

January 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

Earnings

Although it is too early to say for certain, there are encouraging signs that cost pressures are easing, and price increases are taking effect.

[Read more below](#)

TSI Holdings

TSI, the diversified apparel holding company, saw a share price increase of +18% over the month.

[Read more below](#)

LOCONDO

During the month LOCONDO reported quarterly results which saw sales and operating profit increase by +9% and +24% YoY.

[Read more below](#)

THE FUND

(Figures to 31 January 2023)

Unit Price:

99.3

EV/EBIT:

6.7x

Net Cash % Market Cap:

38.2%

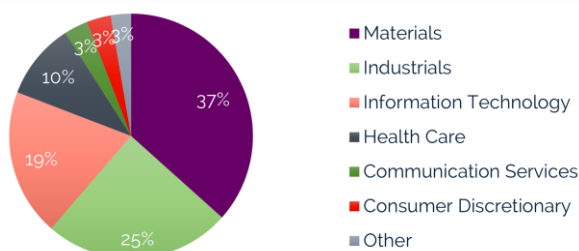
NFV % Market Cap:

57.7%

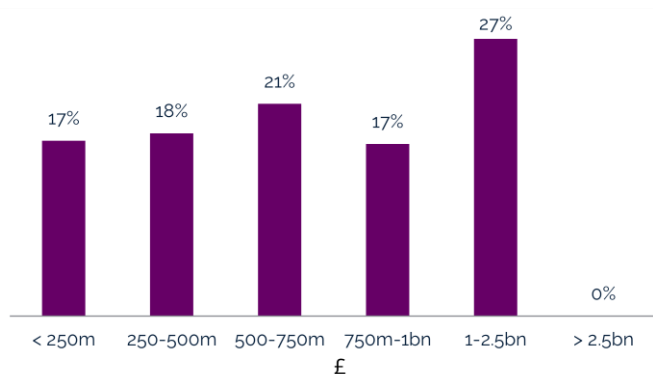
EUR €	Month	Year to Date	Since Inception
AJF NAV:	5.6%	5.6%	2.3%
MSCI Japan Small Cap:	2.2%	2.2%	5.0%
JPY ¥	Month	Year to Date	Since Inception
AJF NAV:	5.9%	5.9%	1.9%
MSCI Japan Small Cap:	2.5%	2.5%	4.6%

PORTFOLIO

Sector Breakdown (% of Portfolio)



Market Cap Breakdown (% of Portfolio)



Top Ten Equity Holdings % of NAV

Holding	%
Wacom	8.8
Nihon Kohden	8.6
TSI Holdings	7.7
T Hasegawa	7.6
Shin-Etsu Polymer	7.1
Konishi	6.9
DTS Corp	6.7
Digital Garage	6.5
Fujitec	6.2
Locondo	5.3
TOTAL	71.4

MANAGER'S COMMENT

The Fund had a strong month with NAV growth of +5.6%. This came despite Japanese small companies lagging buoyant markets (MSCI Japan Small Cap returning +2.2% compared to the MSCI Japan's +4.4% (all in EUR).

It was an encouraging month with two large holdings, TSI Holdings and Shin-Etsu Polymer, seeing their share prices rise by +18% and +4%, respectively and together contributing 203bps to performance. There were few detractors, LOCONDO being the largest with a -6% share price decline reducing performance by 37bps.

At the end of the month, roughly half of portfolio companies had reported earnings. The overall pattern was one of strong sales growth but lagging profits due principally to cost pressures. Although it is too early to say for certain, there are encouraging signs that cost pressures are easing, and price increases are taking effect.

Over the month we continued to build our position in Nihon Kohden, which ended the month with a weight of 8.6%, and we added to DTS after a period of share price weakness that we believe is not justified by fundamentals. At the end of the month, the weighted average EV/EBIT valuation multiple on the portfolio was 6.7x, with net cash and investment securities covering 58% of the market cap.

TSI Holdings (3608)

TSI, the diversified apparel holding company, saw a share price increase of +18% over the month. Results were in line with our expectations, with sales rising +11% YoY and profits falling -22% (higher raw material prices and one-off costs relating to head office move). The shares likely rose on the announcement of a 5.8% share buyback (following a 6.6% buyback last year) and the resignation of the Chairman from the founding family.

The +18% share price gain does little to change TSI's undervaluation. At the start of the month, net cash, investment securities, and realisable real estate accounted for 172% of its market cap compared to 147% at the end. We still see an estimated upside to the current share price of +110%. Over the month we added modestly to the holding, although eased buying following the market's strong reaction to results. We own just under 5% of the voting shares and plan to engage with management on ways in which to further rectify the undervaluation – although given the spate of buyback announcements, we think we are pushing on an open door.

LOCONDO (3558)

During the month LOCONDO reported quarterly results which saw sales and operating profit increase by +9% and +24% YoY. The market seemed to have expected more as the share price fell -6% over the month in response.

We share the market's concern over the stagnation in LOCONDO's core ecommerce website growth, which reported YoY -2% decline in gross merchandise value. However, LOCONDO's third-party logistics business saw +8% growth in shipping volume, taking two-year growth to an impressive +56%, while there were encouraging signs from the recently acquired Reebok brand.

The rights to manage the Japan Reebok brand should be hugely accretive for LOCONDO, who only paid for the inventory, and are a large contributing factor to management's confidence in growing profits by +75% next year. Management's tendency to overpromise and underdeliver means investors are reluctant to believe rosy forecasts but, given the magnitude of anticipated profit growth (which we don't think is entirely unreasonable), management can miss by a long way and profits would still grow strongly. We do not believe that the current share price reflects LOCONDO's intrinsic value, and we will be working with management on ways to rectify the lowly 8.6x EV/EBIT valuation.

STATISTICS

Contributors / Detractors (in EUR)

Largest Contributors	1-month contribution bps	Percent of NAV
TSI Holdings	119	7.7
Shin-Etsu Polymer	84	7.1
Wacom	75	8.8

Largest Detractors	1-month contribution bps	Percent of NAV
Locondo	-37	5.3
NC Holdings	-7	5.3
ITFOR Inc	0	0.1

Fund Facts

AVI Japan Fund

Launch Date: 8 September 2022

Net Assets: €3,966,366

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.AJF-fund.com

Ticker Code: AVIJAPY

Class

A	EUR	IE000Y00WKT3
B	USD	IE000NOYN608
C	GBP	IE000TWDE6J8
D	JPY	IE000C0STZS6
E	EUR	IE000YS0I7A7
E	GBP	IE000HCG7Z92
E	JPY	IE0004D4HG49
E	USD	IE000EYJWQX3

Investment Manager – Joe Bauernfreund

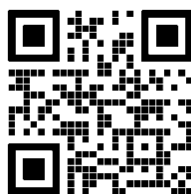
AVI Ltd. +44 20 7659 4800 info@assetvalueinvestors.com

The share price can be found in www.AJF-fund.com

Further Information may be found on the following websites:

www.AJF-fund.com

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.