

Q2 – June 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.

	Net cash ¹ as a percentage of market cap	NFV ² as a percentage of market cap	EV/EBIT	FCF Yield	Dividend Yield
Q2 2024	31%	49%	7.7x	4.9%	2.4%
Q1 2024	35%	48%	8.7x	5.1%	2.2%
Q4 2023	38%	49%	8.7x	4.6%	2.3%
Q3 2023	37%	59%	7.0x	4.6%	2.4%

THE FUND

(Figures to 30 June 2024)

		Month	3 Month	YTD	1Y	3Y	SI*
GBP	AJOT NAV	5.0%	2.1%	7.7%	18.8%	30.6%	51.4%
	<i>vs. MSCI Jap Small Cap</i>	-0.8%	-5.8%	-0.2%	7.1%	2.8%	16.0%
JPY	AJOT NAV	6.8%	8.6%	21.9%	31.5%	73.2%	111.7%
	<i>vs. MSCI Jap Small Cap</i>	0.8%	0.2%	12.9%	18.5%	36.4%	62.2%

MANAGER'S COMMENT

Dear AJOT Shareholders,

AJOT's NAV increased by +2.1% over the quarter and +8.6% in JPY. Tender offers for both **Alps Logistics** (+94%) and **NC Holdings** (+31%) drove performance, while **TSI Holdings** (+20%), currently the largest position in the portfolio, also performed strongly. Meanwhile, **Jade Group** (-41%) and **Konishi** (-17%) were the most notable detractors during the period.

It was a relatively flat period for Japanese markets, with the MSCI Japan Small Cap Index returning +0.2% and the MSCI Japan Index +1.8% (both in JPY). Once again, our positive performance over the period was eroded by the continued depreciation of the Japanese Yen, which declined by -5.9% relative to both the British Pound (GBP) and US Dollar (USD). More than 80% of AJOT portfolio company revenues come from the domestic market, which does not benefit from the weaker Yen.

Over the quarter, we initiated positions in three companies, highlighting our ability to identify promising opportunities in the fruitful yet underappreciated small-cap market. These new positions have contributed a combined +85bps to AJOT's NAV thus far. The lack of research coverage of small-caps and their relative underperformance to large-caps continues to present us with abundant opportunities. We remain committed to selectively adding the most promising companies to our concentrated portfolio of 25 holdings.

We filed shareholder proposals to two portfolio companies during the period, one of which we withdrew. Proposals remain an important tool for applying pressure on management to make necessary changes to correct under valuations. In the case of **SK Kaken**, where we have now filed shareholder proposals for four consecutive years, AJOT directors attended the AGM. It was the first time a foreign investor attended as a speaker, and the first time any shareholder had asked a question. Encouragingly, it was the most attended AGM, and we weren't the only shareholder asking probing questions about SK Kaken's woeful employee satisfaction track record and lack of strategic direction. Our presence and the questioning seem to have shaken the Family who control the Company. Yet again our shareholder proposals achieved support from the majority of minority shareholders, and we will continue engaging until the Company addresses the plethora of issues.

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

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

* 23 October 2018 Start Date

MANAGER'S COMMENT

Alongside our public campaign to SK Kaken, we also prepared an in-depth, 60-page public presentation on **Aichi**, focusing on several constructive suggestions to enhance operational efficiency and corporate value, while addressing the parent/subsidiary relationship with Toyota Industries.

At the end of the quarter, the portfolio's EV/EBIT was 7.7x, with NFV accounting for 49% of the market cap. This underscores the significant discounts at which AJOT's portfolio companies trade at relative to peers, largely due to their over-capitalised balance sheets and poor corporate governance. It is pleasing to see that the evolution of our portfolio towards higher quality companies is bearing fruit, and that despite continued small-cap underperformance, we have kept pace with our larger peers.

NC Holdings (6236) – Tender Offer at +51% Premium

In a strong start to June for AJOT, NC Holdings was the recipient of a tender offer bid at a +51% premium to the undisturbed share price. As a result, NC Holdings added 109bps to portfolio performance over the quarter. NC Holdings currently accounts for 5.0% of AJOT's NAV, making it the 8th largest position in the portfolio.

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 votes across AVI funds, we 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 3-year investment, that will have seen AJOT generate an IRR of +19% and an ROI of +47%.

Alps Logistics (9055) – Tender Offer at +194% Premium

In a takeover bid that reflects the true underlying value of the company 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 were 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 +38% IRR and +306% ROI. A total of 8 AJOT portfolio companies, including NC Holdings have now been subject to a take-over bid since we launched the strategy almost six years ago.

