

August 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

**Sharp Recovery from Sell-off**

Following the extreme market volatility at the start of August, AJOT and the broader Japanese equity market have recovered strongly to be only narrowly down across the month.

[Read more below](#)**JADE – MagaSeek Promising PMI**

Strong share price on the back of a press release in July, which highlighted the successful post-merger integration (PMI) of MagaSeek in a demonstration of improved IR communications

[Read more below](#)**Nihon – Quarterly Earnings Down**

Nihon Kohden announced disappointing quarterly results, with sales down by -5% YoY and headline EBIT turning negative, due to declining margins and a one-off inventory write-down.

[Read more below](#)

## THE FUND

(Figures to 31 August 2024)

Share Price (pence)

139.0

NAV (pence)

146.0

Prem./Disc.

-4.6%

EV/EBIT

8.9x

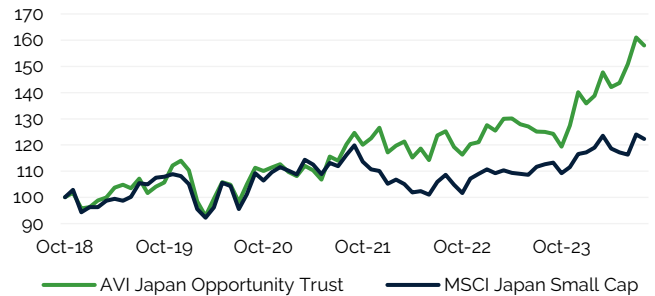
Net Cash/Market Cap<sup>1</sup>

32.6%

NFV/Market Cap<sup>2</sup>

45.4%

## NAV Total Return Since Inception (£)

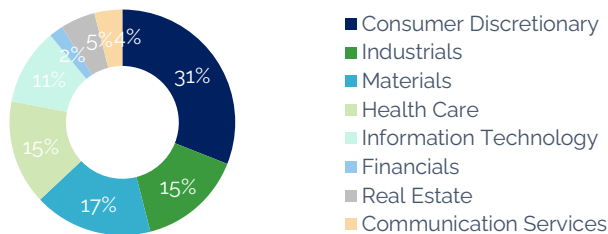


		Month	3 Month	YTD	1Y	3Y	SI*
GBP	AJOT NAV	-1.9%	10.0%	12.7%	26.4%	31.4%	58.5%
	MSCI Japan Small Cap	-1.4%	4.3%	4.9%	8.6%	5.2%	21.9%
JPY	AJOT NAV	-2.9%	5.2%	20.1%	31.1%	66.3%	108.5%
	MSCI Japan Small Cap	-2.3%	-0.2%	11.7%	12.6%	33.2%	60.4%

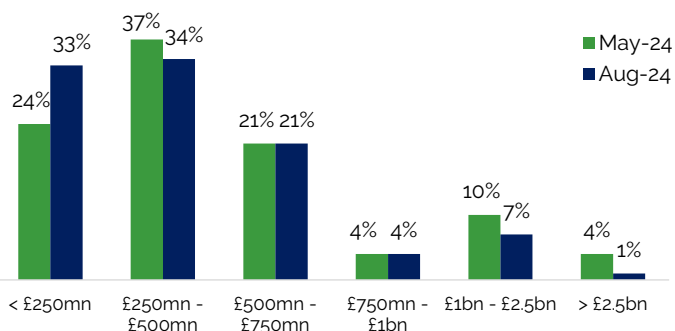
## PORTFOLIO

(Holdings to 31 August 2024)

## Sector Breakdown (% of Portfolio)



## Market Cap Breakdown (% of Portfolio)



## Top Ten Equity Holdings (% of NAV)

Holding	31-May-24	Holding	31-Aug-24
Eiken Chemical	10.3	TSI Holdings	9.8
TSI Holdings	9.9	Eiken Chemical	8.6
Nihon Kohden	9.5	Beenos	7.9
Takuma	7.1	Kurabo Industries	7.0
Beenos	6.0	Nihon Kohden	7.0
Konishi	5.8	Takuma	5.9
Jade Group	5.3	Konishi	5.7
Shin-Etsu Polymer	4.9	Jade Group	5.7
DTS	4.4	Aoyama Zaisan Networks	4.8
Wacom	4.3	DTS	4.1
<b>TOTAL</b>	<b>67.5</b>	<b>TOTAL</b>	<b>66.5</b>
% Gearing <sup>3</sup>	6.0	% Gearing <sup>3</sup>	2.3
No. of Holdings	25	No. of Holdings	26

<sup>1</sup> Net cash = Cash - Debt - Net Pension Liabilities + Value of Treasury Shares<sup>2</sup> Net Financial Value (NFV) = Net cash + Investment Securities<sup>3</sup> Net gearing at fair value

## MANGER'S COMMENT

AJOT's NAV decreased by -1.9% (in GBP) and -2.9% (in JPY) over the month, while the benchmark returned -1.4% (in GBP) and -2.3% (in JPY).

