

November 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

**Wacom – Turning the Tide**

Following a difficult period for Wacom's share price, Wacom announced an accretive 8% share buyback, signalling that management view the current share price as undervalued.

[Read more below](#)

**Pasona – Timely Exit**

We exited our long-standing position in Pasona at a price +37% higher than where it started the month, following the announced sale of its Benefit One stake to M3's tender offer at a 40% premium.

[Read more below](#)

**TSI Holdings**

TSI Holdings was the only notable detractor over the month. As the largest position in the portfolio, it saw its share price drift lower a modest -3% during a quiet news period for the company.

[Read more below](#)

## THE FUND

(Figures to 30 November 2023)

Unit Price:

€102.5

EV/EBIT:

8.5x

Net Cash % Market Cap:

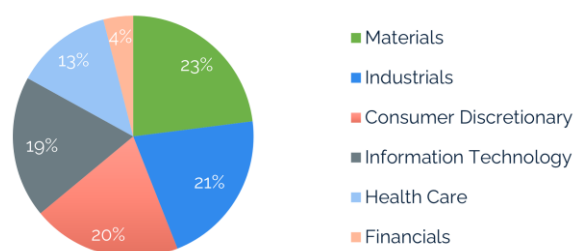
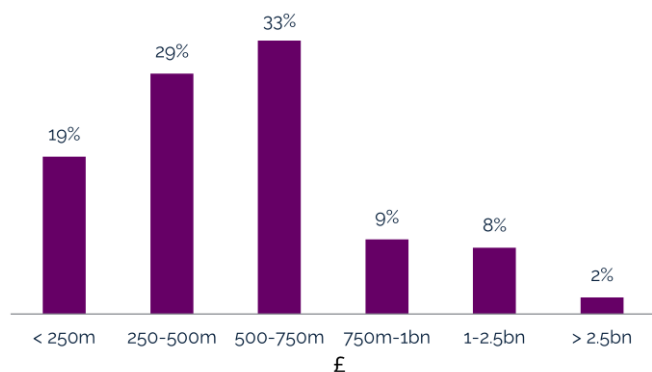
36.6%

NFV % Market Cap:

50.5%

| EUR €                 | Month | Year to Date | Since Inception |
|-----------------------|-------|--------------|-----------------|
| AJF NAV:              | 7.4%  | 8.9%         | 5.5%            |
| MSCI Japan Small Cap: | 3.2%  | 5.4%         | 8.3%            |
| JPY ¥                 | Month | Year to Date | Since Inception |
| AJF NAV:              | 8.2%  | 24.7%        | 20.0%           |
| MSCI Japan Small Cap: | 4.0%  | 20.7%        | 23.2%           |

## PORTFOLIO

**Sector Breakdown (% of Portfolio)****Market Cap Breakdown (% of Portfolio)****Top Ten Equity Holdings % of NAV**

| Holding           | %           |
|-------------------|-------------|
| TSI Holdings      | 9.7         |
| Konishi           | 8.4         |
| Nihon Kohden      | 7.8         |
| Takuma            | 7.1         |
| DTS               | 7.1         |
| Wacom             | 7.0         |
| T Hasegawa        | 6.3         |
| Jade Group        | 6.2         |
| Shin-Etsu Polymer | 5.8         |
| Eiken Chemical    | 5.3         |
| <b>TOTAL</b>      | <b>70.7</b> |

## MANAGER'S COMMENT

The fund's NAV increased by +7.4% over the month in a buoyant market. Nine portfolio companies experienced double digit share price increases, led by Wacom (+33% gain) reporting good results and an 8% share buyback, and Konishi (+16%) reporting strong profit growth. Detractors were modest, with TSI Holdings the only one to note, whose share price drifted -3% during a quiet news period for the company.

Over the month, we released a statement expressing our opposition to Digital Garage's board of Directors and strategy, announcing our intention to vote against the directors at the upcoming AGM. We think our statement was well received and helped raise awareness among other investors of the actions Digital Garage needs to take to address its undervaluation.

We exited our long-standing position in Pasona at a price +37% higher than where it started the month. Pasona's share price leapt after it announced the sale of its 51% stake in Benefit One to a tender offer by M3 at a 40% premium. With a c.31% corporation tax payable on the gain and Pasona's remaining businesses being barely profitable, we exited the position.

At the end of the month, the weighted average EV/EBIT multiple on the portfolio was 8.5x, with net cash and investment securities covering 51% of the market cap. As the share price response to Wacom's share buyback and result announcement shows, there is significant latent value in our portfolio, and we continue to identify ways to unlock that value through our engagement.

**Wacom (6727) – Turning the Tide**

Wacom saw a share price increase of +33% over the month, adding 183bps to performance. Following a difficult period for Wacom's share price, and so far, only modest share buybacks (no more than 2.5%), we were pleased with the bold 8% share buyback announcement. Not only is the buyback accretive and a great allocation of excess cash, it also sends a message to investors that management view the current share price as undervalued.

The strong share price response, we believe, was also driven by encouraging operating performance, especially in the B2B segment where sales and profits grew +44% and +51% YoY. While the B2C segment still reported a sales decline and a loss, performance in North America and Europe turned positive with only China presenting a more difficult situation.

Following intense private engagement from us, we're pleased that management are taking actions to address the poor share price and are more optimistic about Wacom's earnings recovery.

## Contributors / Detractors (in EUR)

| Largest Contributors | 1-month contribution bps | Percent of NAV |
|----------------------|--------------------------|----------------|
| Wacom                | 183                      | 7.0            |
| Konishi              | 121                      | 8.4            |
| Jade Group           | 105                      | 6.2            |

| Largest Detractors | 1-month contribution bps | Percent of NAV |
|--------------------|--------------------------|----------------|
| TSI Holdings       | -41                      | 9.7            |
| Shiga Bank         | -9                       | 1.3            |
| Hachijuni Bank     | -5                       | 0.6            |

## Fund Facts

## AVI Japan Fund

Launch Date: 8 September 2022

Net Assets: € 7,387,706

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](http://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](http://www.assetvalueinvestors.com/ajf)

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



## IMPORTANT INFORMATION

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