

August 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 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

Portfolio Valuation

The weighted average EV/EBIT multiple was 7.9x with net cash and investment securities covering 54% of the market cap.

[Read more below](#)

Konishi

Konishi's +9% share price gain over the month takes its year-to-date returns to +50%, marking a fantastic outcome for our engagement.

[Read more below](#)

NC Holdings

NCHD share price drifted -13% lower over the month, following lacklustre results and a lack of direction from the Company post AGM.

[Read more below](#)

THE FUND

(Figures to 31 August 2023)

Unit Price:

€101.9

EV/EBIT:

7.9x

Net Cash % Market Cap:

34.8%

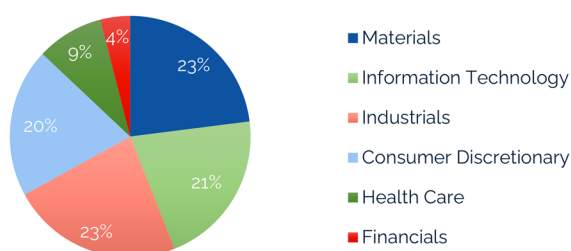
NFV % Market Cap:

54.3%

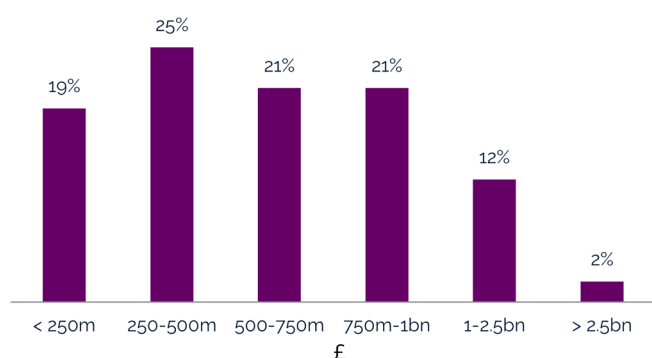
EUR €	Month	Year to Date	Since Inception
AJF NAV:	-0.8%	8.2%	4.9%
MSCI Japan Small Cap:	0.9%	7.0%	10.0%
JPY ¥	Month	Year to Date	Since Inception
AJF NAV:	0.0%	21.4%	16.9%
MSCI Japan Small Cap:	1.8%	20.1%	22.6%

PORTFOLIO

Sector Breakdown (% of Portfolio)



Market Cap Breakdown (% of Portfolio)



Top Ten Equity Holdings % of NAV

Holding	%
TSI Holdings	10.1
Nihon Kohden	8.4
Konishi	8.4
Takuma	7.2
T Hasegawa	7.0
DTS	7.0
Jade Group	6.5
Wacom	6.3
Shin-Etsu Polymer	5.7
Digital Garage	5.2
TOTAL	71.8

MANAGER'S COMMENT

The fund's NAV decreased by -0.8% over the month, dampened by a -0.8% weakening of the Japanese Yen versus the Euro. Detracting from performance was NC Holdings (-13%) and Digital Garage (-9%), while Konishi (+9%) was the largest contributor, followed by Nihon Kohden (+4%).

We visited Tokyo shortly after the end of the month, joining our Japan-based colleague for a highly productive week. We had fascinating meetings with senior management from nine portfolio companies in addition to a handful of meetings with various advisors. With pressure from the Tokyo Stock Exchange to enhance capital efficiency, and recent high-profile activist campaigns, the sophistication of discussions in our meetings continues to increase. Japanese management now have an understanding of the critical importance of metrics like return-on-equity and price-to-book ratios, in stark contrast to even five years ago when we first launched. It also helps when we can show that our suggestions do work; one executive remarked during a meeting that *"whenever we do something that AVI suggests, the share price goes up"*.

At the end of the month, the weighted average EV/EBIT multiple on the portfolio was 7.9x, with net cash and investment securities covering 54% of the market cap. We believe that the lowly valuation of the portfolio does not come close to reflecting both the quality of our portfolio companies, nor the prospects for change.

Konishi (4956) – engagement success

Konishi's +9% share price gain over the month takes its year-to-date returns to +50%, marking a fantastic outcome for our engagement. We have been engaging with Konishi's management since AJOT's launch almost five years ago, building a close relationship with the IR team and more recently with the CFO, President and Chairman. While we had submitted shareholder proposals and letters in the past, it was our letter in January containing a list of 16 suggestions that resonated with the Chairman. Our suggestions ranged from capital allocation, diversifying adhesive sales away from housing, appointing a CFO and formulating an overseas expansion plan.

Although not all our suggestions were enacted, management adopted many and included them in the May mid-term plan, which, as well as guiding for +25% profit growth next year, has buoyed the share price. We commend management for listening to our views and look forward to continuing our dialogue to address the still derisory 5.3x EV/EBIT multiple. Over the life of our investment, we have generated a +61% ROI.

NC Holdings (6236) – limbo post-AGM

NC Holdings (NCHD) share price drifted -13% lower over the month following lacklustre results (although given the nature of NCHD's business, it is difficult to read too much into quarterly performance) and a lack of direction from the Company post the AGM. As a reminder, we had three shareholder proposals successfully passed at NCHD's AGM held in June, with a further three proposals receiving majority shareholder support.

Management are not doing enough to address the Company's undervaluation and weak share price. We have been encouraging the company to release a mid-term plan to allow investors to better appreciate the prospects for the company, which we conveyed to the President during our recent trip to Tokyo. Despite management's hostile approach at the AGM, the meeting was cordial, and the President was receptive to our suggestions, acknowledging the high support for our shareholder proposals. With the weak share price, we see further upside to our target price and are exploring next steps.

Contributors / Detractors (in EUR)

Largest Contributors	1-month contribution bps	Percent of NAV
Konishi	66	8.4
Nihon Kohden	22	8.4
Takuma	21	7.2

Largest Detractors	1-month contribution bps	Percent of NAV
NC Holdings	-70	4.6
Digital Garage	-58	5.2
DTS	-32	7.0

Fund Facts

AVI Japan Fund

Launch Date: 8 September 2022

Net Assets: € 7,343,071

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	IE000C0STZS6
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.