October 2019 was 18,852,948 shares and at 7 February 2020 the remaining authority was 17,902,948 Ordinary Shares.

Date	Number of shares	Price paid per share	Mid market price
10/05/2019*	12,854,742	£1.01130	£1.0325
09/07/2019	275,000	£1.07150	£1.0750
17/07/2019	300,000	£1.07814	£1.0775
18/07/2019	410,000	£1.05000	£1.0575
19/07/2019	200,000	£1.06050	£1.0650
06/08/2019	450,000	£1.03500	£1.0450
24/10/2019	4,200,000	£1.03560	£1.0425
08/11/2019*	13,100,000	£1.07080	£1.0625
13/11/2019	200,000	£1.12250	£1.1100
18/11/2019	600,000	£1.14000	£1.1450
25/11/2019	300,000	£1.14450	£1.1500
25/11/2019	200,000	£1.14450	£1.1500
26/11/2019	250,000	£1.14670	£1.1550
18/12/2019	600,000	£1.13400	£1.1350
06/01/2020	600,000	£1.14500	£1.1450
08/01/2020	250,000	£1.14000	£1.1600
15/01/2020	100,000	£1.17500	£1.1750
Total	34,889,742		

* Share issue pursuant to equity placing as discussed above

Share premium account
The share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions. On 4 June 2019, the Company's share premium account of £77,588,000 was cancelled and the balance transferred to a distributable reserve.

Purchase of shares
At the general meeting held on 24 August 2018, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue following initial Admission, such authority to expire on conclusion of the 2020 AGM. No Ordinary Shares have been bought back under this authority.

Sale of Shares from Treasury
At the General Meeting held on 24 August 2018, the Company was authorised to waive pre-emption rights in respect of Treasury Shares, such authority to expire on conclusion of the 2020 AGM. No shares were held in Treasury and no shares were sold from Treasury during the period. As at the date of this report, no shares are held in Treasury.

Related party transactions
The Company's transactions with related parties in the period were with its Directors, the Investment Manager and Finda Oy as the Company's largest shareholder.
There have been no material transactions between the Company and its Directors during the period 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 34 of the Annual Report.

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 period under review. During the period, the Company and AVI entered into a side letter to the IMA, to adjust the reference date for the calculation of the management fee to ensure that the monthly payments more precisely reflect the latest NAV or market capitalisation. No change has been made to the percentage paid or the method of calculating the Management Fee. More details on transactions with the Investment Manager, including amounts outstanding at 31 December 2020, are given in note 14.

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 pages 24 and 25 of the Annual Report.

By order of the Board

For and on behalf of Link Company Matters Limited
Corporate Secretary
12 February 2020

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 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 for each financial year and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union, 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 Director's report, a strategic report and Director's 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 and, as regards the Company financial statements, Article 4 of the IAS Regulation. 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 Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements based on the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

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 Disclosure Guidance and Transparency Rules
The Directors listed above, being the persons responsible, hereby confirm to the best of their knowledge:

- The Company's financial statements have been prepared in accordance with IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.

- 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 Auditors
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
12 February 2020

Non-statutory accounts
The financial information set out below does not constitute the Company's Annual financial statements for the period ended 31 December 2019. The Annual Report, including the Annual financial statements, for the period ended 31 December 2019 was approved by the Board on 12 February 2020. The Auditor has reviewed those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Statement of Comprehensive Income
For the period ended 31 December 2019

		For the period from 27 July 2018 to 31 December 2019		
	Notes	**Revenue return £'000**	**Capital return £'000**	**Total £'000**
Income				
Investment income	2	2,345	-	**2,345**
Gains on investments held in fair value	8	-	14,905	**14,905**
Exchange losses on currency balances		-	(791)	**(791)**
		2,345	14,114	**16,459**
Expenses				
Investment management fee	3	(106)	(954)	**(1,060)**
Other expenses (including irrecoverable VAT)	3	(738)	-	**(738)**
Profit before finance costs and tax		1,501	13,160	**14,661**
Finance costs	4	(9)	(77)	**(86)**
Exchange gains on revolving credit facility revaluation	4	-	62	**62**
Profit before taxation		1,492	13,145	**14,637**
Taxation	5	(230)	-	**(230)**
Profit for the period		**1,262**	**13,145**	**14,407**
Earnings per Ordinary Share	**7**	**1.40p**	**14.63p**	**16.03p**

The total column of this statement is the Income Statement of the Company prepared in accordance with IFRS, as adopted by the European Union. 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 period.

