

AVI JAPANESE SPECIAL SITUATIONS

January 2024

A Specialist Focus on Japan Small-Cap Equities

Asset Value Investors is an employee-owned boutique investment manager investing globally with a bottom-up engagement focused style since 1985

AVI

Asset Value Investors

Our Philosophy & Edge

AVI looks for three things...

Asset

Durable businesses that are growing in value



Specialists in asset analysis

Value

Trading at discounted valuations



Experience of **exploiting undervaluation's**

Investing

With an active approach to unlock and grow value



Constructive **engagement**

- **Unique** specialist focus on Japan small-cap companies since 2018
- **Extensive knowledge** of the Japan universe and engagement strategies
- Capitalising on **corporate governance reform** and renewed focus on shareholders

Durable businesses that are growing in value

.1

Value Growth

At the core of all AVI's investments are attractive businesses with durable earnings growth



.2

Discount Rerating

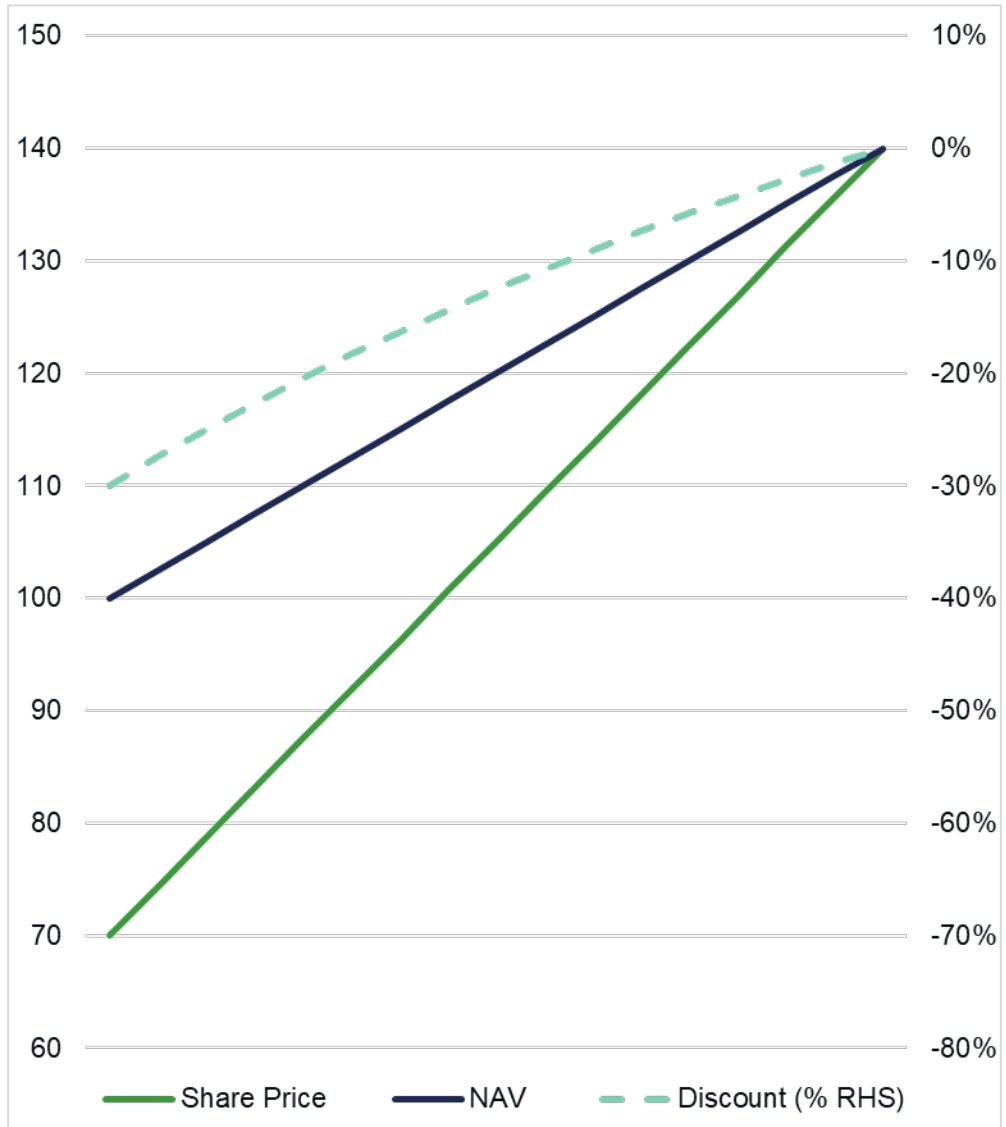
Occurs when the share price rises more than the fundamental value



.3

Compounding Effect

When these two sources of returns occur simultaneously, an attractive compounding effect enhances investment returns.



