



Disclosure - Non-Independent Marketing Communication This is a non-independent marketing communication commissioned by AVI Japan Opportunity (AJOT). The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

AVI Japan Opportunity (AJOT)

Japan's reform push is moving down the market cap spectrum, and AJOT's hands-on approach could be well placed to benefit.

Josef Licsauer

joseff@keplerpartners.com

Overview

Investment objective

To achieve capital growth through investing in a focussed portfolio of overcapitalised, high-quality, small-cap Japanese equities.

Source: Morningstar

As at:

12/10/2026

Trust Name

AVI Japan Opportunity

Ticker

AJOT

Management Company

Asset Value Investors

Manager Name

Joe Bauernfreund

Association of Investment Companies (AIC)

Sector

Japanese Smaller Companies

Dividend Yield

1.2%

Dividend Distribution Frequency

Semi-Annually

Latest Market Capitalisation

348,326,455

Latest Net Gearing (Cum Fair)

5.5%

Latest Ongoing Charge Ex Perf Fee

1.4%

Shares Outstanding

219,465,752

(Discount)/ Premium (Cum Fair)

-4.8%

Daily Closing Price

179.00

[AVI Japan Opportunity Trust \(AJOT\)](#) continues to do what it has done since launch in October 2018, with Joe Bauernfreund and the team at Asset Value Investors (AVI) building meaningful stakes in overcapitalised Japanese smaller companies and working closely with management to unlock value (see [Portfolio](#)). The difference now is scale, following the combination with Fidelity Japan (FJV) in November 2025, alongside potentially greater resources garnered through AVI's acquisition by Pacific Asset Management, though AVI has been clear that the investment team and process will remain unchanged.

Over the long term, this approach has served investors well, delivering an annualised NAV total return of 9.9% since launch, ahead of 7.8% for the MSCI Japan Small Cap Index. And most recently, the trust received a fresh reminder of what its patient approach can deliver, when a private equity firm launched a tender offer for Sharingtechnology, AJOT's largest holding, at a 55% premium to its undisturbed share price.

Performance has been tested at times, including the past 12 months, as narrow, AI-led market leadership and a long wait for a corporate event weighed on relative returns (see [Performance](#)).

Amid the volatility this year, the team has been active within the [Portfolio](#). Raito Kogyo was sold on share price strength, whilst Rohto Pharmaceutical was exited after the team saw limited prospects of a near-term catalyst. The proceeds have been recycled into names such as Taki Chemical. Engagement continues to bear fruit elsewhere, with Mitsubishi Logistics announcing strategic shareholding sales, a new buyback and board changes this year. The FJV combination has also brought a lower, tiered management fee (see [Charges](#)).

AJOT currently trades on a 4.8% [Discount](#), wider than its five-year average of 1.9%. AJOT has been awarded a [Kepler Growth Rating](#) for 2026.

Analyst's View

We think the next chapter of Japan's reform story could belong to its smaller companies. The first wave largely rewarded bigger businesses that moved early on buybacks, dividends and cross-shareholdings. Now, with the revised Corporate Governance Code, rising rates and tighter TSE listing standards, the pressure is spreading down the market cap spectrum. Many smaller companies have the balance sheets to act, but arguably not the experience, and that gap is where we see the real opportunity, playing squarely into AJOT's strengths.

Rather than simply owning reform beneficiaries, the team actively helps shape the outcome, using large stakes, consulting expertise and, where needed, public pressure. Sharingtechnology's tender offer, alongside progress at Mitsubishi Logistics and Kurabo Industries, shows how the model can work, and the added scale from the FJV combination could further strengthen the team's hand.

However, there are risks to consider. Market returns have been driven by a narrow cohort of large-cap AI and semiconductor names that AJOT does not own, leaving little room for its company-specific stories to be rewarded this year, and that could persist. Takaichi's spending plans have also unsettled bond markets, and company engagement can be slow and, as Rohto showed, not always successful.

In our view, though, these are reasons for patience rather than avoidance, backed by a strong track record since launch that shows the value this approach can add over time. Ultimately, we view AJOT as a differentiated, hands-on way to access a reform agenda which, potentially, has a long way to run. Its 4.8% discount is also unusual for a trust that has typically traded close to NAV, and much wider than its five-year average of 1.9%, so for long-term investors, this could offer a timely moment to revisit the strategy.

Bull

- Highly differentiated strategy with clear path to adding alpha
- Strategy has been proven to work with many individual companies since launch
- A reversion of cheap yen valuation could lead investors to favour domestic-facing small caps

Bear

- High concentration brings potential for underperformance as well as outperformance
- Japan and the yen are economically sensitive, so market could be volatile
- Intensive engagement strategy requires a lot of work, which could spread the team thinly

Portfolio

AVI Japan Opportunity Trust (AJOT) offers investors concentrated, engagement-led exposure to one of the most overlooked corners of global equity markets: Japan's smaller companies. Managed by Asset Value Investors (AVI) and led by Joe Bauernfreund since launch in October 2018, the trust targets high-quality businesses whose value is obscured by operational and strategic inefficiencies, alongside excess capital, whether surplus cash, investment securities, property or cross-shareholdings left idle on the balance sheet. Since launch, this has proven a rewarding source of returns, although the hands-on nature of the approach demands

patience, as meaningful engagement takes time to translate into value (see [Performance](#)).

In our view, the backdrop remains supportive, albeit not without its challenges, and the team believes that whilst Japan's governance reforms are now more than a decade old, the market is not even halfway to where regulators want it to be. The push is also increasingly coordinated, with the TSE, the government and domestic asset owners pulling in the same direction. The revised Corporate Governance Code, published in July, asks boards to keep reviewing whether resources such as cash, deposits and real estate are being

used effectively, whilst the TSE's two-year revamp of TOPIX tightens requirements around free float, market capitalisation and liquidity. The team expects this could see hundreds of companies removed from the index, a view that appears to be supported by the index itself, which earlier this month published a list of nearly 700 of its 1636 constituents that currently fall short of the new criteria. Rising interest rates add a further nudge. The Bank of Japan lifted its policy rate to 1.25% in September, its highest level since 1995, making idle assets increasingly costly to hold.

Importantly for AJOT, the next phase may be felt most among smaller companies. Larger companies have so far made far more progress, particularly in unwinding cross-shareholdings, helped by greater resources and pressure from foreign shareholders. The managers believe smaller companies are now beginning to follow, as the TSE and domestic investors turn their attention down the market cap spectrum, and activists are shifting focus too. Research from the Japan Research Institute found that companies valued at less than ¥100bn now represent more than half of those targeted. Joe acknowledges reform takes longer to be priced in among smaller companies, but argues it could prove transformational for small and mid-caps, which make up around 65% of the Japanese universe.

This is where an engagement-led approach can potentially add the most value. The willingness to change is increasingly there, but the expertise often is not. Many companies are only now confronting property holdings that may not have been revalued in decades, and with Japan's labour market tight, bringing in outside help is not straightforward. In our view, this is where AJOT stands apart. The Japan team of eight includes several native Japanese speakers and former management consultants, allowing it to engage on operational improvement and strategic focus, not just capital returns. That said, the pace of change will inevitably vary from company to company.

Finding the right companies to engage with is, therefore, a highly selective process. A monthly screen of Japan's roughly

4,000 listed companies searches for businesses that are overcapitalised, undervalued, sufficiently liquid and have an open shareholder register. Of the 20 to 40 companies researched in depth each quarter, the team typically invests in just one or two, before building a meaningful stake, often above the 5% disclosure threshold. AVI's funds currently hold more than 5% in 16 of AJOT's 25 holdings. Engagement then follows a broad three-year arc: building a relationship with management, supporting the board in implementing the team's suggestions and, ultimately, realising value through a rerating, business growth or a corporate event. It is often this final stage where the impact is most visible. Holdings such as NC Holdings, Tecnos Japan and Alps Logistics have all been taken private at substantial premiums to their undisturbed share prices. Most recently, a private equity firm launched a tender offer for Sharingtechnology, AJOT's largest holding, at a 55% premium to its undisturbed share price (see [Performance](#)).

Within the portfolio's top holdings, illustrated below, a few others are also worth drawing out. Mitsubishi Logistics, AJOT's third largest holding, has investment securities and real estate worth more than its entire market cap, precisely the kind of balance sheet the revised Code targets. The team's engagement has centred on making better use of that property, and AVI is now among the company's largest shareholders. This year alone, the company has announced ¥20.5bn of strategic shareholding sales, a new ¥10bn buyback and the appointment of a director from outside the Mitsubishi group, alongside a committee to review its property portfolio. Kurabo Industries tells a similar story. The team encouraged management to refocus on its chemicals and advanced technology businesses rather than its loss-making textiles operations, and to improve capital efficiency, and much of that agenda is now reflected in the company's medium-term plan. Kurabo closed its largest textile plant in 2025, a seminal moment for a business founded in textiles in 1888, and has since committed to return on equity and dividend targets, a ¥20bn buyback and a reduction in cross-shareholdings.

TOP-TEN HOLDINGS

	PORTFOLIO WEIGHT (%)
Sharingtechnology	11
Wacom	10
Mitsubishi Logistics	9.6
Kurabo Industries	9.4
Foster Electric	7.2
Maruzen Showa Unyu	6.1
Eiken Chemical	6
Broadmedia	5.6
Atsugi	5.2
Ines Corp	4.3
Total	74.4

Source: AVI, as of 30/09/2026

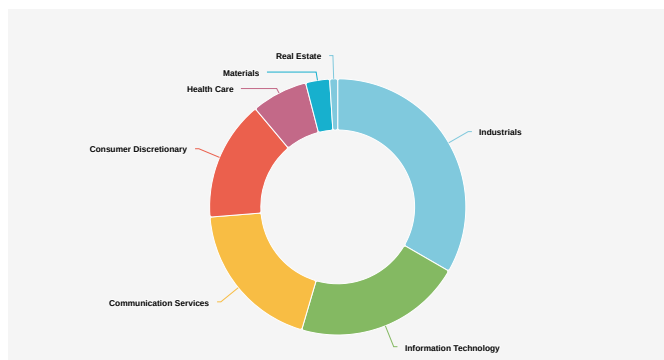
Alongside these more established positions, the team has been reshaping the portfolio. The FJV combination allowed it to build larger stakes and add new positions, including Asiro, Foster Electric and Senshu Electric in December 2025. In March 2026 came Taki Chemical, where the team estimates net financial value accounts for around 65% of the market cap. On the sell side, Raito Kogyo was sold on share price strength, delivering an ROI of around 40% in yen. Rohto Pharmaceutical, by contrast, was exited at roughly break-even after an April 2026 public campaign, with the team seeing limited prospects of a near-term catalyst. SK Kaken, held since launch, was sold in August, and GO, a private company inherited from FJV, was realised on its IPO.

In our view, the decision to walk away from Rohto is telling as engagement only creates value where there is a credible path to change. And where that path remains credible but progress has stalled, the team has also shown it is prepared to escalate. During a record 2026 AGM season for shareholder proposals, it tabled proposals at Kurabo, Wacom and Rohto. None passed, although the team rarely expects them to. Instead, it uses proposals to highlight what it sees as barriers to value creation, crystallise support among other shareholders and add pressure on boards, and each drew

encouraging support. Elsewhere, newer positions are showing early promise. Quick and Asiro have introduced more generous shareholder return policies, and Foster Electric has lifted its dividend (see [Dividend](#)).

In terms of positioning, the portfolio is predominantly domestically focussed, with industrials the largest exposure, and has little overlap with the AI and semiconductor names that dominated returns for much of the year. This has been a headwind, although the July sell-off in those stocks suggested market leadership may be starting to broaden. The domestic tilt has also meant AJOT's holdings have faced higher imported costs, rather than benefitting from the weak yen. A firmer currency, potentially more likely as the Bank of Japan normalises policy, could therefore help both portfolio companies and sterling-based investors.

SECTOR ALLOCATION



Source: AVI

Past performance is not a reliable indicator of future results.

There are, of course, risks to consider. Prime Minister Takaichi's agenda leans more on state-directed investment

than the market-led reforms of the Abenomics era, and fiscal concerns have pushed Japanese government bond yields to multi-decade highs. The revised Code's emphasis on growth investment also means surplus cash may not always be returned to shareholders, and takeover defences persist, as Maruzen Showa Unyu's proposed poison pill shows. Narrow market leadership could also last longer than hoped. Finally, large stakes in smaller companies can take time to exit, although the managers estimate around half the listed portfolio could be sold within a month.

Taken together, AJOT offers concentrated, differentiated exposure to what we believe could be the next leg of Japan's reform story. Progress will not be linear, and the past year has shown how long catalysts can take to emerge. However, with greater scale, a sharpened portfolio and a reform agenda that increasingly rewards hands-on engagement in smaller companies, we think the trust is potentially well placed to capitalise over the long term.

Gearing

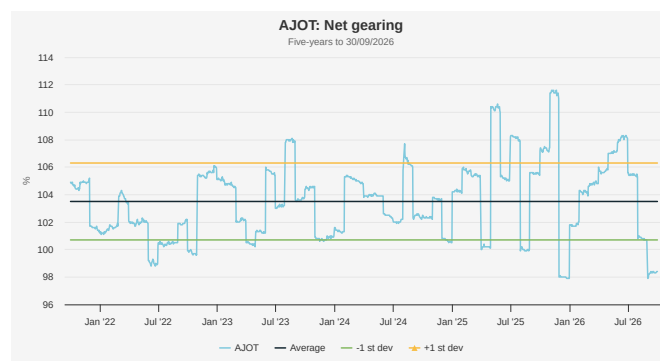
The board has set a limit for net gearing of up to 25% of NAV at the time of drawdown, although in practice the trust has operated well below this ceiling. Gearing may be used to enhance returns and tends to fluctuate in response to stock-specific opportunities and realisations, rather than short-term market views. Historically, it has been modest, with net gearing averaging 3.5% over the past five years.

Following the combination with FJV, the board negotiated a larger borrowing facility. Finalised at the start of April 2026, the yen revolving credit facility was increased from ¥6.6bn to ¥12.7bn and extended for a further two years to April 2028. Interest is charged at the Tokyo Overnight Average Rate (TONAR) plus 1.3%, whilst the commitment fee on undrawn balances was reduced from 0.50% to 0.45%. Were the facility fully drawn, it would equate to approximately 15.4% of net assets. As the borrowings are denominated in yen, they also provide a partial hedge against currency movements.

At the end of September 2026, ¥9.2bn (c. £42.5m) was drawn, equating to gross gearing of around 10.6%, whilst net gearing stood at 5.5%. This followed a brief move into a net cash position at the end of August, as cash balances built up

following realisations, including the exits from Raito Kogyo. The drawn borrowing has remained unchanged throughout, with the subsequent rise in net gearing reflecting that cash being redeployed. Given the portfolio's concentration and the lower liquidity of smaller companies, changes in gearing are often driven by individual buy or sell decisions such as these, rather than by changes to the borrowing itself.

GEARING



Source: Morningstar

Past performance is not a reliable indicator of future results.

Performance

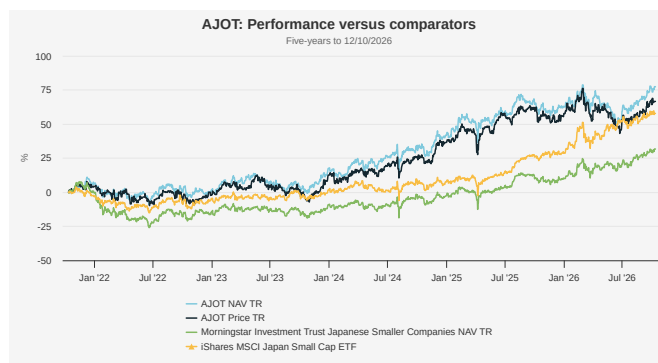
Since its launch in October 2018, AJOT has delivered NAV and share price total returns of 112.2% and 95.7%, respectively, against 81.5% for the MSCI Japan Small Cap Index, equating to annualised returns of 9.9% and 8.8%, respectively, a good margin ahead of the index's 7.8%. We think this record reflects AJOT's distinctive approach. Joe and the team seek out overcapitalised Japanese smaller companies, where surplus cash, property and cross-shareholdings account for a large share of the market value, and then work with management to put those assets to better use.