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

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

Statement of Changes in Equity
For the period ended 31 December 2019

	Ordinary Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special reserve* £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Issue of Ordinary Shares	1,139	-	114,412	-	-	-	**115,551**
Expenses of share issue	-	-	(2,322)	-	-	-	**(2,322)**
Cancellation of share premium account as at 4 June 2019	-	-	(77,588)	77,588	-	-	**-**
Expenses in relation to cancellation of share premium account	-	-	(26)	-	-	-	**(26)**
Total comprehensive income for the period	-	-	-	-	13,145	1,262	**14,407**
Ordinary dividends paid	-	-	-	-	-	-	-
Balance as at 31 December 2019	**1,139**	**-**	**34,476**	**77,588**	**13,145**	**1,262**	**127,610**

*Following Court approval and the subsequent registration of the Court order with the Registrar of Companies on 4 June 2019, the cancellation of the Company's share premium account became effective and an amount of £77,588,000 was transferred from the share premium account to the special reserve which is distributable by way of dividend.

Within the balance of the capital reserve, £5,934,000 relates to realised gains which under the Articles of Association is distributable by way of dividend. The remaining £7,211,000 relates to unrealised gains and losses 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.

Balance Sheet
As at 31 December 2019

	Notes	As at 31 December 2019 £'000
Non-current assets		
Investments held at fair value through profit or loss	8	**125,531**
		125,531
Current assets		
Other receivables	9	**296**
Cash and cash equivalents		**17,995**
		18,291
Total assets		**143,822**
Current liabilities		
Revolving credit facility	10	**(15,965)**
Other payables	10	**(247)**
		(16,212)
Total assets less current liabilities		**127,610**
Net assets		**127,610**
Equity attributable to equity Shareholders		
Ordinary Share capital	11	**1,139**
Share premium		**34,476**
Special reserve		**77,588**
Capital reserve		**13,145**
Revenue reserve		**1,262**
Total equity		**127,610**
Net asset value per Ordinary Share - basic	12	**112.00p**
Number of shares in issue	11	**113,939,742**

These financial statements were approved and authorised for issue by the Board of AVI Japan Opportunity Trust plc on 12 February 2020 and were signed on its behalf by:

Norman Crighton

Chairman
12 February 2020

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

Registered in England & Wales No. 11487703

Statement of Cash Flows
For the period ended 31 December 2019

	Period to 31 December 2019 £'000
Reconciliation of profit before taxation to net cash outflow from operating activities	
Profit before taxation	**14,637**
Gains on investments held at fair value through profit or loss	**(14,905)**
Increase in other receivables	**(296)**
Exchange gains on revolving credit facility	**(62)**
Increase in other payables	**247**
Taxation paid	**(230)**
Net cash outflow from operating activities	**(609)**
Investing activities	
Purchases of investments	**(143,350)**
Sales of investments	**32,724**
Net cash outflow from investing activities	**(110,626)**
Financing activities	
Issue of shares net of costs	**113,229**
Issue of revolving credit facility net of cost	**16,027**
Share premium cancellation costs	**(26)**
Cash inflow from financing activities	**129,230**
Increase in cash and cash equivalents	**17,995**
Reconciliation of net cash flow movement in funds	
Cash and cash equivalents at beginning of period	**-**
Increase in cash and cash equivalents	**17,995**
Cash and cash equivalents at end of period	**17,995**

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

Notes to the Financial Statements
For the period ended 31 December 2019

1 General information and accounting policies
AVI Japan Opportunity Trust plc is a company incorporated on 27July 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 conformity with IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and as applied in accordance with the provisions of the Companies Act 2006. 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, except to the extent it is not consistent with the requirements of IFRS.

Basis of preparation
The financial statements of the Company have been prepared for the period 27 July 2018 to 31 December 2019.

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 Pound 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 and are satisfied that 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). 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). Therefore the financial statements have been prepared on a 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.

