

Q4 2024

Investment Objective:

The investment objective of the Fund is to generate long-term returns through investment in a focused portfolio of over-capitalised Japanese equities while engaging with company management to help unlock value.

MANAGER'S COMMENT

Dear AJSS Shareholders,

The fourth quarter provided a strong finish to 2024 for many AJSS portfolio companies, with 17/26 holdings outperforming the benchmark over the quarter, which returned +3.3% (in JPY).

Beenos, which was the recipient of a tender offer bid at a +19% premium to the undisturbed share price, saw its share price rise +50% over the quarter, while **Aoyama Zaisan Networks**, which released a positive quarterly earnings announcement, returned +40%. Meanwhile, **Jade Group** share price fell -26% as it failed to provide adequate disclosure around the post-merger integration with Magaseek.

Corporate activity continues to rise in Japan amidst market reform driven by the Tokyo Stock Exchange. As discussed below, during the quarter Beenos was the recipient of an advance notice of a tender offer bid.

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 26 holdings.

AJSS' portfolio companies trade at cheap relative valuations, with discounts attributed to their over-capitalised balance sheets and poor corporate governance – issues which provide ample opportunity for our constructive activist approach. We continue to focus the portfolio on high quality companies with resilient earnings that have room for improvement through our engagement.

Beenos (3328) – Notice of tender offer at +19% premium

Beenos, an operator of E-commerce platforms allowing overseas consumers to purchase Japanese products, saw its share price rise +50%.

A significant portion of Beenos' profits is derived from its Global E-commerce platform. This is primarily centred around a service called 'Buyee', which enables overseas customers 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%.

During the quarter, Beenos received an advance notice of a tender offer bid of Y4,000 per share from LY Corporation at a +19% premium to the undisturbed closing price on 18th December 2024.

As a large shareholder owning close to 10% of the voting rights of Beenos, we have engaged extensively with the Board of Beenos on ways to enhance sustainable long-term corporate value. Beenos serves as another example of how AJSS' concentrated portfolio of asset-backed small to mid-caps can benefit from AVI's active engagement strategy against a backdrop of rapidly increasing corporate activity in Japan.

At month-end Beenos is now the third largest holding, accounting for 6.1% of the portfolio.

Aoyama Zaisan Networks (8929) – Announced LTM operating income +39% YoY

Aoyama Zaisan Networks ("AZN") saw its share price rise +40% during the quarter.

AZN specialises in providing wealth management consulting services across areas such as property, succession planning, corporate finance and strategic management of individual assets. AZN is set to benefit from the aging Japanese population as the need for inheritance and business succession consulting is on the rise.

In November, AZN disclosed favourable earnings, with EBIT and revenue increasing YoY by +39% and +24%, respectively. Importantly, for the first time, the company also announced a buyback program, equal to 6% of the market cap, as they are aiming to prevent dilution caused by the most recent share exchange deal with audit firm Chester Group. This is in line with Aoyama Zaisan believing capital allocation policy should be one of the core focuses of the company.

At the time AVI initiated our investment in 2024, AZN's stock price had been flat for the past five years, despite operating income that had continued to grow steadily and non-operating assets that had expanded to c.47% of its market cap as of the end of December 2023.

We anticipate unlocking substantial upside to the current share price through our constructive engagement initiatives with management. At month-end, AZN accounted for 4.3% of the portfolio as a top 10 holding.

Jade Group (3558) – Lack of clarity around growth ambitions

Over the period, Jade Group ("Jade"), the apparel E-commerce distributor, saw its share price fell -26%.

During Q2, Jade's share price was strong on the back of a press release made in July, which showed signs of successful post-merger integration of MagaSeek in a demonstration of improved IR communications, an area in which much of our recent engagement had focused. Unfortunately, since the announcement in July, Jade has not made adequate disclosure around the significant acquisition, leaving shareholders and prospective investors in the dark on its progress. In its FY25 Q2 presentation material released in October, rather than provide a clear timeline for cost cutting measures, management alluded to cross-sales as the likely method to revitalise sales to meet the FY25 forecast. This sent the share price down nearly -15% in the week that followed, and it has drifted a further -11% lower since.

Since AVI initiated our position in November 2021, Jade has made several acquisitions in pursuit of its ambitious growth path to cement itself as the #2 player in Japan's Y2.4tn fashion e-commerce market. We have supported management in pursuing this growth, however, with the market-wide reform that is occurring in Japan, the importance of investor relations cannot be understated, and we believe Jade is not meeting expectations.

With net cash reduced following several M&A transactions, uncertainty around plans for margin improvement through PMI, and managements apparent lack of desire to enhance IR disclosure, we have reduced our position in AJSS to 1.0% of the portfolio at month end.

Investment Manager – Joe Bauernfreund

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The share price can be found in [*AJSS - Asset Value Investors*](#)

Further information may be found on the following websites:

<https://www.assetvalueinvestors.com/ajss>

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 Japan Special Situations (the "Fund"). 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.