To support this, the team typically builds large, often double-digit, stakes, giving it a level of access and influence few minority shareholders can achieve. When engagement succeeds, whether through improved operational and strategic improvements, capital allocation, higher shareholder returns or a corporate transaction, the value released can be substantial, and corporate activity has historically been an important source of AJOT's returns.

Importantly, AVI's engagement is considered rather than confrontational. The team's preference is to work constructively and privately with management, drawing on decades of experience in Japan and escalating to public engagement only where it is warranted. Naturally, this approach takes time, and AVI typically invests with a horizon of around three years, so there will be periods of muted performance. However, as the long-term record shows, when this patient, relationship-led approach bears fruit, the cumulative effect on returns can be considerable.

The impact is also clear over five years, with AJOT delivering NAV and share price total returns of 77.4% and 66.6% respectively, ahead of the 60.0% delivered by the index. This period has coincided with an acceleration in corporate governance reform in Japan, most notably the Tokyo Stock Exchange's request that companies be conscious of their cost of capital and share price. As a result, management teams have become more receptive to shareholder engagement, lending greater weight to AVI's arguments. The period has also seen a pick-up in private equity interest in undervalued listed companies.

FIVE-YEAR PERFORMANCE

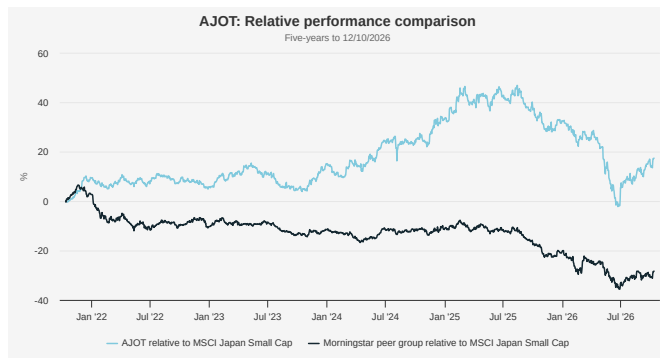


Source: Morningstar

Past performance is not a reliable indicator of future results

Isolating the relative performance makes the picture clearer still, so we've also included a chart that shows AJOT's cumulative relative performance over five years, against the MSCI Japan Small Cap Index, alongside that of the Morningstar peer group versus the same index. A rising line indicates outperformance of the index over that period, a falling line indicates underperformance, and a line above zero shows a trust is ahead of the index overall. Whilst AJOT's line has, at times, trended lower, most notably over the past year, it has remained above the index for almost the entire period. Of course, the sector is small, with just three trusts, so this is not a broad set of performance comparators but, nevertheless, in our view, the gap between the two lines is telling. It highlights that AJOT's engagement-led approach has set it apart at times in what remains a competitive sector, with each trust offering a differentiated route into Japanese smaller companies. As the past year shows, however, that distinctiveness can cut both ways.

