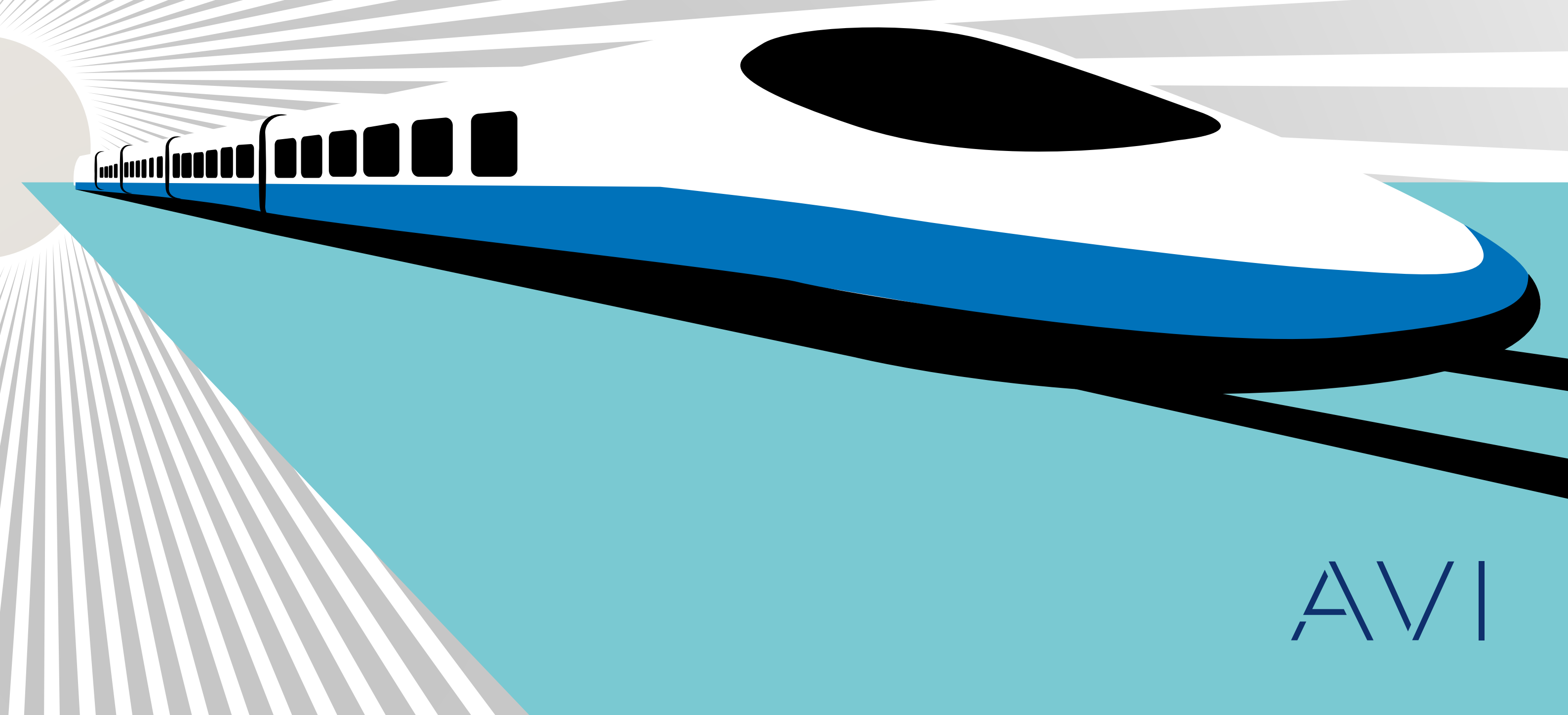
AJOT

AVI Japan Opportunity Trust

Driving positive change through constructive engagement

Interim Report 30 June 2024



AVI

Welcome to our 2024 Interim Report

AVI Japan Opportunity Trust plc ("AJOT" or "the Company") invests in a focused portfolio of quality small and mid-cap listed companies in Japan that have a large portion of their market capitalisation in cash or realisable assets.

NET ASSETS
£196 million

LAUNCH DATE
23 October 2018

ANNUALISED RETURN
7.6%

ONGOING CHARGES RATIO
1.5%

AN ACTIVE APPROACH TO INVESTING RESPONSIBLY

As an active investor, AVI considers all drivers relevant to each company's success, offering suggestions to enhance sustainable corporate value in consideration of all stakeholders and in the best long-term interest of our clients.

