

May 2023

Investment Objective: To achieve capital growth through investing in a focused portfolio of over-capitalised small cap Japanese equities. Asset Value Investors will leverage its three decades of experience investing in asset-backed companies to engage with company management and help to unlock value in this under-researched area of the market

HEADLINES

Shareholder Proposals

We submitted shareholder proposals to NC Holdings and SK Kaken.

[Read more below](#)

NC Holdings

NC Holdings' (NCHD) share price rallied +18% over the month.

[Read more below](#)

Digital Garage

Digital Garage was the largest detractor, with a -20% fall in its share price.

[Read more below](#)

THE FUND

(Figures to 31 May 2023)

Unit Price:

€103.4

EV/EBIT:

7.9x

Net Cash % Market Cap:

32.4%

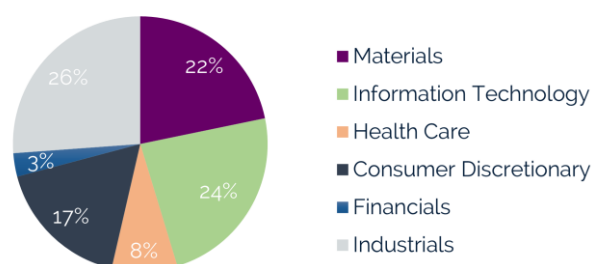
NFV % Market Cap:

51.7%

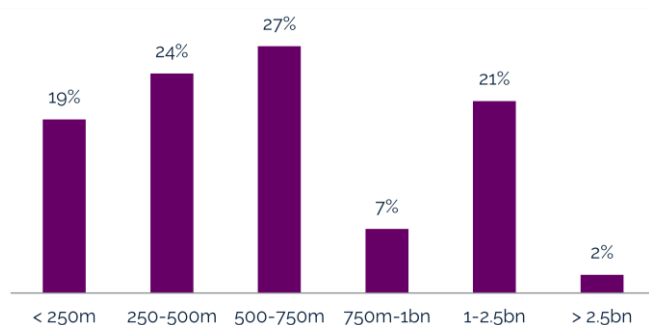
EUR €	Month	Year to Date	Since Inception
AJF NAV:	-0.4%	9.9%	6.5%
MSCI Japan Small Cap:	1.8%	3.1%	6.0%
JPY ¥	Month	Year to Date	Since Inception
AJF NAV:	-1.3%	16.2%	11.9%
MSCI Japan Small Cap:	0.8%	9.1%	11.3%

PORTFOLIO

Sector Breakdown (% of Portfolio)



Market Cap Breakdown (% of Portfolio)



Top Ten Equity Holdings % of NAV

Holding	%
TSI Holdings	9.2
Wacom	8.9
Nihon Kohden	8.4
DTS Corp	7.3
Konishi	7.2
Shin-Etsu Polymer	6.9
Jade Group	6.8
T Hasegawa	6.6
NC Holdings	5.7
Digital Garage	5.5
TOTAL	72.5

MANAGER'S COMMENT

The Fund's NAV decreased -1.4% over the month. Small-cap stocks underperformed large-caps, which we attribute the large-cap outperformance to strong foreign inflows, which tend to focus on more liquid companies.

Over the month NC Holdings and DTS were the largest contributors, adding 91bps and 67bps to returns respectively. Digital Garage and Jade Group (previously LOCONDO) reduced returns by -132bps and -91bps respectively.

We built a new position in Takuma (more on this in the quarterly letter next month) funded by reducing our position in NS Solutions. Modest additions were made to TSI Holdings, Nihon Kohden and Digital Garage, while we started building a small stake in an undisclosed position.

We submitted shareholder proposals to NC Holdings (more below) and SK Kaken. In the case of SK Kaken, this is the third year in a row in which we have submitted shareholder proposals due to the controlling-family's refusal to pay heed our (rather mild) recommendations. We achieved a majority of the votes from minority shareholders last year and hope to achieve similar levels of support this year.

At the end of the month, the weighted average EV/EBIT valuation multiple on the portfolio was 7.9x, with net cash and investment securities covering 52% of the market cap. We are encouraged by the increased interest from foreign investors in Japan, indicative of a growing recognition that Japan isn't a market to be ignored.

NC Holdings (6236) – submission of shareholder proposals

NC Holdings' (NCHD) share price rallied +18% over the month, adding 91bps to performance, gaining once the news broke on 2nd May that we had submitted shareholder proposals to the June AGM. As detailed on our website www.enhancingNCHD.com, we submitted eight shareholder proposals covering a variety of topics, including the election of two independent outside directors, the establishment of a strategic review committee, an increase in stock compensation for directors, and a dividend equivalent to a 70% pay-out ratio.

