

October 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

## Share Buybacks

Portfolio names JADE GROUP, TSI and Wacom announced buyback programs, while Konishi and Eiken Chemical announced treasury share cancellations.

Read more below

## Fuji Soft

Growing market recognition of the prospects for a takeover event occurring in the near term drove the share price higher, leading us to exit our position and monitor closely from the sidelines.

Read more below

## JADE GROUP

The market had a volatile reaction to results that are in line with full year guidance, leading to a decline in the share price despite management responding by increasing buybacks.

Read more below

## THE FUND

(Figures to 31 October 2023)

Share Price (pence)

104.8

NAV (pence)

111.0

Prem./Disc.

-5.6%

EV/EBIT

6.5

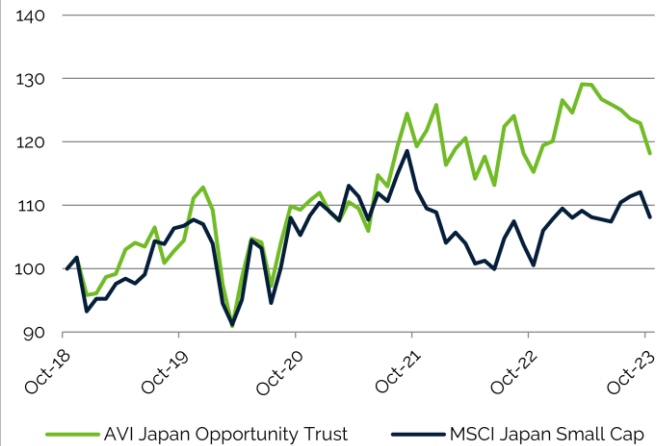
Net Cash/Market Cap

40.4%

NFV/Market Cap

60.5%

## NAV Total Return Since Inception (£)

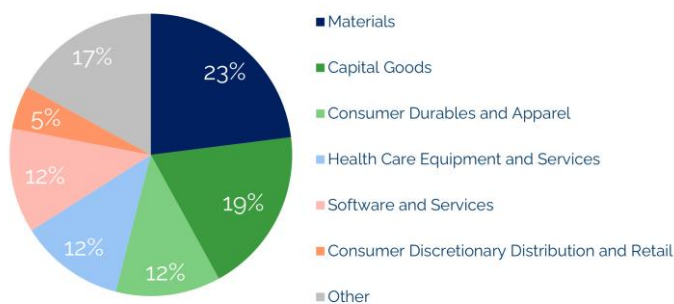


GBP	Month	YTD	1Y	3Y	SI*
AJOT Share Price	-3.9%	-1.6%	2.5%	8.1%	16.2%
AJOT NAV	-3.9%	-1.4%	2.7%	8.4%	19.7%
MSCI Jap Small Cap	-3.5%	0.3%	7.6%	2.7%	9.0%

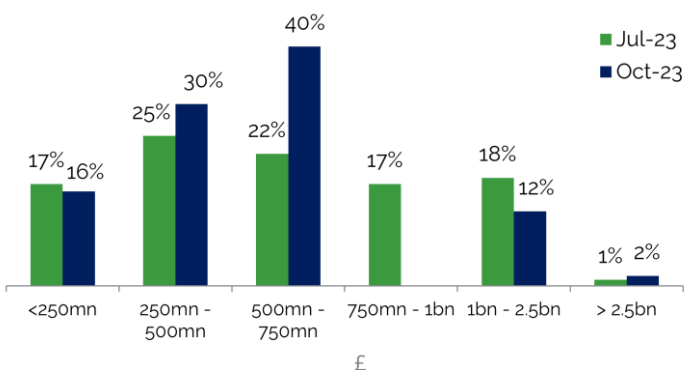
## PORTFOLIO

(Holdings to 31 October 2023)

## Sector Breakdown (% of Portfolio)



## Market Cap Breakdown (% of Portfolio)



## Top Ten Equity Holdings % of NAV

Holding	31-Jul-23	Holding	31-Oct-23
TSI Holdings	10.3	TSI Holdings	11.8
Nihon Kohden	8.8	Nihon Kohden	8.9
DTS	8.1	Takuma	8.0
Takuma	8.1	Konishi	8.0
Konishi	7.8	DTS	7.5
Shin-Etsu Polymer	6.7	Shin-Etsu Polymer	6.9
T Hasegawa	6.2	Jade Group	5.1
NC Holdings	5.9	NC Holdings	5.1
Jade Group*	5.7	Wacom	5.1
Wacom	5.6	T Hasegawa	5.0
<b>TOTAL</b>	<b>73.2</b>	<b>TOTAL</b>	<b>71.4</b>
% Gearing	7.8	% Gearing	0.9
No. of Holdings	25	No. of Holdings	22

\*Formerly LOCONDO

## MANAGER'S COMMENT

AJOT's NAV decreased by -3.9% over the month in a generally difficult environment for global equities. Wacom (-13% share price decline) and Digital Garage (-13%) were the largest detractors, while two new additions Fuji Soft (+12%) and Eiken Chemical (+9%) bucked the market weakness.

A handful of portfolio companies reported results, with most delivering results either in line with or surpassing our expectations. JADE GROUP, TSI and Wacom announced share buyback programs for 5.2%, 8.5% and 8.4% of outstanding shares respectively, while Konishi and Eiken Chemical both announced treasury share cancellations for 13.5%. Although Wacom announced its share buyback and results after the last day of trading for the month, it would be remiss not to mention that over the subsequent three trading days its share price increased +36%, providing a healthy boost to our NAV with Wacom being a 5% position.

We are closely monitoring the upcoming EGM in December at Cosmo Energy (a company not held in the portfolio), where the Company is seeking to install a poison pill to thwart the efforts of a high-profile activist to increase their holding from 20% to 25%. Despite the Company's best efforts, Murakami funds will be allowed to vote at the EGM, making it a possibility that the motion is voted down. Should this happen, we think it would be a significant blow to those advisors and companies in Japan using poison pills to block takeovers and prevent a healthy environment for corporate takeovers.

Trading over the month was modest, exiting a position in Fuji Soft, trimming some larger holdings and building a toehold in a micro-cap company where we see almost 3x upside.

At the end of the month, the weighted average EV/EBIT multiple on the portfolio was 6.5x, with net cash and investment securities covering 61% of the market cap. As the share price response to Wacom's share buyback and result announcement shows, there is significant value in our portfolio, and we are identifying more direct pathways to unlocking that value through our engagement.

### **Fuji Soft (9749) – Special Situation Success**

Fuji Soft's +12% share price rise made it the largest contributor over the month, driven higher by rumours surrounding a potential takeover. We built a position in Fuji Soft in May this year following an activist campaign from a Singapore-based engagement fund who successfully appointed two outside directors, one of whom manages another engagement fund. We felt the considerable upside potential of a privatisation event was not sufficiently priced in, with Fuji Soft trading at a significant discount to its IT peer group.

Although narrowly missing the bottom before the buyout excitement took over, we managed to build a small 3% position ahead of a +17% run in the share price, where we exited the position generating a +65% IRR. At the current valuation levels, we feel the probability of a takeover event is more fairly priced in. For now, we will be watching events unfold from the sidelines, unless share price weakness presents an attractive re-entry point.

### **JADE GROUP (3558) – Tumultuous Share Price Surrounding Results**

JADE GROUP's share price fell by -9.9% over the month, after a volatile reaction to what we believe were respectable results. After announcing gross merchandise volume and operating profit growth of +28% and +356%, on track to achieve the Company's +77% full-year operating profit growth guidance, the share price proceeded to fall -9.0%. Our confusion was shared by management, who the next day announced an increase in their buyback program from 3.6% to 5.2% to take advantage of the weakness, sending the shares +13.6% higher. The share price then drifted lower to end the month down.

The share price fall leaves the Company with 22% of its market cap covered by net cash, which it has committed to share buybacks and M&A, and trading on an 8.4x EV/EBIT - remarkably cheap for a company growing earnings at double digits. We share management's enthusiasm about the company's prospects and are glad they are more aggressively buying back their shares.

## STATISTICS

## Contributors / Detractors (in GBP)

Largest Contributors	Monthly Contribution bps	% Weight
Fuji Soft	32	0.0
Eiken Chemical	22	3.2
Shiga Bank	20	1.9
NC Holdings	16	5.1
SK Kaken	9	3.5

Largest Detractors	Monthly Contribution bps	% Weight
Wacom	-76	5.1
Digital Garage	-64	4.3
Jade Group	-58	5.1
Takuma	-58	8.0
Pasona	-49	2.2

## Fund Facts

Launch Date	23 October 2018
Net Assets	£156.0m
Investment Manager	Asset Value Investors Limited
AJOT Shares owned by the Manager***	2,681,016
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	-3.9%	2.5%	8.1%	16.2%
Net Asset Value TR	-3.9%	2.7%	8.4%	19.7%
MSCI Jap Small Cap	-3.5%	7.6%	2.7%	9.0%

Calendar Year Net Returns	YTD	2022	2021	2020
Price	-1.6%	-4.5%	12.4%	-0.7%
Net Asset Value	-1.4%	-4.3%	12.3%	-1.2%
MSCI Jap Small Cap	0.3%	-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	172.0m
Debt at fair value (gross)	15.9m
Gearing (net)	0.9%

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

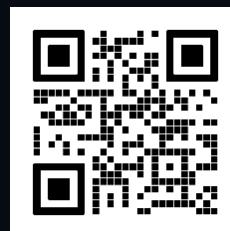
AVI Ltd. +44 20 7659 4800 info@ajot.co.uk

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.