Accounting developments
The Company has early adopted IFRS 16 Leases although applicable for financial periods commencing from 1 January 2019. IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases by lessors and lessees. The early adoption has not had any material impact on these 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 and liabilities 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 judgments about discounts to fair valuation, carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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. The Directors consider the Company's functional currency to be Pound Sterling. There are no further significant judgements or estimates in these financial statements

Investments
The investment objective of the Company is to provide Shareholders with capital growth in excess of the MSCI Japan Small Cap Total Return 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 designated '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 value 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 13.

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 as defined above net of outstanding bank overdrafts when applicable.

Other receivables and payables
Trade and other receivables and payables are measured where applicable, at amortised cost and balances 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 separately 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 cash dividend 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 period and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes.

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 in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

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.

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 period end.

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

2. Income

	31 December 2019 £'000
Income from investments	
Overseas dividends	2,304
Bank and deposit interest	39
Exchange gains on receipt of income*	2
Total income	**2,345**

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

3. Investment management fee and other expenses

	2019 Revenue £'000	2019 Total £'000	2019 Total £'000
Management fee	106	954	**1,060**
Other expenses:			
Directors' emoluments - fees	132	-	**132**
Directors' and officers' insurances	12	-	**12**
Directors' National Insurance Contributions	10	-	**10**
Auditor's remuneration - audit services	20	-	**20**
Auditor's remuneration - non-audit services in respect of agreeing procedures for Adjusted Share Capital	3	-	**3**
Marketing	170	-	**170**
Printing and postage costs	6	-	**6**
Registrar fees	14	-	**14**
Custodian fees	40	-	**40**
Depositary fees	39	-	**39**
Advisory and professional fees	271	-	**271**
Regulatory fees	21	-	**21**
	738	-	**738**

The management fee of 1% per annum is calculated on the lesser of the Company's Net Asset Value 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

	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
JPY revolving credit facility	9	77	86
Exchange gain on JPY revolving credit facility*	-	62	62

On 5 April 2019 the Company entered into a ¥1,465,000,000 unsecured revolving credit facility with the option to increase the amount available under the facility to a maximum of ¥2,930,000,000. During the period ¥2,297,500,000 was drawn down, which is repayable on 3 April 2020.

Interest is payable at a rate equal to LIBOR plus 0.75%.

* Revaluation of revolving credit facility.

5. Taxation

	Period ended 31 December 2019		
	Revenue return £'000	Capital return £'000	Total £'000
Analysis of charge for period			
Overseas tax not recoverable	230	-	230
Tax cost for the period	**230**	**-**	**230**

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

Period to 31 December 2019	
Revenue	Capital

	return £'000	return £'000	Total £'000
Return on ordinary activities after interest payable but before appropriations	1,492	13,145	14,637
Theoretical tax at UK corporation tax rate 19%	283	2,498	2,781
Effects of the non-taxable items:			
- Tax-exempt overseas investment income	(438)	-	(438)
- Gains on investments and exchange losses on capital items	-	(2,693)	(2,693)
- Excess management expenses carried forward	151	195	346
- Disallowed expenses	4	-	4
- Overseas tax recoverable	230	-	230
Tax credit for the period	**230**	**-**	**230**

At 31 December 2019, the Company had unrelieved losses of £1,825,000 that are available to off set future taxable revenue. A deferred tax asset of £310,000 has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus 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

The final dividend proposed on Ordinary Shares in respect of the financial period, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered.

	Period ended 31 December 2019 £'000
Proposed final dividend for the period ended 31 December 2019 of 0.9p per Ordinary Share	**1,034**

Based on shares in circulation on 7 February 2020.

7. Earnings per Ordinary Share

The earnings per Ordinary Share is based on the Company's net profit after tax of £ 14,407,000 and on 89,867,183 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

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

	Period to 31 December 2019		
	Revenue	**Capital**	**Total**
Net profit (£'000)	**1,262**	**13,145**	**14,407**
Weighted average number of Ordinary Shares			**89,867,183**
Earnings per Ordinary Share (£)	**1.40**	**14.63**	**16.03**

There are no dilutive instruments by the Company.