We have been seeking ways to bring NCHD's value closer to its intrinsic value through friendly and constructive dialogue in private with management for two years. It is disappointing, therefore, that management have not listened to our recommendations and since submitting our shareholder proposals have embarked on a campaign of hostility and self-protection. The Board have made little attempt to understand the benefits of our shareholder proposals, making baseless claims that AVI is planning to sell off the conveyor belt business and that we are seeking control of the Company so that it conforms to our wishes.

Despite seeking constructive dialogue to further explain our views, the Company is now refusing to meet with us. Of the ten companies to which we have submitted shareholder proposals to date, we have never before experienced a management team behave so unprofessionally. Management's refusal to engage with its second largest shareholder (with more than 20% of the votes) highlights their appalling attitude towards shareholders and raises further concerns over their stewardship.

To any observer of our presentation and shareholder proposals, it is obvious that we are not seeking to control the Company and that our shareholder proposals will benefit all shareholders. We are disappointed and bemused that NCHD has chosen the path of confrontation, even opposing our proposal that seeks to increase director compensation. We would have been more than willing to withdraw our shareholder proposals and continue our dialogue in private if the Board had listened to our concerns. It is only proxy and legal advisors who stand to benefit from confrontation, with their fee revenue growing with protracted and acrimonious shareholder conflicts. We sincerely hope that NCHD's Board of Directors is not wasting shareholder funds on such advisors like it has done in the past.

We hope that NCHD's shareholders will look past management's misleading and superficial rhetoric to see that our interests are aligned with all shareholders in seeking to maximise the Company's corporate value. If any shareholders would like to discuss our shareholder proposals in more detail, please do get in touch via our [website](#).

Digital Garage (4819) – lacklustre mid-term plan

Digital Garage was the largest detractor, with a -20% fall in its share price reducing performance by 132bps following a hugely disappointing mid-term plan. We have been engaging with Digital Garage extensively and ahead of the mid-term plan sent a letter to the Board calling for all strategic options to be considered to address the inefficient holding structure.

Instead of listening to our concerns and those raised publicly by another shareholder, a Hong-Kong based activist fund, management released an uninspiring mid-term plan. The plan failed to address the holding structure nor justify why Digital Garage needed a 20% stake in Kakaku.com, and neither did it make a convincing case as to how, without change, the performance of the payment business will improve. The negative share price reaction shows we are not alone in our disappointment with the mid-term plan, and we are exploring next steps.

Contributors / Detractors (in EUR)

Largest Contributors	1-month contribution bps	Percent of NAV
NC Holdings	91	5.7
DTS Corp	67	7.3
Shin-Etsu Polymer	30	6.9

Largest Detractors	1-month contribution bps	Percent of NAV
Digital Garage	-132	5.5
Jade Group	-91	6.8
T Hasegawa	-38	6.6

Fund Facts

AVI Japan Fund

Launch Date: 8 September 2022

Net Assets: € 4,129,153

Investment Manager: Asset Value Investors Limited

AJF Minimum Investment: €100,000 or currency equivalent

Fund Structure: Irish Qualifying Investor Alternative Investment Fund

Management Fee: 1.0%

Website: www.assetvalueinvestors.com/AJF

Ticker Code: AVIJAPY

Class		
A	EUR	IE000Y00WKT3
B	USD	IE000NOYN608
C	GBP	IE000TWDE6J8
D	JPY	IE000CoSTZS6
E	EUR	IE000YSOI7A7
E	GBP	IE000HCG7Z92
E	JPY	IE0004D4HG49
E	USD	IE000EYJWQX3

Investment Manager – Joe Bauernfreund

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The share price can be found in [AJF - Asset Value Investors](#)

Further Information may be found on the following websites:

www.assetvalueinvestors.com/ajf
www.assetvalueinvestors.com



IMPORTANT INFORMATION

All figures are as at the period under review unless otherwise stated. All sources Asset Value Investors Ltd ("AVI") unless otherwise stated. AVI is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the "FCA") and is a registered investment adviser with the Securities and Exchange Commission of the United States. While AVI is registered with the SEC as an investment adviser, it does not comply with the Advisers Act with regard to its non-U.S. clients. This document does not constitute an offer to buy or sell shares in AVI Global Trust plc (the "Trust"). The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Trust should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund.