

Investing with discipline and purpose in a changing world: 40 years of value

AVI Insights
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Four Decades of Change, One Constant

In the summer of 1985 when Asset Value Investors (AVI) was appointed as manager of what was then the British Empire Trust - and is now AVI Global Trust - the world of investing looked very different. Markets were less transparent, information travelled more slowly, and the idea of active engagement with companies was far from the mainstream. The principles that guided AVI then, however, were already clear: invest patiently, focus on intrinsic value, and seek opportunities where good-quality, under-researched assets are hiding in plain sight.

Forty years later, the landscape has transformed beyond recognition. Entire markets have risen, merged and digitised. The pace of change has accelerated with technology, regulation, and the globalisation of capital. The language of investment has evolved too - stewardship, governance, and more recently sustainability¹. Yet through every shift, the core principles of patience, rigour, and intrinsic value have proved enduring for AVI, and remain central to how we invest today.

That philosophy has continued to guide us across multiple economic and valuation regimes. Since assuming management of the AVI Global Trust (AGT) in 1985 and launching the AVI Japan Opportunity Trust (AJOT); we have invested through Black Monday, the Asian financial crisis, the dot-com boom, the global financial crisis and the COVID-19 pandemic; periods that tested liquidity, patience and process. Over this long term, AGT, and since 2018, AJOT, have demonstrated resilient long-term performance (see **Figure 1.** and **Figure 2.**); driven not by leverage or style rotation, but by systematic exploitation of structural inefficiencies: discounts in holding companies, mispriced closed-end funds, and under-researched, asset-backed businesses. Our approach since 1985 has become more data-intensive and engagement-driven over time, but its foundation, the search for intrinsic value and alignment with disciplined owners, remains as it was.

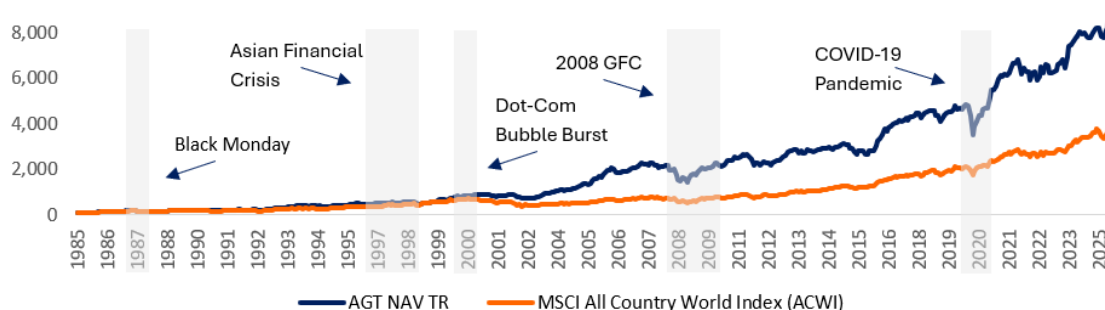
The past four decades have also expanded the definition of what value means. As markets have matured and expectations of corporate responsibility have broadened, so too has our understanding of the factors that drive long-term performance. Today, sustainability and governance are part of that equation, as practical considerations of risk, resilience, and reputation.

AVI's 40th anniversary is therefore not a milestone of reinvention, but of continuity. It marks four decades of doing what we have always done: applying disciplined analysis, engaging with purpose, and investing with patience. In a world where trends and terminology come and go, the constant that defines AVI is, and always has been, clarity

¹ Anna Tilba, The evolution of investor stewardship and the importance of aligning stewardship metrics, targets and outcomes, 2024.

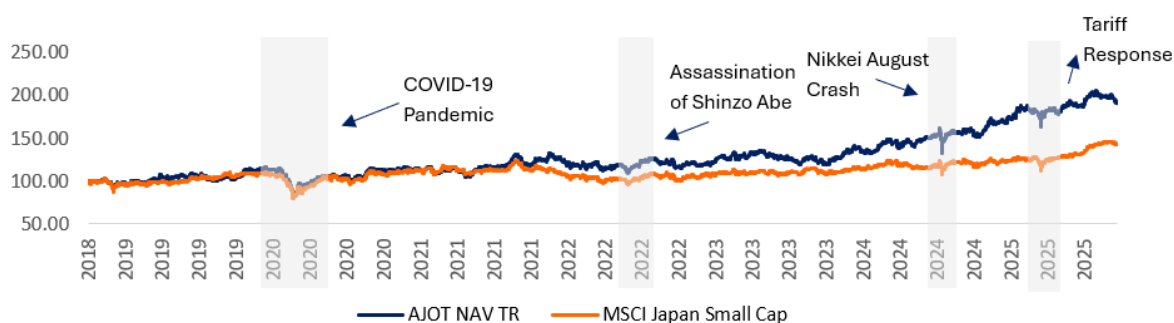
of thought and conviction in value. It turns out that patience may not always be fashionable, but it has proved rather effective.

Figure 1. Through the Decades Market AGT Timeline (1985-2025)



Source: AVI ESG Internal Database.

Figure 2. AJOT Market Timeline (2018-2025)



Source: AVI ESG Internal Database.

Foundations: A Philosophy Built to Last

From the outset, AVI's approach has been guided by a simple conviction: the market often misprices complexity. When AVI assumed management of what is now AGT in 1985, our goal was to exploit those inefficiencies; to look through corporate structures, balance sheets, and ownership layers to find the value others overlooked.

That philosophy took shape through a distinctive investment universe: family-controlled holding companies, closed-end funds, and asset-backed businesses trading at discounts to their underlying value (**Figure 3**). These companies tend to share certain characteristics like high-quality assets, and long-term stewards of capital; yet their complexity, limited research coverage, or cross-holdings often cause them to trade below

their intrinsic worth. For patient investors, those inefficiencies represent enduring opportunity².

Over four decades, this framework has proved remarkably resilient. It has delivered consistent long-term performance through multiple market regimes: inflationary shocks, technology booms, credit cycles, and more recently, the rise of stewardship and sustainability (**Figure 4.**). Since 1985, AGT has compounded NAV at approximately +11.5% per annum, outperforming global equity indices (such as the MSCI ACWI) over the same period (**Figure 1.**).

Our approach has always been bottom-up and research-driven, focussed on understanding what a company owns, how it allocates capital, and who controls it. In recent years, that lens has broadened to incorporate environmental, social, and governance (ESG) considerations; not as a new philosophy, but as an enhancement of the same analytical discipline that has guided us since inception. Assessing governance quality, shareholder alignment, and capital discipline has long been integral to our process; today, evaluating how companies manage environmental and social risks simply extends that logic.

Figure 3. AGT 2024 Investment Universe and ESG Integration



Source: AGT Annual Report 2024.

In 2021, we formalised firm-wide ESG integration as we hired our first dedicated ESG analyst and became signatories to the United Nations Principles for Responsible Investment (UN PRI). Together, these steps marked an important milestone in embedding sustainability more systematically into our research and engagement processes. Environmental mismanagement, weak social practices, or poor disclosure can represent the same kind of hidden liability that a mispriced balance sheet once did. Conversely, sound governance, prudent risk oversight, and responsible resource use can be powerful indicators of sustainable value creation; qualities that we have always sought to identify and hold.

A long history of investing alongside family shareholders has also shaped our thinking about sustainability. Families tend to think in generations, not quarters; they reinvest

² Asset Value Investors. Family Holding Companies Whitepaper: Keeping it in the Family, 2023.

rather than trade, and they view reputation as a form of capital³. That alignment of interests resonates with our own philosophy of patient, active ownership. Where alignment is absent, we engage privately, to help boards act in the long-term interests of all shareholders.

