

May 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

Alps Logistics – Knockout TOB

In a takeover bid that reflects its true value, KKR controlled Logisteed paid a 194% premium to the pre-rumour undisturbed price to privatise Alps Logistics. We generated an ROI of 187%.

[Read more below](#)

Nihon Kohden – Ambitious MTP

Released its much-anticipated mid-term plan, which we have been engaging on behind the scenes. It was a comprehensive and ambitious plan that propelled the share price +10.2% higher.

[Read more below](#)

NC Holdings – 51% Premium TOB

Shortly after month end, NC Holdings ("NCHD") received a tender offer bid aimed at privatising the company from an affiliated company of Miri Capital, a pleasing end to our investment.

[Read more below](#)

THE FUND

(Figures to 31 May 2024)

Unit Price

€113.4

EV/EBIT

8.9x

Net Cash % Market Cap¹

31.5%

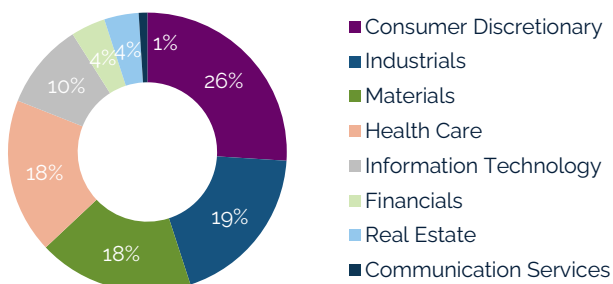
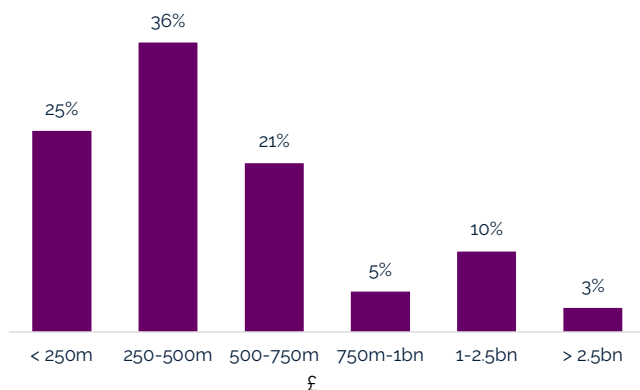
NFV % Market Cap²

44.7%

		Month	3 Month	YTD	1Y	SI*
EUR	AJF NAV	-0.3%	1.2%	1.4%	9.6%	16.8%
	MSCI Japan Small Cap	-1.1%	-1.2%	2.2%	8.6%	15.0%
JPY	AJF NAV	1.1%	6.6%	11.1%	25.6%	40.5%
	MSCI Japan Small Cap	0.3%	4.1%	12.0%	24.3%	38.4%

PORTFOLIO

(Holdings to 31 May 2024)

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

Holding	31-May-24
TSI Holdings	10.1
Nihon Kohden	8.9
Eiken Chemical	8.5
Takuma	6.6
Konishi	6.1
Jade Group	5.9
Beenos	5.8
Shin-Etsu Polymer	4.6
Wacom	4.4
DTS	4.4
TOTAL	65.3

MANGER'S COMMENT

The fund's NAV decreased by -0.3% during an active month for corporate activity. The two largest contributors to performance were Nihon Kohden, (+11.5%) which released a transformative mid-term plan, and Alps Logistics, (+76.6% share price) which was subject to a takeover bid from the KKR-owned Logisteed. Takuma (-12.8%), which released a disappointing mid-term plan, and NC Holdings, (-22.6%) which shortly after month end was subject to a takeover bid from a US fund that is set to more than reverse the share price decline, were two significant detractors.

We filed shareholder proposals to two portfolio companies. One was withdrawn after the Company announced a share buyback in line with our suggestion (its name shall remain anonymous as per our agreement with the Company) while, unsurprisingly, our shareholder proposals to SK Kaken were not withdrawn. This is now the fourth year we have filed proposals to SK Kaken. While we have made some progress, the improvements have been too modest. With net cash accounting for 110% of the market cap and a lacklustre share price, we are continuing our engagement. The message to SK Kaken and our portfolio companies is simple: if you do not improve in line with our suggestions and those of the regulators, our engagement will persist.

As we discuss in more detail below, it's pleasing to note that two of our portfolio companies received takeover offers at significant premiums to their prevailing share prices. Combined, these takeover offers will have added c.420bps to NAV, highlighting that even modest positions can move the needle when an event occurs. Any one of our portfolio companies would make a fantastic privatisation target - either for Private Equity, a Strategic Buyer or Management - and we are aware that some are being actively pursued. We expect to benefit from further takeover events or actions taken by management to increase the share price in defence.