FIVE-YEAR RELATIVE PERFORMANCE

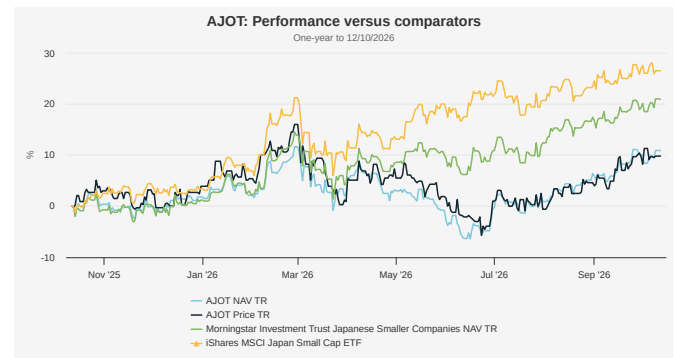


Source: Morningstar

Past performance is not a reliable indicator of future results

AJOT has lagged the index over the past 12 months, delivering an NAV total return of 10.9%, trailing 26.7% for the index. Much of the shortfall reflects the market backdrop. For much of the year, Japanese equity returns were concentrated in a narrow group of AI and semiconductor-related companies. Given its focus on undervalued businesses with company-specific catalysts, AJOT has little exposure to these, and so lagged as momentum-driven names led the market. This was compounded by what the managers describe as a 17-month period without a corporate event in the portfolio. That said, more recent performance has picked up, with AJOT outperforming over the past three months (to 12/10/2026), helped by the Sharingtechnology tender offer and a broadening in market leadership.

ONE-YEAR PERFORMANCE



Source: Morningstar

Past performance is not a reliable indicator of future results

Stock-specific setbacks added to the pressure. Synchro Food, an online platform serving Japan's restaurant industry, was the largest detractor in the first half of 2026, with its shares falling 58% as full-year operating profit fell 39%, despite AVI having secured board representation. Eiken Chemical, a clinical diagnostics manufacturer, also weighed on returns. Its shares fell sharply after shareholder proposals from another engagement investor were narrowly defeated at its June AGM, and quarterly results subsequently showed weaker margins.

That said, there have been several bright spots. The most notable came in September, when a private equity firm launched a tender offer for Sharingtechnology, AJOT's largest holding, at a 55% premium to the undisturbed share price. The bid ended the long wait for a corporate event, and the managers estimate an ROI of over 40% at the offer price since the initial investment in July 2024. Mitsubishi Logistics, AJOT's second largest holding, has also made tangible progress. The company completed a ¥20bn buyback, appointed an independent director with a real estate background and set targets of a 10% ROE and 1.5× price-to-book by 2030, with its sizeable real estate portfolio the focus of AVI's engagement.

In our view, a broadening of market leadership, combined with the continued push on capital efficiency following the revised Corporate Governance Code, should provide fertile ground for AJOT's approach, although the timing of individual catalysts will remain inherently unpredictable.

Dividend

AJOT does not have an income objective, and its primary aim is to deliver attractive long-term capital growth, with its modest historical yield of 1.2% a reflection of this. However, engagement around capital allocation, including dividends and buybacks, is central to the strategy, meaning that some portfolio holdings generate an income.

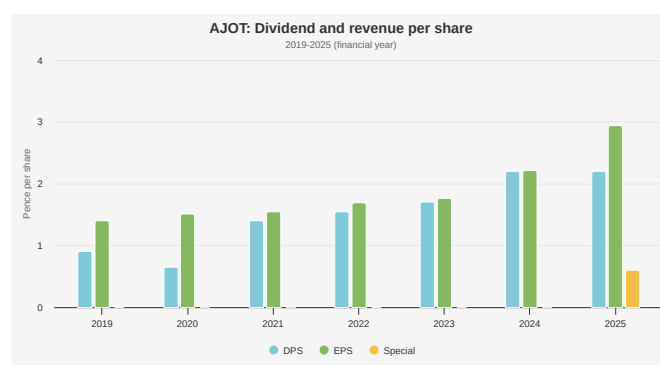
Japan has undergone a decade-long shift towards improved capital efficiency, governance and shareholder returns, with many companies deploying historically cash-heavy balance sheets more productively, whether through reinvestment, M&A, share repurchases or higher dividends. For Joe and the team, encouraging this kind of capital discipline is a key lever for unlocking value, and Foster Electric, a manufacturer of loudspeakers and audio equipment, is a good example. Earlier this year, the company raised its dividend forecast to ¥80 per share, from ¥60, alongside establishing its first audit and supervisory committee, with AVI having built a stake of more than 5%. Whilst capital growth remains the dominant driver of returns, income could become more meaningful over time, as many Japanese companies continue to hold excess cash relative to optimal balance sheet levels.