Despite heightened volatility so far in 2024, AJOT has outperformed its benchmark by +7.8% (in GBP), returning +12.7% vs the MSCI Japan Small Cap Index's return of +4.9%.

The two largest contributors to performance were **Beenos** (+9.4% share price) and **Jade Group** (+10.6%), which in July disclosed encouraging progress of its recent acquisition of Magaseek. Meanwhile, **Nihon Kohden** (-15.2%), which released disappointing quarterly results, and **Aoyama Zaisan Networks** (-11.9%) were the two largest detractors during a volatile month for the Japanese equity market.

As discussed in last month's newsletter, the Bank of Japan (BoJ) increased its benchmark interest rate for the second time this year at the end of July, up +15bps from +0.1% to +0.25%. After seven straight months of Yen depreciation, the Yen appreciated for a second consecutive month, this time by +0.8% relative to sterling as carry trades were unwound in the wake of the rate increase. Having been a headwind to sterling-based returns since AJOT's inception, the recent appreciation of the Yen is a pleasant change.

The month of August was a reminder of how volatile equity markets can be, and their tendency to overreact to news based on non-fundamental factors. Algorithmic trading was a contributing factor as the increase in rates triggered carry trades to unwind as the differential between the benchmark interest rates in the US and Japan narrowed. AJOT's NAV bounced back strongly after falling -17.8% in the first week of August, recovering +19.3% leaving it down just -1.9% over the month. The three new names added towards the end of July proved resilient over the period, having so far achieved an average +15.9% ROI. We took advantage of the extreme and unwarranted falls to strategically adjust the weights of the portfolio, which contributed to our strong recovery as the market rebounded sharply. Interestingly, trading data suggests that domestic investors were buyers in the days that followed, which is an important and overlooked development for the long-term health of the Japanese equity market.

The lack of research coverage of companies within AJOT's small to mid-cap investment universe continues to present us with abundant opportunities. Half of AJOT's portfolio companies (13/26) have zero sell-side coverage and over 80% (21/26) are covered by two or less analysts.

The ten new positions added in 2024 currently in the portfolio have generated an average ROI of +14.2% (in JPY), adding +770bps (in GBP) to AJOT's NAV performance. We remain optimistic about the prospects of our portfolio and the impact our constructive engagement is having. We anticipate foreign investors' attention turning to companies in Japan that derive their revenues domestically and are therefore protected from an appreciating Yen.

### **Beenos (3328) – Share price bounces back following volatility**

Beenos, an operator of E-commerce platforms allowing overseas consumers to purchase Japanese products, was the largest contributor, adding +69bps to performance as its share price rose +9.4%. Beenos' share price bounced back +37% during the month, having fallen -20% to its lowest point on August 5<sup>th</sup>.

Beenos derives a significant portion of its profits from its Global E-commerce platform. This is primarily centered around a service called 'Buyee', which enables non-Japanese living abroad to purchase items from popular e-commerce sites in Japan, such as Yahoo! Japan, Mercari and Rakuten. Buyee's gross merchandise value has experienced robust growth at an annual rate of +31%.

Beenos continues to accumulate cash and net cash and securities now cover 55% of its market cap compared to 11% in 2019 over a period in which its market cap has increased +127%. Beenos has also grown earnings at an annual rate of +27% over the past five years, highlighting the quality of the business and its ability to attract users.

Beenos was added to the portfolio in January this year, and is now the third largest holding, accounting for 7.9% of AJOT's NAV, such is our conviction. The investment has so far generated an ROI of +54%, adding +360bps to NAV in total. Trading at an EV/EBIT multiple of 5.8x, we anticipate an additional +70% upside to the current share price.

## MANGER'S COMMENT

**JADE GROUP (3558) – Continued strength following IR improvements**

Over the month, JADE GROUP ("JADE"), the apparel E-commerce distributor, was the second largest contributor, adding +61bps to performance as its share price rose +10.6%.

JADE's share price was strong on the back of a press release in July, which highlighted the successful post-merger integration (PMI) of MagaSeek in a demonstration of improved IR communications, an area in which much of our recent engagement had focused. Over the course of our three-year investment, JADE have made strides in this area. Since the press release in July, the share price is up +18%, evidencing the benefits of disclosing comprehensive information to the market.

Trading on a lowly 7.3x EV/EBIT multiple, JADE's 5.7% position in AJOT (seventh largest holding) is reflective of our conviction that as JADE continues to cement itself as the #2 player in Japan's Y2.4trn fashion e-commerce market, there remains significant upside to the current share price in the order of +125%. To date, our investment has generated a +61% ROI and +29% IRR.