Alps Logistics (9055) – Knock-out Takeover Bid

In a takeover bid that defies belief and showcases the stark valuation differential between listed and private companies in Japan, KKR controlled Logisteed paid a 194% premium to the undisturbed, pre-rumour price in February, to privatise Alps Logistics. We have been shareholders in Alps Logistics since late 2018, engaging with management on ways to enhance corporate value and addressing the parent/child subsidiary relationship with Alps Alpine.

It was a pleasing end to our investment, which generated a 129% IRR and 187% ROI.

Nihon Kohden (6849) – transformational mid-term plan, not yet priced in

Nihon Kohden (NK) released its much-anticipated mid-term plan, which we have been engaging on behind the scenes. It was a comprehensive and ambitious plan that caught the market by surprise; a 70-year-old, conservative, medical company putting forward a transformation plan was certainly unexpected. While we were pleased, it was less surprising for us, as we have been in regular dialogue with the Founder's Grandson and President, whom we identified as both motivated, and possessing sufficient power to drive corporate reform.

Since the mid-term plan announcement, Nihon Kohden's share price has risen by +10.2% vs the MSCI Japan small cap's -0.6% decline. We view this as a far too modest outperformance. Profits are forecast to increase by +97% over the next three years, driven by higher operating margins expected to rise from 9% to 15%, alongside a 5% CAGR in the top line. NK trades at a three year forward EV/EBIT of 9x vs. peers 14x, a valuation which we believe reflects excessive pessimism regarding the company's ability to achieve the plan's profit guidance.

MANGER'S COMMENT

NC Holdings (6236) – 51% premium takeover bid

Shortly after month end, NC Holdings ("NCHD") received a tender offer bid aimed at privatising the company from an affiliated company of US-based Miri Capital.

The investment in NCHD accounted for 3.2% of the fund's NAV at month-end and the tender offer price of ¥2,208 per share represents a +51% premium to the undisturbed closing price at the end of May. This will add 181bps to the fund's June NAV, assuming the tender completes, which given our undertaking we suspect it will.

AVI has been a shareholder in NCHD since June 2021. As the second largest shareholder (behind Miri capital who owned 26.2%) owning over 20% of the voting rights of NCHD, we have engaged extensively with the Board, both privately and publicly, on ways to enhance corporate value and returns to shareholders. This included our public campaign and subsequent shareholder proposals at the June 2023 AGM. Three of AVI's proposals successfully passed, including one that required a special resolution. More information on AVI's 2023 public campaign regarding the shareholder proposals can be found here: (www.enhancingNCHD.com).

It's a pleasing and successful end to the less than 2-year investment, that will have seen the fund generate an IRR of +14% and a total ROI of +20%.

Takuma (6013) – New mid-term plan

Following a six-month period that saw Takuma's share price rise by +29%, the market was left disappointed by Takuma's underwhelming mid-term plan (MTP) announced during the month, with the share price declining by -12.0% in the subsequent day of trading.

Positively, the MTP demonstrated improved transparency around quantitative targets (such as orders intake and ROE targets), and, for the first time, disclosed a shareholder returns policy. This included a 50% payout policy, 4.0% Dividend on Equity target and the intention to buyback 3.8% of shares outstanding in this year, with a similar amount during the following two years. However, the profit guidance for the next three years left much to desired, with next year's operating profit conservative guidance (¥11.2bn) falling well short of consensus (¥13.4bn).

While we acknowledge that Takuma implemented some of our suggestions, management chose to ignore several of our most important points, such as the unwinding cross-shareholdings and the divestment of non-core business segments. Having so far achieved an ROI of +20% and an IRR of +29% in our just over one year holding period, we will continue engaging with management on methods to enhance capital policy and improve operating efficiency. We see a further +68% upside, with Takuma's 6.6% weight in the fund reflective of our conviction.

¹ Net cash = Cash – Debt – Net Pension Liabilities + Value of Treasury Shares

² Net Financial Value (NFV) = Net cash + Investment Securities

Contributors / Detractors (in GBP)

Largest Contributors	Monthly Contribution bps	% Weight
Nihon Kohden	80	8.9
Alps Logistics	76	0.0
Wacom	57	4.4

Largest Detractors	Monthly Contribution bps	% Weight
Takuma	-91	6.6
NC Holdings	-88	3.2
Konishi	-68	6.1

Fund Facts

AVI Japan Fund

Launch Date	8 September 2022
Net Assets	€ 8,175,589
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	IE000YOOWKT3
B	USD	IE000NOYN6O8
C	GBP	IE000TWDE6J8
D	JPY	IE000CoSTZS6
E	EUR	IE000YSOI7A7
E	GBP	IE000HCG7Z92
E	JPY	IE0004D4HG49
E	USD	IE000EYJWQX3

Investment Manager – Joe Bauernfreund

AVI Ltd. +44 20 7659 4800 info@assetvalueinvestors.com

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.