The result is a strategy that has evolved with markets and methodologies, integrating new dimensions of analysis while remaining grounded in the same foundation: a belief that value endures where others see complexity, and that disciplined, responsible ownership is the most sustainable force in capital markets.

The Long View: Adapting Through Four Decades

Longevity in investing depends as much on adaptability as on discipline. Since 1985, AVI has navigated four decades of structural change in markets - and has adapted our methods without diluting our philosophy. Each period has demanded different tools, but the objective has remained constant: to identify undervalued, under-researched, and often misunderstood businesses, and to act as a catalyst for unlocking their value.

The 1980s and 1990s were shaped by structural inefficiency. Family-controlled conglomerates and closed-end funds across Europe traded at persistent discounts to their underlying assets. Capital markets were less integrated, disclosures thinner, and index investing in its infancy⁴. At AVI's inception, there were several French holding companies that had complex cascade structures that attracted discounts upon discount. This created the perfect environment for a specialist manager focused on transparency, structure, and governance.

Through the 2000s and 2010s, capital became more global and governance standards began to converge. The adoption of Stewardship Codes in the UK (2010) and Japan (2014), the rise of shareholder engagement, and the growing professionalisation of boards changed the nature of inefficiency. Information asymmetry declined, but misaligned incentives, inefficient balance sheets, and undervalued assets remained. AVI evolved by engaging more directly with company boards and management teams, using analysis not just to identify value but to help realise it. Constructive engagement, often behind the scenes and always grounded in data, became a defining feature of our process.

The most recent decade has brought another inflection point. Markets now assess companies not only on financial returns but also on how they manage broader risks, ESG-related. These factors have proven material to capital allocation, cost of capital, and long-term resilience. For AVI, integrating ESG analysis from 2021 onwards was a natural extension of the same value discipline: understanding all drivers of sustainable intrinsic value.

³ PwC. [PwC's 12th Family Business Survey Reclaiming advantage](#), 2025.

⁴ Vanguard. Vanguard in a nutshell, 2025.

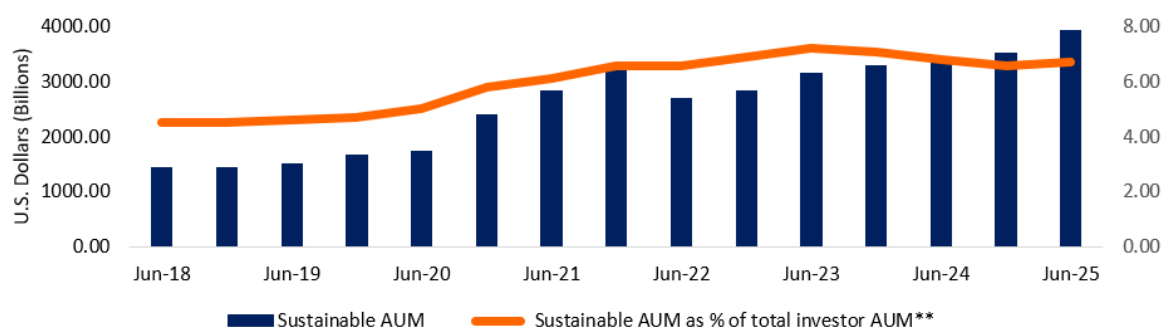
We do not view sustainability as a separate strategy but as an enhancement of analytical precision. Governance remains the anchor, because effective oversight determines whether environmental and social policies translate into durable performance. Similarly, environmental and social assessments have become another layer of risk evaluation, complementing our traditional analysis of balance sheets, ownership, and capital discipline.

This evolution is visible across our strategies. Our engagement priorities now often include board composition, disclosure standards, and capital efficiency; areas where governance reform and sustainability intersect. In Japan, for example, our work with companies such as SK Kaken reflects this dual focus: unlocking trapped value through governance reform while encouraging more transparent, efficient, and sustainable corporate practices.

The integration of ESG considerations has also formalised aspects of our culture that were long embedded, such as stewardship, accountability, and long-term partnership. What has changed is the framework: clearer metrics, structured reporting, and a systematic assessment of how these factors affect valuation. This evolution strengthens rather than alters the investment philosophy that has guided AVI for forty years.

Markets will continue to evolve, and definitions of “sustainability” may shift again. But the lesson of the past four decades is that adaptation, when anchored in principle, compounds over time. AVI’s long view has always been about continuity, a consistent process refined by new insight, not replaced by it.

Figure 4. Rise of ESG Materiality for Global Investors*



Source: Morgan Stanley Institute for Sustainable Investing.

* AGT is an ESG integrated, not focused, fund; Figure 4 is used as an illustration of sustainable fund AUM growth over the time period.

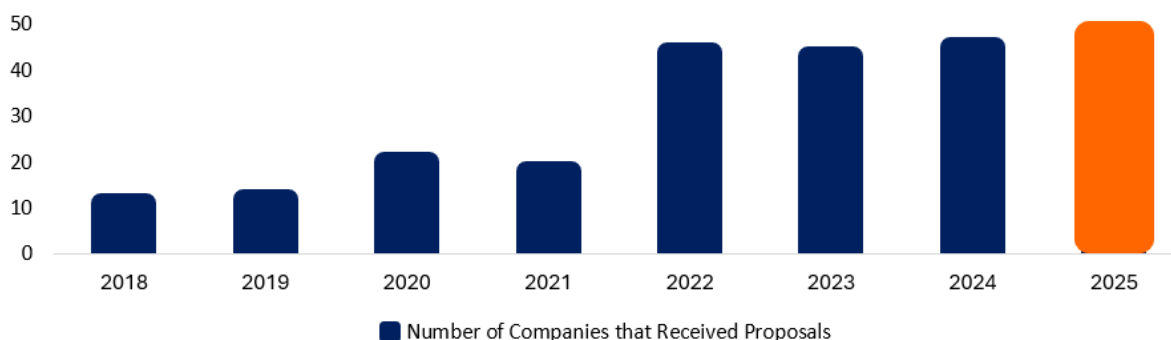
** % compares between sustainable and ‘Traditional’ funds from a universe of 99,000 global funds, “Sustainable” uses Morningstar’s definition.

Japan: Governance, Reform, and Resilience

Japan represents both continuity and renewal within AVI's history. We first invested in Japanese equities in the 1980s as part of our global mandate, attracted by strong balance sheets, high-quality assets, and low valuations. For many years, however, structural barriers such as cross-shareholdings, limited disclosure, and cautious corporate cultures restricted the ability of investors to unlock value.

That landscape has changed profoundly. Over the past decade, Japan has undertaken one of the most ambitious governance reform programmes in the world. The Corporate Governance Code (2015), the Stewardship Code (2014) and 2020 revisions have together created the conditions for genuine reform. Cross-shareholdings have almost halved since 2015; and buybacks reached record levels in 2024, and proposals from activist shareholders have quadrupled since 2018 (**Figure 5.**) - underscoring the pace of governance reform. These developments have made governance and capital allocation leading catalysts for long-term value creation in the market.

Figure 5. Proposals from activist shareholders in Japan *



Source: Mitsubishi UFJ Trust and Banking.

* The 2025 figure is as of June 6th 2025.

AVI recognised the scale of this opportunity early. Having invested in Japan for decades, we launched a dedicated Japan strategy in 2018 to capitalise on these structural tailwinds. The strategy applies the same principles that define AVI globally: intensive research, engagement with management (**Figure 6.**), and disciplined valuation; to a market where inefficiency remains abundant.