The board intends to distribute substantially all net revenue each year, so dividends can vary depending on underlying portfolio income. So far this financial year, the enlarged asset base following the FJV combination has given income a meaningful boost. Investment income rose to £6.7m in the first half of 2026, from £4.1m a year earlier, although on a per

share basis revenue earnings were broadly flat at 2.22p, against 2.18p. The board has declared an unchanged interim dividend of 1.6p and notes this does not fully reflect the income expected for 2026. Barring unforeseen events, it expects to pay a higher final dividend than last year.

At AJOT's 2025 year end, revenue reserves equated to around 0.3× the total dividend of 2.8p per share, including the 0.6p final paid in May 2026. Having since rebuilt to £5.7m by the end of June 2026, they comfortably cover the declared interim. Both revenue and capital reserves are also distributable, giving the board additional flexibility.

DPS & EPS



Source: AVI

Past performance is not a reliable indicator of future results.

Management

AJOT is managed by Asset Value Investors (AVI). Previously an independent, majority employee-owned boutique, AVI has now been acquired by Pacific Asset Management, part of the Pinnacle Investment Management group, although it continues to operate under its own brand, with the investment team, process and fees unchanged (see [Discount](#)). CEO and CIO Joe Bauernfreund has led the strategy since launch and is supported by a dedicated Japan team. Nicola Takada Wood joined in January 2025 as Head of Japan, having previously run Japan strategies at Redwheel, and is also a Managing Director of the firm.

Kaz Sakai, Head of Japan Research, has worked with the team since May 2020 and joined full-time in June 2021. Jason Bellamy, who joined AVI in April 2020, is Tokyo-based and assists in engagement efforts. The team also includes four additional research analysts and one ESG analyst. Several team members are Japanese nationals, an important advantage in the small-cap segment, where company disclosures and shareholder communications are not always available in English. Overall, we think this represents a meaningful commitment of resources to a strategy that

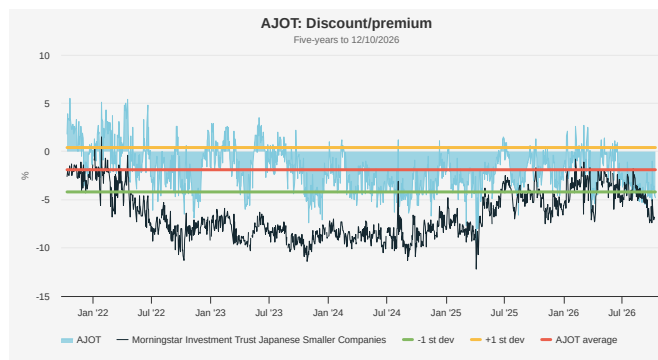
requires intensive research, high-conviction positioning and sustained engagement.

Discount

At the time of writing (12/10/2026), AJOT trades on a discount of 4.8%, wider than its five-year average of 1.9%. The trust has historically traded much closer to NAV, and at times at a premium, including at the beginning of this year. In our view, the widening largely reflects the trust's recent [Performance](#). Narrow, AI-led market leadership and a long wait for a corporate event in the portfolio held back returns, which in turn may have weighed on investor sentiment towards the trust. A period of corporate change may also have played a part, with the share register still settling following the FJV combination, and AVI's acquisition by Pacific Asset Management. That said, both developments could ultimately prove supportive, bringing greater scale, resource and broader distribution potential.

Looking ahead, we think the current discount is worth noting. Japan's governance reforms are still at a relatively early stage, and the next phase is increasingly reaching further down the market cap spectrum, where many smaller companies are yet to see meaningful change or a rerating. Many have the cash to act but lack the resources and expertise to do so, in areas like reassessing assets such as property that have sat untouched on their balance sheets for decades, creating a clear role for experienced engagement investors. In our view, AJOT's focus on overcapitalised smaller companies, combined with the team's engagement experience in Japan, leaves it potentially well placed to benefit. Given how rarely the trust has traded at a meaningful discount over its history, the current level could offer investors a relatively uncommon opportunity to gain exposure to this next leg of reform.

DISCOUNT



Source: Morningstar

Past performance is not a reliable indicator of future results.

