

January 2024

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

Eiken Chemical - Contributor

A relatively new position to the portfolio, Eiken Chemical was the largest contributor in January, as the share price grew +8% following the announcement of share buybacks.

[Read more below](#)

NC Holdings - Lacking Direction

The largest detractor over the month, NC Holdings share price fell -17% with the market unable to recognise clear strategic direction from management to improve the business.

[Read more below](#)

TSE Applying Pressure

During the month, the TSE published a list of companies that had disclosed information regarding initiatives in relation to the cost of capital and stock price.

[Read more below](#)

THE FUND

(Figures to 31 January 2024)

Unit Price:

€110.3

EV/EBIT:

9.4x

Net Cash % Market Cap:

36.0%

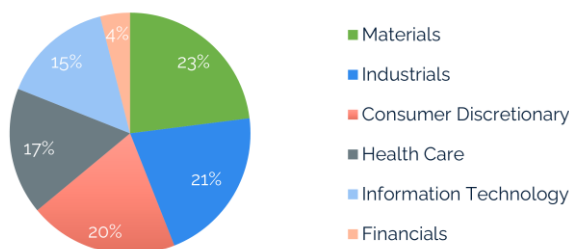
NFV % Market Cap:

48.1%

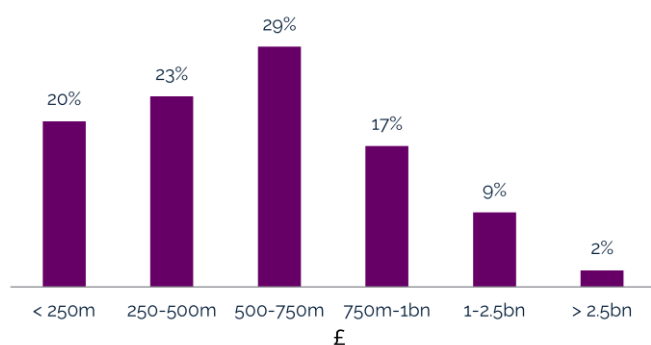
| EUR € | Month | 3-Month | Year to Date | Since Inception |
|-----------------------|-------|---------|--------------|-----------------|
| AJF NAV: | -1.3% | 15.6% | -1.3% | 13.6% |
| MSCI Japan Small Cap: | 2.2% | 9.5% | 2.2% | 15.0% |
| JPY ¥ | Month | 3-Month | Year to Date | Since Inception |
| AJF NAV: | 0.6% | 20.8% | 0.6% | 34.0% |
| MSCI Japan Small Cap: | 4.2% | 8.7% | 4.2% | 28.8% |

PORTFOLIO

Sector Breakdown (% of Portfolio)



Market Cap Breakdown (% of Portfolio)



Top Ten Equity Holdings % of NAV

| Holding | % |
|-------------------|-------------|
| Nihon Kohden | 8.9 |
| Konishi | 8.7 |
| TSI Holdings | 8.4 |
| Eiken Chemical | 7.4 |
| Takuma | 7.2 |
| DTS | 6.9 |
| Wacom | 6.6 |
| T Hasegawa | 6.2 |
| Shin-Etsu Polymer | 5.9 |
| Jade Group | 5.6 |
| TOTAL | 71.8 |

MANAGER'S COMMENT

The fund's NAV fell -1.3% over the month, weighed down by a -1.9% weakening of the Japanese Yen. As anticipated, the Bank of Japan (BOJ) maintained overnight interest rates at -0.1%, while indicating that it was increasingly optimistic of hitting its 2% inflation target. In January, we observed a softening of share prices following a period of strong performance at the end of last year, with NC Holdings (share price -17% in Yen) and TSI Holdings (-6%) the largest detractors from performance. Meanwhile, Eiken Chemical (+8%) and T Hasegawa (+8%) were the two largest contributors.

During the month, the Tokyo Stock Exchange (TSE) published a list of companies that had disclosed information regarding "action to implement management that is conscious of cost of capital and stock price". 40% of Prime Market companies disclosed initiatives, whereas only 12% of smaller companies listed on the Standard Market did. Among our portfolio companies, 14/22 (64%) disclosed initiatives, higher than the average, which we view in part as a reflection of our engagement pressure.

Although the Japanese market performed strongly last year, it was driven by large cap value stocks, which fall outside of our universe. This trend has persisted into the new year, creating a huge opportunity for us in overlooked small caps. In January, we initiated three new positions with companies that, on average, had 82% of their market capitalisation covered by net cash, investment securities and real estate.

Eiken Chemical (4549) – New position contributing to returns

Eiken Chemical saw its share price increase +8% over the month after announcing a 7.3% share buyback, of which 2.7% was repurchased through an off-market transaction the following day. Our engagement with Eiken Chemical is in its early stages, but we are pleased to see that management have already taken steps to address its poor capital efficiency by buying back shares at attractive prices. However, we are disappointed with Eiken Chemical's profitability and believe that there is significant room for improvement on product optimisation and overseas distribution strategy.

Although the EV/EBIT has increased to 8.8x vs the 4.8x when we initiated our position, due to the increased share price and temporarily depressed earnings, we still foresee a substantial growth runway for the Company, which if successfully executed by management, could unlock upside in the order of 150%. We're excited about Eiken Chemical's future and building our relationship with management.

NC Holdings (6236) – Lacking direction

NC Holdings (NCHD) share price fell -17%, during a period without significant news. The market is looking for direction from NCHD's largest shareholders, AVI included. Unfortunately, while we achieved majority support on six shareholder proposals at last year's AGM, three crucial proposals were not passed. Management's apparent lack of urgency in improving the business and addressing shareholder concerns has left the company rudderless and investors without a reason to own the shares. This complacency was highlighted when NCHD's management failed to respond to the TSE's request to disclose initiatives towards cost-of-capital conscious management. Since the AGM last June, NC Holdings' share price has fallen -30%, a significant underperformance relative to the MSCI Japan Small Cap Index (+9%). Now trading on an EV/EBIT of 3.9x and with net cash and investment securities covering 76% of the market cap, we see significant upside. Ultimately, shareholders are aligned in wanting to see a higher share price, and we don't think the status quo will continue.

Although becoming less common as investors gain a better understanding of Japan's concert party rules, there are still instances where other investors are hesitant to engage in dialogue regarding common holdings. This is a great shame, and an impediment to driving Company reform through the type of collaborative engagement that regulators have been encouraging. We are hopeful that the FSA's report on the "Tender Offer Rule and Large Shareholding Reporting Rule," released on 25th December 2023, will help to alleviate market participants' concerns. The report reiterates that currently shareholders who collaboratively engage are not classed as joint holders unless there is an agreement in place to vote together. They propose further clarification to explicitly exclude institutional investors from the scope of joint holding rule if there is no agreement to make material proposals (change in corporate control) or continuously vote together.

Contributors / Detractors (in EUR)

| Largest Contributors | 1-month contribution bps | Percent of NAV |
|----------------------|--------------------------|----------------|
| Eiken Chemical | 34 | 7.4 |
| T Hasegawa | 31 | 6.2 |
| Konishi | 27 | 8.7 |

| Largest Detractors | 1-month contribution bps | Percent of NAV |
|--------------------|--------------------------|----------------|
| NC Holdings | -84 | 3.7 |
| TSI Holdings | -70 | 8.4 |
| Jade Group | -57 | 5.6 |

Fund Facts

AVI Japan Fund

Launch Date: 8 September 2022

Net Assets: € 7,954,706

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

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.