

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 7.4x with net cash and investment securities covering 57% 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)

Share Price (pence)

115.0

NAV

117.1

Prem./Disc.

-1.8%

EV/EBIT

7.4

Net Cash/Market Cap

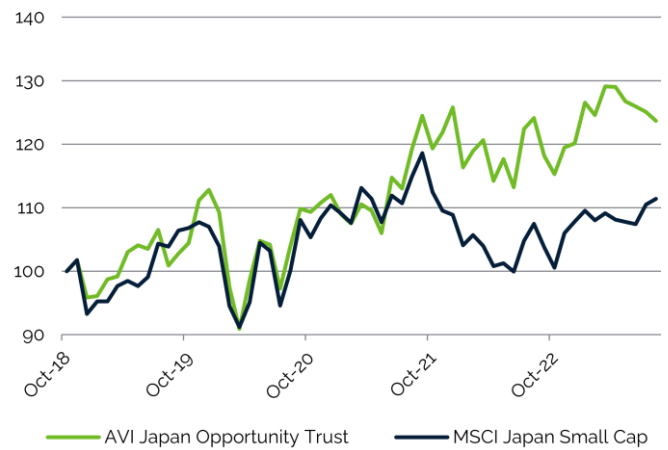
35.8%

NFV/Market Cap

57.2%

GBP	Month	YTD	1Y	3Y	SI*
AJOT Share Price	-1.1%	2.9%	-0.4%	18.9%	21.5%
AJOT NAV	-1.1%	3.3%	-0.2%	19.1%	25.4%
MSCI Jap Small Cap	0.8%	3.3%	3.7%	11.3%	12.3%

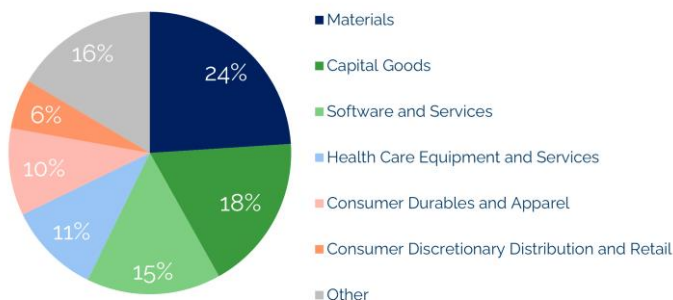
## NAV Total Return Since Inception (£)



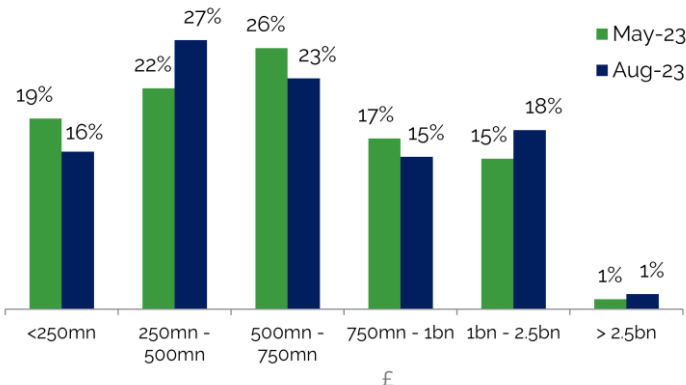
## PORTFOLIO

(Holdings to 31 August 2023)

## Sector Breakdown (% of Portfolio)



## Market Cap Breakdown (% of Portfolio)



## Top Ten Equity Holdings % of NAV

Holding	31-May-23	Holding	31-Aug-23
Nihon Kohden	8.9	TSI Holdings	10.4
DTS	8.8	Nihon Kohden	9.1
TSI Holdings	8.7	Konishi	8.6
Konishi	7.4	Takuma	8.4
Shin-Etsu Polymer	6.8	DTS	7.8
Wacom	6.8	Shin-Etsu Polymer	6.6
NC Holdings	6.0	T Hasegawa	6.4
T Hasegawa	5.8	Jade Group*	5.9
Jade Group*	5.5	Wacom	5.6
Takuma	5.2	NC Holdings	5.2
<b>TOTAL</b>	<b>69.9</b>	<b>TOTAL</b>	<b>74.0</b>
% Gearing	6.0	% Gearing	3.6
No. of Holdings	26	No. of Holdings	23

\*Formerly LOCONDO

## MANAGER'S COMMENT

AJOT's NAV decreased by -1.1% over the month, dampened by a -0.9% weakening of the Japanese Yen versus Sterling. Detracting from performance was NC Holdings (-13%) and Digital Garage (-9%), while Konishi (+9%) was the largest contributor, followed by our relatively new position in Takuma (+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 7.4x, with net cash and investment securities covering 57% 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 +63% ROI and +18% IRR.

**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 is 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.

## STATISTICS

## Contributors / Detractors (in GBP)

Largest Contributors	Monthly Contribution bps	% Weight
Konishi	66	8.6
Takuma	23	8.4
Nihon Kohden	22	9.1
T Hasegawa	14	6.4
Jade Group	14	5.9

Largest Detractors	Monthly Contribution bps	% Weight
NC Holdings	-80	5.2
Digital Garage	-56	5.0
DTS	-37	7.8
Shin-Etsu Polymer	-24	6.6
Fuji Soft	-24	2.8

## Fund Facts

Launch	23 October 2018
Net Assets	£164.9m
Investment Manager	Asset Value Investors Limited
AJOT Shares owned by the Manager***	2,641,016
Shareholder Services	Link Asset Services
Management Fee**	1.0% of lower of market cap or NAV
Website	www.ajot.co.uk
Ticker Code	AJOT.LN
ISIN	GB00BD6H5D36

	1m	1y	3y	SI
Share Price TR	-1.1%	-0.4%	18.9%	21.5%
Net Asset Value TR	-1.1%	-0.2%	19.1%	25.4%
MSCI Jap Small Cap	0.8%	3.7%	11.3%	12.3%
Calendar Year Net Returns	YTD	2022	2021	2020
Price	2.9%	-4.5%	12.4%	-0.7%
Net Asset Value	2.9%	-4.3%	12.3%	-1.2%
MSCI Jap Small Cap	3.3%	-1.0%	-1.4%	3.2%

## Capital Structure

Ordinary Shares	140,836,702
Shares held in Treasury	0
TONAR + 1.15% Revolving Credit facility	¥2,930,000
Gross Assets/Gearing	
Gross Assets	180.8m
Debt at fair value (gross)	15.9m
Gearing (net)	3.6%

All performance shown in GBP Total Return

\* 23 October 2018 Start Date

\*\* 25% of Management Fee to be reinvested in shares of AJOT

\*\*\* Shares owned by AVI Ltd & AVI employees

## Investment Manager – Joe Bauernfreund

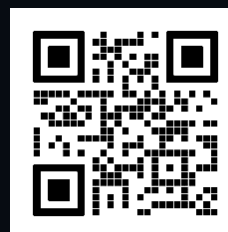
AVI Ltd. +44 20 7659 4800 info@ajot.co.uk

The share price can be found in The Financial Times.  
ISIN: GB00BD6H5D36 Trading as: AJOT:LN

Information may be found on the following websites:

[www.ajot.co.uk](http://www.ajot.co.uk)

[www.assetvalueinvestors.com](http://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.