The board remains committed to its discount management policy, using buybacks where appropriate, and offers shareholders an annual opportunity to exit at close to NAV, which will again be offered in 2026. Whilst this provides a meaningful backstop, it can also reduce the size of the trust following a period of weaker returns. In terms of issuance, when the shares traded at a premium in the first half of 2026, the board reissued 6.2m shares from treasury, equivalent to 2.5% of the share capital, raising £11.6m. In terms of buybacks, 27.2m shares were repurchased over the same period, the large majority of which, 26.9m shares or c.11% of the share capital, were bought back through the exit opportunity at 173.76p per share. Since then, a further 1.3% of shares have been repurchased to 12/10/2026.

The combination with FJV in November 2025 has lifted net assets, and as of September 2026, AJOT stands at £416m, bringing a lower tiered management fee (see [Charges](#)) and a larger borrowing facility (see [Gearing](#)), as well as larger ownership positions across the portfolio and improved liquidity in the shares. In August 2026, it was also announced that Pacific Asset Management, part of the Pinnacle Investment Management group, will acquire 100% of AVI, including the c.25% stake held by Goodhart Partners. This completed on 02/10/2026.

As we understand it, AVI will continue to operate under its own brand as an independent boutique, and the investment team led by Joe, the investment process and AJOT's objective are all unchanged. What the deal does offer is additional resource. AVI will gain access to Pacific's operational and technology platform, including enhanced data capabilities, alongside a global sales team with established relationships

across family offices, wealth managers, consultants and institutional investors. AVI believes this will allow the team to take even greater advantage of the opportunity in Japan's overlooked smaller companies, enhancing, in our view, the potential resources supporting the AJOT team and, over time, demand for its shares.

Charges

AJOT's latest ongoing charges figure (OCF) is 1.4%, compared with 1.12% and 0.81% for the other trusts in the AIC Japanese Smaller Companies sector. These charges are reflected in the trust's NAV rather than deducted from the share price. The OCF remains higher than peers, reflecting the resource-intensive nature of AVI's engagement-led approach, and the benefits of greater scale have yet to come through. Over time, however, the increased scale and revised fee structure could support gradual cost efficiency as the trust continues to grow.

We've already seen some changes since AJOT's combination with FJV in November 2025, which increased total assets and prompted a tweak to the management fee. Previously charged at a flat 1% per annum, the fee is now calculated on the lesser

of NAV or market capitalisation following a tiered structure: 1.0% per annum on the first £300m of assets, 0.95% between £300m and £350m and 0.90% on assets above £350m.

What we view positively here is the continued alignment between manager and shareholders. Because the fee is charged on the lesser of NAV or market capitalisation, AVI's fee falls when the trust trades at a discount. AVI has also confirmed that, despite the combination, it will continue to reinvest 25% of its management fee in AJOT shares and hold these for a minimum of two years, showing real skin in the game. As at 30/09/2026, AVI and its employees held AJOT shares worth c. £5.1m.

ESG

At the firm level, AVI integrates ESG considerations throughout its investment process and is a signatory to the UN-supported Principles for Responsible Investment. The house view is that long-term value creation and responsible stewardship are closely linked. ESG metrics are embedded within AVI's proprietary research framework, supported by a dedicated ESG analyst and a tailored monitoring system focussed on financially material factors. Ongoing assessments, structured engagement, company-specific questionnaires, and controversy monitoring form part of a continuous oversight process.

Within AJOT, governance is a crucial part of the process. As an engagement-led investor, the trust often targets companies where governance standards can be improved to unlock shareholder value. This may involve investing in businesses with weaker existing ESG profiles where there is

clear scope for positive change. Engagement is therefore integral to the strategy. The team votes at all AGMs, frequently challenging management and, where appropriate, taking positions independent of proxy advisers. Recent examples include AVI calling an extraordinary general meeting at Synchro Food, which led to Kaz, AVI's Head of Japan Research, joining the board, the first time an AVI team member has taken a board seat at an AJOT holding. In our view, this represents a pragmatic application of ESG, less reliant on exclusionary screening and more focussed on driving measurable governance improvements that enhance long-term shareholder returns.

Morningstar does not currently assign the trust a sustainability rating due to insufficient portfolio data coverage.

Disclaimer

Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street , London W1S 2GF with registered number OC334771.