8. Investments held at fair value through profit or loss

	31 December 2019 £'000
Financial assets held at fair value	
Opening fair value	**-**
Movement in the period:	
Purchases at cost:	
Equities	**143,350**
Sales proceeds:	
Equities	**(32,724)**
- realised gains on equity sales	**7,694**
Increase in investment holding gains	**7,211**
Closing fair value	**125,531**
Closing book cost	**118,320**
Closing investment holding gains	**7,211**
Closing fair value	**125,531**

	Period ended 31 December 2019 £'000
Transaction costs	
Cost of acquisition	**88**
Cost on disposal	**19**
	107
Analysis of capital gains	
Gains on sales of financial assets based on historical cost	**7,694**
Movement in investment holding gains for the period	**7,211**
Net gains on investments held at fair value	**14,905**

9. Other receivables

	31 December 2019 £'000
Other receivables	**296**

Total	**296**

10. Current liabilities

	31 December 2019 £'000
Revolving credit facility	**15,965**
Other payables:	
Management fees	**33**
Interest payable	**24**
Other payables	**190**
Total other payables	**247**
Total current liabilities	**16,212**

Revolving credit facility
On 5 April 2019 the Company entered into an agreement with Scotiabank Europe Plc for a ¥1,465,000,000 unsecured revolving credit facility (the "facility") for a period of 364 days, with the option to increase the amount available under the facility to a maximum of ¥2,930,000,000. During the period ¥2,297,500,000 was drawn down, which is repayable on 3 April 2020.

The facility bears interest at the rate of 0.75% over LIBOR on any drawn balance. Undrawn balances above ¥1,465,000 are charged at 0.275% and any undrawn portion below this is charged at 0.225%. Under the terms of the facility, the net assets shall not be less than £35m and the adjusted net asset coverage to borrowing shall not be less than 4.5:1.

The facility is shown at amortised cost and revalued for exchange rate movements. 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.

11. Share capital

	Ordinary Shares of 1p each	
	Number of shares	Nominal value (£)
Allocated, called up, and fully paid	**113,939,742**	**1,139,397**

During the period to 31 December 2019 113,939,742 Ordinary Shares were issued for a net consideration of £113,229,000. This comprised the initial offering on 23 October 2018 of 80,000,000 Ordinary Shares at 100p and subsequent placings of 33,939,742 shares at an average of 104.75p.

12. Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on net assets of £ 127,610,000 on 113,939,742 Ordinary Shares, being the number of Ordinary Shares in issue at 31 December 2019.

13. Financial instruments and capital disclosures

Investment objective and policy
The investment objective of the Company is to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value. The Company's investment objective and policy are detailed above.

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. The risk of borrowings may be reduced by raising the level of cash balances held.

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 and exchange rate movements. 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
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 period end increased or decreased by 10%, then it would have had an impact on the Company's capital return and equity of £12,553,000.

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 2019 is ¥143.905 : £1.

Currency Risk

	GBP £'000	JPY £'000	Total £'000
At 31 December 2019			
Other receivables	15	281	**296**
Cash and cash equivalents	345	17,650	**17,995**
JPY revolving credit facility	-	(15,965)	**(15,965)**
Other payables	(223)	(24)	**(245)**
Currency exposure on net monetary items	137	1,942	**2,079**
Investment held at fair value through profit or loss	-	125,531	**125,531**
Total net currency exposure	**137**	**127,473**	**127,610**

If the above level of cash was maintained for a year a 1% increase in interest rates would increase the revenue return and net assets by £20,000. 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 cost increase/revenue reduction of £20,000.

A 5% rise or decline in Sterling against foreign currency denominated (i.e. non Pounds Sterling) assets and liabilities held at the period end would have increased/decreased the net asset value by £6,374,000.

This exposure is representative at the Balance Sheet date and may not be representative of the period as a whole. The balances are shown in the reporting currencies of the investee companies and may not represent the underlying currency exposures of the investee companies.

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 2019 of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	31 December 2019 £'000
Exposure to floating interest rates	
Cash and cash equivalents	**17,995**
JPY revolving credit facility	**(15,965)**

If the above level of cash was maintained for a year, a 1% increase in interest rates would increase the revenue return and net assets by £20,000 . 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 cost increase/revenue reduction of £20,000 .

Liquidity risk
The Company's assets mainly comprise readily realisable securities which can be easily sold to meet funding commitments, if necessary. Unlisted investments, if any, in the portfolio are subject to liquidity risk. The risk is taken into account by the Directors when arriving at their valuation of these items.