AVI – 40 Years of Specialist Focus



Well-Resourced

Employee-Owned



Joe Bauernfreund
CEO/CIO – Joined AVI in 2002

Joe took over as PM for AVI's flagship global fund, AGT, in September 2015. He launched AVI Japan Opportunity in 2018. Which has achieved annualised returns of 13.0% vs 7.2% for the MSCI Japan Small Cap.

Daniel has nine years of experience in Japanese equities. His pragmatic and engaging approach has proved successful in Japan.



Daniel Lee
Japanese Equities Specialist
– Joined AVI in 2015



Kaz Sakai
Japanese Equities Specialist
– Joined AVI in 2021

Kaz has nine years of experience in analysing Japanese companies. His consulting background is a valuable addition to engagement in Japan.

Tom has over 20 years of experience in the closed-end fund sector. His engagement with the Boards is backed with in depth expertise.



Tom Treanor
Closed-end Funds Specialist
– Joined AVI in 2011

Why Does our Opportunity Set Exist?

- **Board Independence:** The lack of independence has been a persistent drag
- **Cross Shareholdings:** Corporate Japan has been widely criticised for protecting underperforming managements
- **Activism in Japan:** Pressure from shareholders continues to intensify with support from regulators

.1

Under-researched Companies

Foreign investors underweight Japan and sparse sell-side analyst coverage of Japan's 4,000 companies

.2

Cash Structurally Discounted

Discounts on cash up to 50% as investors ignore balance sheets

.3

Regulatory Tailwinds

Corporate Governance Code introduced in 2015 and continued regulatory reform

.4

Corporate Reform

Companies recognising the need to change and greater focus on shareholder value

.5

Shareholder Engagement

Operational improvement & capital allocation presented with Japanese nationals on the team

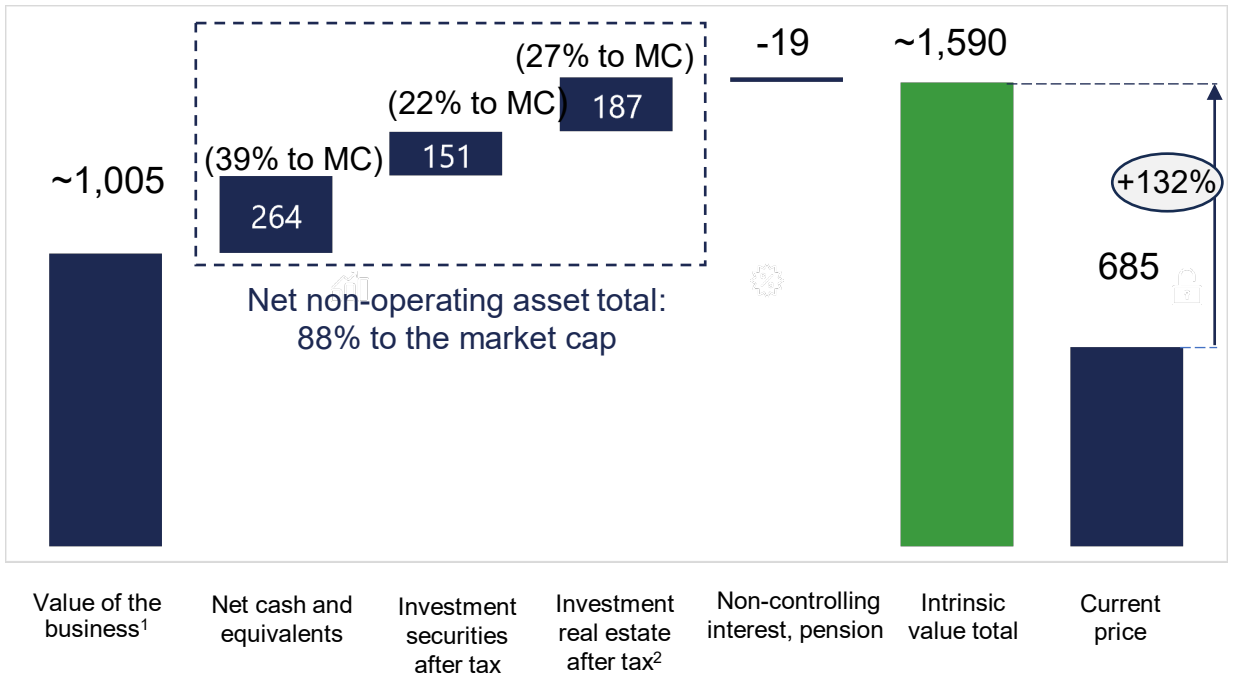
AVI's Approach to Engagement



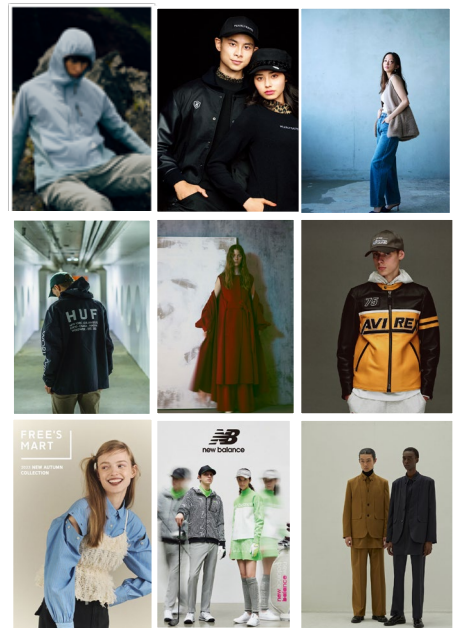
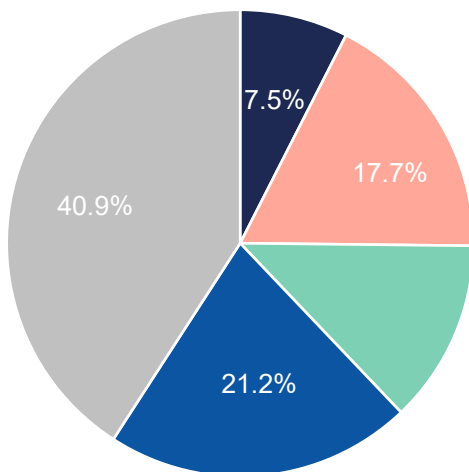
Source: AVI, as at 31/01/2024

- Meaningful engagement with the board and management team of portfolio companies
- Identify constructive solutions to solve undervaluation
- Suggestions include capital allocation, strategic overhauls and operational improvements
- AVI's 12 strong investment team which includes a dedicated ESG analyst allows for in depth engagement with portfolio companies

Bringing the Process to Life: TSI Holdings Example



Diversified Clothing Brand Portfolio



Engagement Type

- 14 meetings with management
- 2 private presentations

Agenda

1. Operational improvement
2. Capital allocation
3. Corporate governance, ESG
4. Shareholder communication

Long-Term Track Record

Annual discrete performance %

Total Return £	2019	2020	2021	2022	2023
AJOT NAV	19.0%	-1.4%	12.3%	-4.3%	15.8%
MSCI Japan Sm Cap	14.7%	3.2%	-1.4%	-1.0%	6.9%

Periodic performance %

Total Return £	1 Year	3 Year	5 Year
AJOT NAV	15.8%	24.4%	46.4%
MSCI Japan Sm Cap	6.9%	4.4%	23.6%

Source: Morningstar. Figures to 31 December 2023

All figures are from AVI Japan Opportunity Trust and represent the strategy for illustrative purposes only.

Fund Structure: Irish UCITS Daily Dealing
Fund Currency: JPY
Share Class Currencies: USD, GBP, EUR, CHF
Annual Management Charge: 1.0%



Important Information and risk factors

Asset Value Investors Limited (“AVI”) is registered as an Investment Advisor with the Securities and Exchange Commission and authorised and regulated by the Financial Conduct Authority.

This document is issued by AVI. This document has been prepared for persons who are professional clients and eligible counterparties for the purposes of the FCA’s rules; it has not been prepared for retail clients. AVI has taken all reasonable care to ensure that the information contained in this document is accurate at the time of publication; however, it does not make any guarantee as to the accuracy of the information provided. Comparison to the index where shown is for information only and should not be interpreted to mean that there is a correlation between the portfolio and the index. While many of the thoughts expressed in this document are presented in a factual manner, the discussion reflects only AVI’s beliefs and opinions about the financial markets in which it invests portfolio assets following its investment strategies, and these beliefs and opinions are subject to change at any time. This document does not constitute an offer to buy or sell shares in the funds managed by AVI (the “Funds”).

Investors are also reminded that past performance is not indicative of future performance and that they might not get back the amount that they originally invested. Investors in the UK are reminded that they will not benefit from the UK investors compensation scheme. Nothing in these materials should be construed as a recommendation to invest in the Funds or as legal, regulatory, tax, accounting, investment or other advice. Potential investors in the Funds should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders.

The information contained in this document is strictly confidential and is intended only for use of the person to whom AVI has provided the material. No part of this report may be divulged to any other person, distributed, and/or reproduced without the prior written permission of AVI.