Further discussion of JADE and the company's performance this year can be found in last month's newsletter.

**Nihon Kohden (6849) – Quarterly earnings disappointment**

Nihon Kohden was the largest detractor during the month, reducing performance by -117bps as its share price fell -15.2%.

At the start of August, Nihon Kohden announced disappointing quarterly results, with sales down by -5% YoY and headline EBIT turning negative. This was largely due to a decline in the operating margin of in-house IT systems, as well as an inventory write-down of a discontinued model.

While Nihon Kohden maintained full-year guidance, the company revised down its H1 EBIT guidance from Y7bn to Y3bn. The justification for maintaining full-year guidance was expected sales concentration in the latter half of the financial year, and early savings from its cost optimisation project.

Our conviction in Nihon Kohden remains, with the company accounting for 7.0% of AJOT's NAV as the joint fourth largest holding, and we foresee a further +60% upside to the current share price. Despite the recent easing of the share price, we have so far generated a +24% ROI for an IRR of +14%.

**Exit Opportunity**

*As described in AJOT's prospectus, every two years from 2022 onwards, Shareholders who wish to exit will be given an opportunity to do so at close to NAV. The rationale behind including this clause was to ensure that if the original investment thesis did not generate the expected returns, or if circumstances had changed to make Japan unattractive, then Shareholders would not be penalised for wishing to exit. The Board and the Investment Manager are pleased that the original aims of the Company have been exceeded since the IPO.*

*In 2022, AJOT consulted with the significant majority of its Shareholders, who were supportive of the Company foregoing the administrative burden and expense of an exit opportunity at that time. AJOT continues to generate better than market returns and there is still an abundance of compelling opportunities available to it.*

*Given the share price is trading close to NAV, we hope that any Shareholders who wish to exit will be able to sell their shares in the secondary market, without AJOT needing to incur the expense of a more complicated mechanism. Nonetheless, AJOT's broker Singer Capital Markets will be consulting Shareholders over the coming weeks to assess demand for a possible exit (if any) and, as detailed in the Prospectus, if required a strategy will be developed based on the demand, underlying liquidity of our investments and the other factors mentioned. The results of the consultation will be reported in October 2024.*

## STATISTICS

## Contributors / Detractors (in GBP)

Largest Contributors	Monthly Contribution bps	% Weight
Beenos	69	7.9
Jade Group	61	5.7
Kurabo Industries	60	7.0
SharingTechnology	56	2.4
Konishi	34	5.7

Largest Detractors	Monthly Contribution bps	% Weight
Nihon Kohden	-117	7.0
Aoyama Zaisan Networks	-59	4.8
Tecnos Japan	-53	2.8
Eiken Chemical	-49	8.6
Takuma	-46	5.9

## Fund Facts

Launch Date	23 October 2018
Net Assets	£204.8m
Investment Manager	Asset Value Investors Limited
AJOT Shares Owned by the Manager**	2,856,598
Shareholder Services	Link Company Matters Limited
Management Fee***	1.0% of lower of market cap or NAV
Website	www.ajot.co.uk
Ticker Code	AJOT.LN
ISIN	GB00BD6H5D36

Period Net Returns (%)****	1m	1y	3y	SI'
Share Price TR	-1.2%	22.8%	26.1%	46.6%
Net Asset Value TR	-1.9%	26.4%	31.4%	58.5%
MSCI Japan Small Cap	-1.4%	8.6%	5.2%	21.9%
Calendar Year Net Returns (%)	YTD	2023	2022	2021
Share Price TR	10.4%	14.8%	-6.0%	10.0%
Net Asset Value TR	12.7%	15.8%	-4.3%	12.3%
MSCI Japan Small Cap	4.9%	6.9%	-1.0%	-1.4%

## Capital Structure

Ordinary Shares	140,836,702
Shares held in Treasury	535,000
TONAR + 1.55% Revolving Credit facility	¥2,930,000,000

## Gross Assets / Gearing

Gross Assets	£220.1m
Debt at fair value (gross)	£15.3m
Gearing (net)*****	2.3%

All performance shown in GBP Total Return

'23 October 2018 Start Date

\*\* Shares owned by AVI Ltd & AVI employees

\*\*\* 25% of Management Fee is reinvested in shares of AJOT

\*\*\*\* Returns stated net of fees

\*\*\*\*\* Net gearing at fair value

## Investment Manager – Joe Bauernfreund

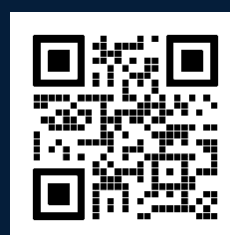
AVI Ltd. +44 20 7659 4800 info@ajot.co.uk

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](http://www.ajot.co.uk)

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