The remaining contractual payments on the Company's financial liabilities at 31 December 2019, based on the earliest date on which payment can be required and current exchange rates at the Balance Sheet date, were as follows:

	Due in 1 year or less £'000
At 31 December 2019	
JPY revolving credit facility	**(15,965)**
Other payables	**(222)**
	(16,188)

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.

The total credit exposure represents the carrying value of cash and receivable balances and totals £18,291,000 .

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 period end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 31 December 2019	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Equity investments	125,531	**-**	**-**	**125,531**
	125,531	**-**	**-**	**125,531**

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

Capital management policies and procedures
The structure of the Company's capital is described above and details of the Company's reserves are shown in the Statement of Changes in Equity.

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 net asset value, 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.

The Company has complied with these requirements at all times since commencing trading on 23October 2018.

14. Related party disclosures and investment management fees

Fees paid to the Company's Directors are disclosed in the Report on Remuneration Implementation within the Annual Report and in note 3.

The Company paid management fees to AVI during the period amounting to £1,027,000. As at the period end, £33,000 remained outstanding in respect of management fees. As at 31 December 2019, AVI held 325,000 shares of the Company.

Finda Oy, a significant Shareholder of the Company, is deemed to be a related party of the Company for the purposes of the Listing Rules by virtue of its holding in the Company's issued share capital. During the period under review the following transactions took place:

- 15 May 2019 placing of 3,913,774 shares at 101.13 p which was classed as a smaller related party transaction under Listing Rule 11.1.10R;
- 28 October 2019 an Extraordinary General Meeting gave authority to issue up to 14,365,000 shares;
- 8 November 2019 placing of 13,100,000 shares at 107.08p

At 31 December 2019 Finda Oy held 30,000,000 shares representing 26.33 % of shares in issue.

15. Post Balance Sheet events

Since 31 December 2019 the Company has issued 950,000 Ordinary Shares at an average price of 114.68p.

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.

Glossary

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 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), 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 12.5 represents borrowings of £15,965,000 expressed as a percentage of Shareholders' funds of £127,610,000. The gearing of 1.6% represents borrowings net of cash of £2,079,000 expressed as a percentage of Shareholders' funds of £127,610,000.

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.

Ongoing Charges Ratio
As recommended by The AIC in its guidance, ongoing charges are the Company's annualised expenses of £1,509,000 (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of £92,170,000 of the Company during the period.

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.

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 Asset Services, using the contact details given below or via www.signalshares.com. 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 Asset Services' Customer Support Centre is available to answer any queries you have in relation to your shareholding:

- By phone: from the UK, call 0871 664 0300, from overseas call +44 (0) 371 664 0300 (calls cost 12p per minute plus your phone company's access charge. 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: shareholderenquiries@linkgroup.co.uk;
- By post: The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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 Asset Services using the contact details given above, under the signature of the registered holder.

Daily Net Asset Value
The daily net asset value of the Company's shares can be obtained from the London Stock Exchange or via the website: www.ajot.co.uk

Company Information

Directors
Norman Crighton *(Chairman)*
Ekaterina (Katya) Thomson
Yoshi Nishio
Margaret Stephens

Investment Manager and AIFM
Asset Value Investors Limited
25 Bury Street
London
SW1Y 6AL

Administrator
Link Alternative Fund Administrators Limited
Beaufort House
51 New North Road
Exeter
EX4 4EP

Registered office
Beaufort House
51 New North Road
Exeter
Devon
EX4 4EP

Auditor
BDO LLP
150 Aldersgate Street
London
EC1A 4AB

Solicitors
Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Corporate Broker

Secretary

N+1 Singer
1 Bartholomew Lane
London
EC2N 2AX

Link Company Matters Limited
Beaufort House
51 New North Road
Exeter
Devon
EX4 4EP

Custodian
J.P. Morgan Chase Bank
National Association
London Branch
25 Bank Street
Canary Wharf
London
E14 5JP

Depositary
J.P. Morgan Europe Limited
25 Bank Street
Canary Wharf
London
E14 5JP

Registrar and Transfer Office
Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registrar's Shareholder Helpline
Tel. 0871 664 0300
From overseas call: +44 (0) 371 664 0300
Calls cost 12p per minute plus your phone company's access charge. 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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Neither the contents of the Company's website nor the contents of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of this announcement.

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