Our engagement work in Japan illustrates how governance reform and sustainability increasingly intersect. At Toyota Industries, we have long encouraged unwinding of cross-shareholdings and improved capital discipline, recommendations that culminated in 2025 with the reduction of its stake in Aichi Corp from 52 to 20 per cent. At Rohto

Pharmaceutical, we combined traditional governance analysis with a broader ESG perspective, highlighting how stronger independent oversight and clearer sustainability disclosure could unlock both financial and reputational value. The case demonstrated how integrating ESG considerations into engagement can strengthen the investment thesis rather than sit apart from it.

Figure 6. Example AVI Engagement Process



* Public campaigns are always a last resort.

For AVI, the Japanese experience demonstrates that sustainability is not confined to environmental metrics; it also resides in governance structures that endure, efficient use of capital, and alignment between owners and stakeholders. As reform momentum continues, we expect Japan to remain one of the richest grounds for long-term, responsible value creation.

The Next Chapter: What Endures

Forty years after AVI's founding, the investment landscape continues to evolve at unprecedented speed. Technology has shortened cycles, regulation has multiplied, and information is now almost frictionless. Yet as markets become more efficient in some respects, they remain inefficient in others; particularly where complexity, ownership, or stewardship obscure intrinsic value. These inefficiencies are AVI's enduring terrain.

The next chapter will be defined not by a change in philosophy, but by its continued application to a changing world. Across our Global and Japan strategies, the same long-term discipline applies: identifying quality assets trading at discounts to their true worth, engaging constructively where alignment can be improved, and integrating broader sustainability factors that determine durability of value. The analytical tools may become more advanced and disclosure more data-driven, but the essence of what we do remains the same: patient, fundamental investing guided by long-term discipline.

Looking ahead, we see several themes shaping long-term opportunity. First, governance and capital allocation remain amongst the most powerful levers for value creation. As regulatory standards rise and stewardship codes mature globally, we expect investors who can analyse and influence governance quality to continue to generate excess

returns. Second, sustainability integration will increasingly distinguish companies able to adapt to environmental and social pressures from those that cannot. This is not an ideological shift, but an economic one: sustainability, properly understood, is about risk, resilience, and responsible capital use - the same elements that have underpinned AVI's philosophy for decades.

Third, transparency and alignment will become even more critical as ownership becomes more dispersed, and stakeholder expectations rise. Our experience as active owners, engaging with management teams and family shareholders across markets, positions us well to navigate this next phase.

Internally, our focus is on deepening integration rather than broadening scope: refining our ESG analytics, expanding our engagement data systems, and enhancing our reporting transparency. These developments are not about reinvention, but precision and ensuring that our stewardship continues to be informed, credible, and effective. The discipline that has defined AVI's first forty years will continue to guide our next: rigorous research, constructive engagement, and a clear understanding of what drives long-term value.

As we look forward, we remain conscious that the role of a long-term investor extends beyond analysis. It is about stewardship, ensuring that capital supports companies capable of sustaining value responsibly across cycles and generations. The most durable advantage in markets is not speed or scale but clarity of purpose. Beyond Japan, markets such as Korea are now exhibiting similar structural inefficiencies and reform dynamics, a reminder that the global opportunity set for governance-driven value investing continues to expand.

Trends, terminology, and regulation will continue to evolve; investment fashions will rise and fade. But the principles of discipline and patience that have endured for four decades, are precisely those best suited to the decades ahead. In that sense, the next chapter of AVI is not new at all. It is the same story, written for a new era of value, stewardship, and sustainability; proving that patience ages better than most investment fashions.

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About AVI

Asset Value Investors (“AVI”) was established in 1985 to take over the management of one of the oldest listed investment companies in London. We are a majority employee-owned boutique investment manager that has been investing in global equities for over 40 years. Alongside our global equity strategy, we manage dedicated Japan, South Korea, and closed-ended fund portfolios with the same active, bottom-up, engagement-focused style. AVI is the investment manager for AVI Global Trust plc, AVI Japan Opportunity Trust plc and MIGO Opportunities Trust plc.

AVI is based in London, registered with the Securities and Exchange Commission and authorised by the Financial Conduct Authority.

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