

January 2025

**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.

## Fund Information

(Figures to 31 January 2025)

## Fund Information

## Share Classes

Share Class	ISIN	Price
A (GBP)	IE0000B7RI69	£115.03
A (JPY)	IE000SRLWUF2	¥11,577.74
B (EUR)	IE000Z7QO7O0	€ 119.08
B (GBP)	IE000STVDBB6	£115.26
B (JPY)	IE000BBWIQL4	¥10,811.67
B (USD)	IE000UIN5KK5	\$116.05
B1 (GBP)*	IE000OPWA0E7	£113.13

As per regulations, until the fund has a complete 12-month history, performance cannot be shown.

## Fund Attributes

- High-conviction concentrated portfolio
- Actively managed with specialist experience in constructive engagement
- Sector agnostic, bottom-up approach
- Capitalising on corporate governance reform in Japan

## Fund Risks

As a focused equity portfolio of between 25 and 35 investments, the fund can involve higher risk and higher volatility. The value of an investment can fall as well as rise as a result of market and currency movement; you may not get back the amount originally invested. You should therefore regard your investment as long term. Details on the risk factors are included in the fund's prospectus, available on our website.

## Fund Facts

(Figures to 31 January 2025)

## Top Ten Equity Holdings

	% Weight
TSI Holdings	7.5
Eiken Chemical	6.6
Kurabo Industries	6.2
Beenos	6.0
Atsugi	5.3
SharingTechnology	5.1
Raito Kogyo	4.7
Broadmedia	4.6
Araya Industrial	4.4
Takuma	4.4
<b>TOTAL</b>	<b>54.8</b>

## Contributors &amp; Detractors (GBP)

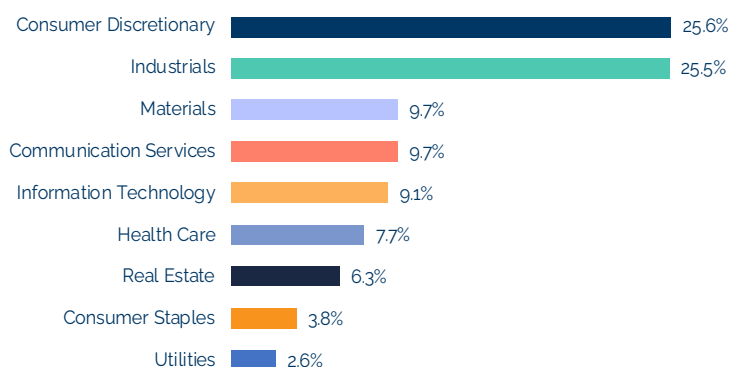
Largest Contributors	Monthly Con bps	% Weight
TSI Holdings	151	7.5
Broadmedia	60	4.6
Atsugi	45	5.3

Largest Detractors	Monthly Con bps	% Weight
Toyo Suisan Kaisha	-18	2.0
Rohto Pharmaceutical	-13	1.8
Tokyo Tatemono	-12	1.9

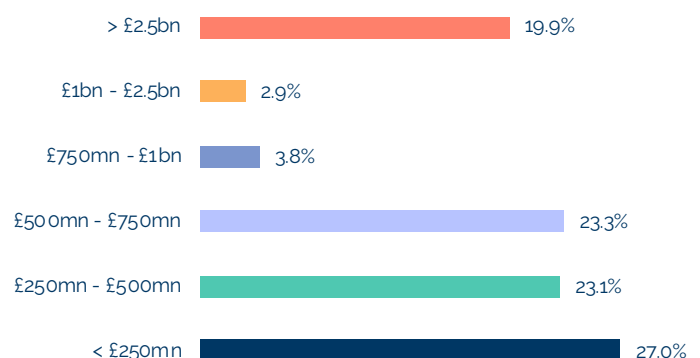
## Portfolio

(Holdings to 31 January 2025)

## Sector Exposure (% of Portfolio)



## Market Cap Breakdown (% of Portfolio)



## MANGER'S COMMENT

Dear AJSS Shareholders,

AJSS' portfolio companies enjoyed a strong start to the calendar year in January, with the top ten holdings returning +3.9% on average, outperforming the benchmark's +0.4% return (in JPY).

The two largest contributors to performance in January were **TSI Holdings** (+17% share price), which sold real estate equal in value to 30% of the market cap, and **Broadmedia** (+14%), which saw its Q3 operating income rise +7% YoY. Meanwhile, **Toyo Suisan Kaisha** (-7%) was the most notable detractor, as it announced weaker than expected earnings.

During the month, we added three new names to the portfolio from the industrials sector. The lack of research coverage of companies within AJSS' small to mid-cap investment universe continues to present us with abundant opportunities. Nearly a third of AJSS' portfolio companies (9/29) have zero sell-side coverage and more than half (15/29) which account for 64% of AJSS' NAV, are covered by two or fewer analysts.

Our engagement continues unabated, focusing on driving operational improvements as well as enhancing capital efficiency, shareholder communication and corporate governance. We believe AVI's unique focus on improving business operations enhances our credibility with management as we seek to unlock long-term value for all stakeholders. In addition to leading to improved operating margins, this aligned relationship with management assists us in driving change across the other engagement areas mentioned above.

We look forward to further deepening our partnerships with management teams as we collectively strive towards this shared objective. Our approach of detailed, constructive engagement continues to drive catalysts to unlock significant upside in a concentrated portfolio of high-quality, under-appreciated and overcapitalised companies.

### **TSI Holdings (3608) – Sold former HQ building in central Tokyo**

TSI Holdings, now the largest position in the portfolio accounting for 7.5% of NAV, was the largest contributor over the month, adding +151bps to performance as its share price rose +17%.

TSI Holdings is an apparel holding company with a diversified collection of brands including Pearly Gates, HUF, and Margaret Howell. AVI have provided several suggestions to management across all engagement areas including enhancing business operations and capital efficiency.

Our investment thesis was predicated on valuation of their net assets exceeding the market cap at the time of investment, as well as their diversified brand portfolio and diminishing founding family influence. Pleasingly, in line with our suggestions, in April 2024 the company announced a mid-term plan focusing on improving EBIT margin as well as optimising non-operating assets to improve capital efficiency.

During this month of January 2025, TSI Holdings disclosed the sale of its former HQ building located in central Tokyo, for a price higher than the company's appraisal value and equivalent to c. 30% of the market cap. Accordingly, this sent the share price +30% higher on the following day of trading. The company also announced its Q3 earnings results, with operating income growing +41% YoY.

As the largest shareholder, owning more than 10% of the voting rights, AVI will continue to engage extensively with management.

TSI Holdings has been in the portfolio since fund inception in April 2024. We see attractive upside remaining to the current share price, with TSI Holdings 7.5% position in AJSS reflective of our conviction.

### **Broadmedia (4347) – Quarterly operating income +7% YoY**

Broadmedia, mainly engaged in online education and IT service businesses, was the second largest contributor, adding +56bps to performance as its share price increased by +14%.

Broadmedia is a leading player in Japan running online-learning secondary schools with the brand name "Renaissance High School Group," allowing students to learn at their own pace remotely and to focus on their learning interests. Broadmedia's unique education curriculum allows students to earn degrees in e-sports, KPOP and programming schools, on top of the standard arts/science curriculum. In addition to operating online-schools, Broadmedia operates an IT service business, especially for distributing Akamai Technologies' software and solutions to domestic clients. The online education business is the most profitable segment for the conglomerate, with studio contents and other smaller segments a drag on the bottom-line.

In addition to net-cash and off-balance sheet asset-backing, our investment thesis was built on Broadmedia's growing online-education business, which holds the fifth largest market share in Japan, as well as management's openness to engaging in dialogue with shareholders.

## MANGER'S COMMENT

In January, Broadmedia announced quarterly operating income that was +7% higher than the same period in the previous financial year.

As the largest shareholder, owning 13% of the voting rights, AVI will continue to engage extensively with management.

Broadmedia accounts for 4.6% of AJSS' NAV. We see significant upside to the current share price.

**Toyo Suisan Kaisha (2875) – Earnings growth below expectations amidst tariff concern**

Toyo Suisan Kaisha ("TSK"), the instant noodles company, was the largest detractor over the month, reducing performance by -18bps as its share price declined -7%.

Toyo Suisan Kaisha ("TSK") offers the unique opportunity to own a £5bn Japanese-listed food production conglomerate with multiple high-quality, profitable assets. The most notable of these is its overseas instant noodle manufacturing and distribution business, Maruchan Inc.

Maruchan Inc. is a global leader in instant noodle manufacturing, with best-in-class, high teens operating margins, a demonstrable track record of pricing power, strong brand equity and dominant market positions in the USA and Mexico with c. 70% - 80% of market volumes.

TSK's conglomerate structure and poor capital allocation decisions has meant that over the last ten years the company has traded a discount to peers. The company is also falling short in its IR function, with its closest peer providing clear English materials.

Although quarterly operating income grew by +33% YoY, this was below expectations and saw the share price decline -9% in the following day of trading. This also comes amidst concern over tariffs likely to affect the company's noodle exporting business from the US to Mexico.

A holding since inception, Toyo Suisan accounts for 2.0% of AJSS' NAV, and we see substantial upside to the current share price through our constructive engagement.

## ESG

## ESG Integration

ESG is integrated into each stage of our investment process. AVI has eschewed a box-ticking approach to ESG and developed a proprietary ESG monitoring system.

Engagement is central to our strategy. Our ESG monitoring system helps to highlight areas where we can actively engage with portfolio companies to build resilience to sustainability risks, promote responsible attitudes, and enhance sustainable corporate value.

For more information, AVI's ESG Report can be accessed on its website [here](#)

## Article 6

This Fund has an Article 6 classification within the meaning of the Sustainable Finance Disclosure Regulation (SFDR). Engagement is central to delivering long term returns, and we integrate environmental, social and governance (ESG) factors into our risk management on an ongoing basis. As part of our engagement process, we monitor the climate-related risks of our portfolio companies within a bespoke system developed for AVI. However, the Fund does not have a sustainability objective.



## Fund Details

(Figures to 31 January 2025)

## AVI Japanese Special Situations Fund

Launch Date	22 <sup>nd</sup> April 2024
Net Assets	JPY 5.2bn / GBP 27m
Cash	0.5%
Fund Structure	UCITS
IA Sector	Japan
Fund Domicile	Ireland
Investment Manager	Asset Value Investors
Manager	Gateway Fund Services
Administrator/ Transfer Agent	Société Générale
Dealing	Daily
Subscription Deadline	1 Business Day prior by 12PM
Dealing Information*	<a href="mailto:info@assetvalueinvestors.com">info@assetvalueinvestors.com</a>
Website	<a href="#">AJSS Fund Page</a>

\*Also available on all major platforms.

## Share Classes

Share Class	OCF** (%)	ISIN	Ticker	Price
A (GBP)	1.35	IE0000B7RI69	AVIJASA ID	£115.03
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B (EUR)	1.15	IE000Z7QO7O0	AVIJASB ID	€ 119.08
B (GBP)	1.15	IE000STVDBB6	AVIJABG ID	£115.26
B (JPY)	1.15	IE000BBWIQL4	AVIJPSB ID	¥10,811.67
B (USD)	1.15	IE000UIN5KK5	AVIJABU ID	\$116.05
B1 (GBP)*	0.85	IE000OPWA0E7	AVIJAB1 ID	£113.13

Benchmark: MSCI Japan Small Cap Total Return Index.

\*Performance fee share class - 0.50% management fee + 15% of outperformance of benchmark.

\*\*Ongoing Charges Figure.

## 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](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 Japanese 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 Fund should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund.

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