TSI Holdings (3608) – Transformative Mid-term Plan

TSI Holdings, our largest position, announced a new mid-term plan in April. For the first time, TSI disclosed a quantified shareholder return policy, aiming for a 4% dividend on equity target by FY27/3, coupled with an ambitious cost improvement plan to elevate operating margins to 6% (from the current 1%). The plan was initially met with excitement; however, the share price quickly fell back again. It took a few weeks for the market to digest the significance of the plan, but by the end of the quarter, the share price had appreciated by +20%.

As TSI's largest shareholder, holding 10% of the vote across AVI funds, we were pleased to see that the Company had actioned many of our suggestions. TSI has likely received the most engagement from us this year of any portfolio company, and we commend management for their proactive approach in listening to shareholders. However, we remain frustrated by the lack of concrete answers to several of our recommendations and we are continuing our intense engagement.

Despite already achieving an +96% return to date, we still see a further +100% upside to the current share price. This underscores the enormous upside potential of our investments, which is not unique to TSI. We do not believe the market fully comprehends the scale of TSI's transformational program and its commitment to improving capital efficiency. Full credit from investors for the mid-term plan and cost reform will only happen once TSI demonstrates improvements over the coming quarters. In the meantime, we are happy to wait.

MANAGER'S COMMENT

Portfolio Trading Activity

The quarter was again a very active period of trading, with a 74% annualised turnover of the portfolio in 2024, which compares to AJOT's historical average annual turnover of 35%. Over the quarter we initiated new positions in three companies (**Aoyama Zaisan Networks, Broadmedia and Tecnos Japan**) and substantially increased the weighting of two names added to the portfolio in Q1, with both entering the top ten of the portfolio.

The largest purchase over the period was Aoyama Zaisan Networks, as we increased our position to 4.9% of NAV, making it the 9th largest holding. Aoyama Zaisan Networks specialises in providing wealth management services, and we foresee a further 57% upside in addition to the +11% ROI and +158% IRR already generated.

Over the period we entered and exited a position in **Sun Corporation**, during which time we benefitted from an +37% share price increase, delivering a +25% ROI and +406% IRR. Consequently, Sun Corporation was both our second largest purchase and second largest sale during the period.

We added to several positions introduced in the first quarter of 2024, building our stakes in **Araya Industrial** and **Beenos**.

Our largest sale during the quarter was in Alps Logistics following the tender offer as discussed above. We also trimmed our position in **DTS** on the back of strong share price growth since the beginning of November 2023.

By month-end, we were able to reduce our position in **A-One Seimitsu** to 0.3% of NAV in a timely manner, limiting the impact of the -11% fall in the share price over the final week of June. The investment has generated an ROI of +67% and IRR of +13%.

Net gearing at the end of the quarter stood at 5.2%, inclusive of the notional exposure of the underlying shares held via total return swaps. Given the abundance of opportunities, we expect gearing will increase modestly toward our upper limit over the coming months.

Contributors and Detractors

As discussed above, Alps Logistics (9055) was the largest contributor, with a +94% share price increase after it received a tender offer at a +194% premium to the undisturbed pre-rumour price in February. Over the quarter, Alps Logistics added 172bps to performance. TSI Holdings (3608), as discussed above, was the second largest contributor over the period, adding 125bps to performance as its share price rose +20% higher.

In more positive news, NC Holdings (6236) was also the beneficiary of a tender offer at a +51% premium, with its share price increasing by +31% over the quarter. AVI held a combined 22% stake in NC Holdings, and we are pleased with the positive end to our three-year investment.

After seeing its share price increase +31% in the first quarter, JADE GROUP (JADE) (previously LOCONDO) saw its share price decline by -41% over the period. Over the quarter, JADE was the largest detractor, reducing performance by 289bps. As a reminder, the share price was propelled higher in the first quarter after it announced the acquisition of Magaseek, a leading fashion e-commerce platform owned 75% by DOCOMO and 25% by Itochu. The purchase is expected to double Gross Merchandise Value (GMV) and profits by 2026. We attribute the share price reaction to non-fundamental factors, and the weakness offered an irresistible opportunity to increase our holding by +44%. Shortly after quarter-end, in line with our suggestions, JADE made an announcement confirming the profit improvement from Magaseek, and the share price rose +17% in response.

Konishi (4956) was the second largest detractor over the quarter, detracting from performance by 181bps, as its share price declined -17%. Konishi has held a position in the portfolio since AJOT inception. We have generated an ROI of +75% and an IRR of +16% and foresee additional +76% upside to the current share price.

MANAGER'S COMMENT

Investment Manager – Joe Bauernfreund

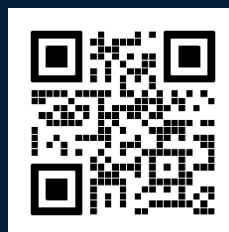
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The share price can be found in [The Financial Times](#).
ISIN: GB00BD6H5D36 Trading as: [AJOT:LN](#)

Information may be found on the following websites:

www.ajot.co.uk

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.