We aim to build strong relationships with the boards and management of our portfolio companies. Through constructive engagement, we encourage and expect them to take meaningful action in the context of long-term value creation.

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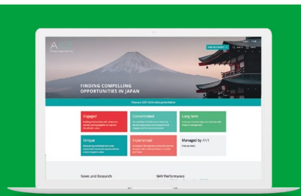


The Company's website which can be found at **www.ajot.co.uk**, includes useful information on the Company, such as price performance, news, monthly and quarterly reports, as well as previous Annual and Half-Year reports.

@AVIJapan

u/avi-ajot

avi-japan-opportunity-trust

Company Performance

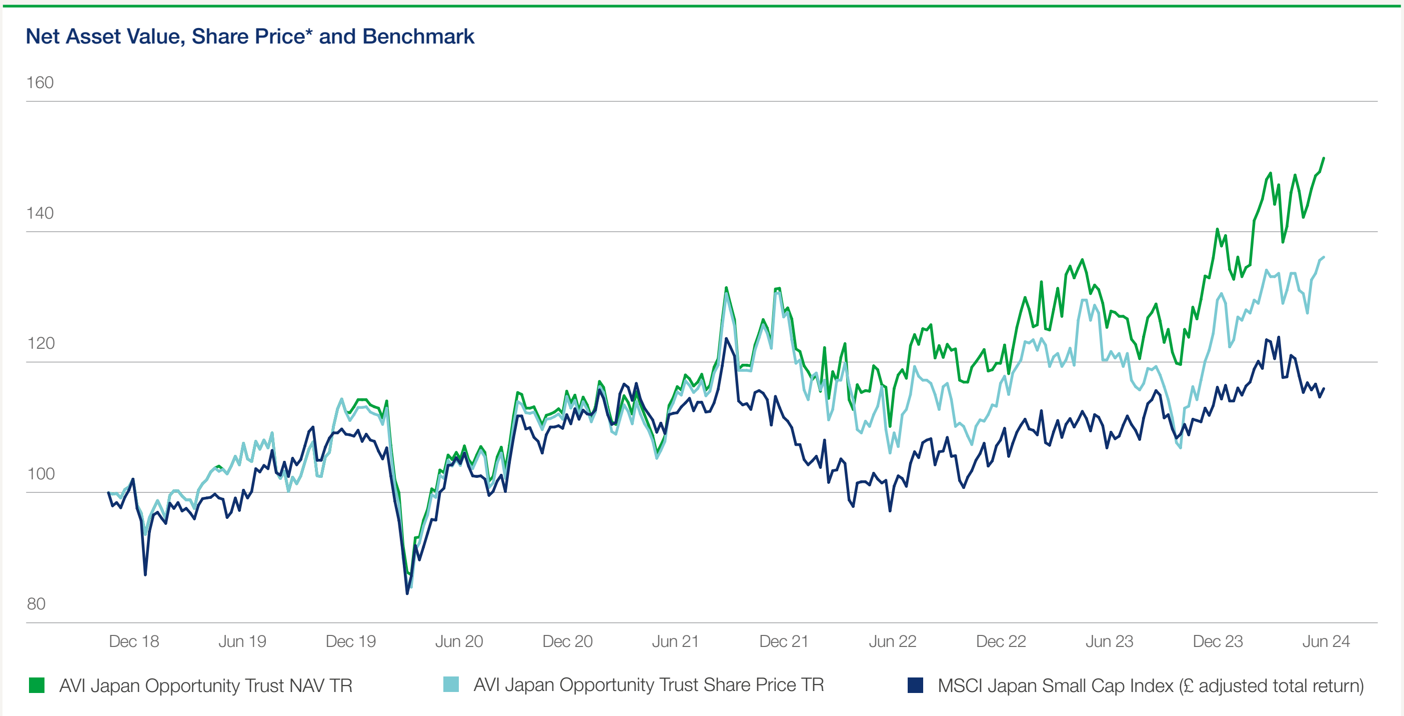
PERFORMANCE SUMMARY

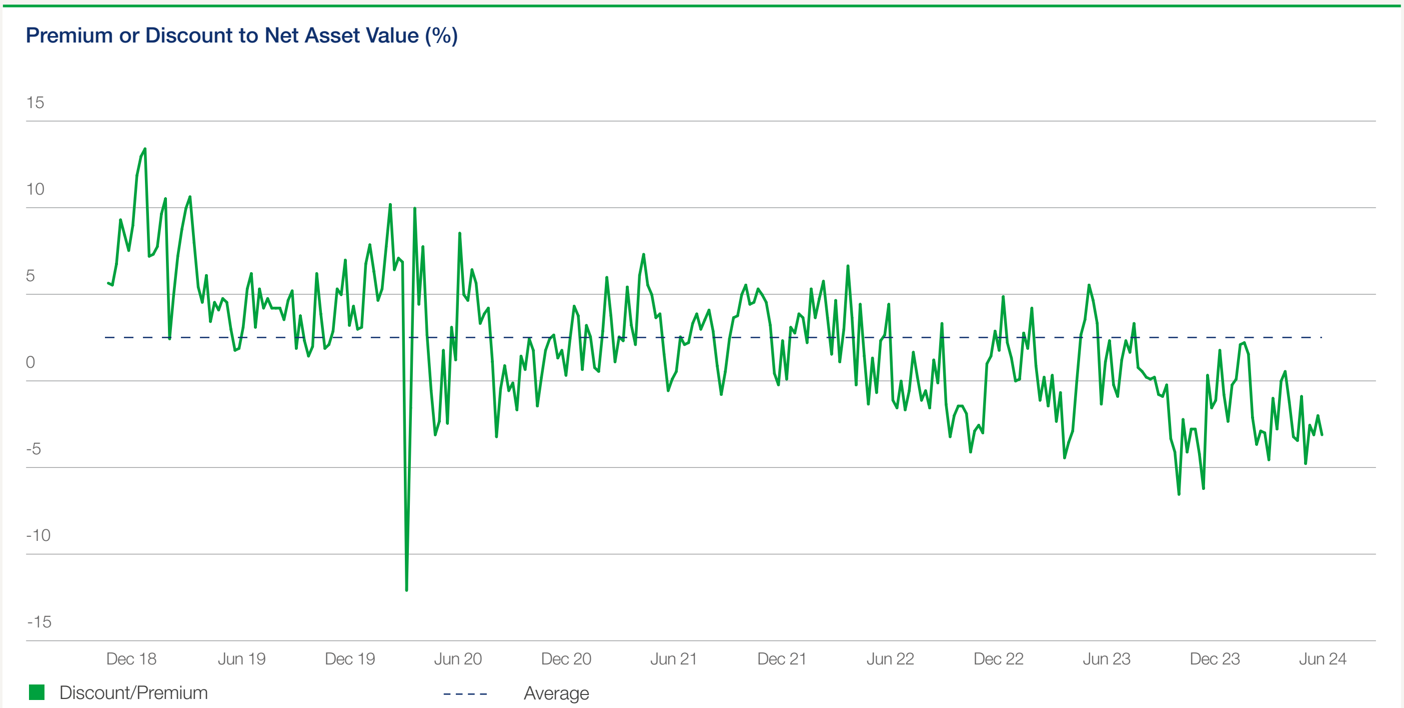
	30 June 2024	30 June 2023
Net Asset Value* (£'000)	**195,593**	167,613
Net Asset Value per Share (total return) for the period	**7.7%**	5.0%
Net Asset Value per share (p)	**139.4**	119.0
Comparator Benchmark		
MSCI Japan Small-Cap Index (£ adjusted total return)	**-0.2%**	-0.4%
Portfolio Valuation*		
Net Cash as % of Market Cap	**30.6%**	35.2%
Net Financial Value as % of Market Cap	**49.0%**	55.5%
EV/EBIT	**7.7x**	7.8x
FCF Yield	**4.9%**	4.4%
	Six months to 30 June 2024	Six months to 30 June 2023
Earnings and Dividends		
Profit/(loss) before tax	**£14.3m**	£8.1m
Investment income	**£2.8m**	£2.7m
Revenue earnings per share	**1.3p**	1.4p
Capital earnings per share	**8.7p**	4.2p
Total earnings per share	**10.0p**	5.6p
Ordinary dividends per share	**1.0p**	0.9p
Ongoing Charge		
Management, marketing and other expenses (as a percentage of average Shareholders' funds)	**1.5%**	1.4%
2024 Period's Highs/Lows	**High**	Low
Net Asset Value per share	**139.8p**	**123.1p**

Net Asset Value per share at 30 June 2024	139.4p
Share price at 30 June 2024	135.5p
Discount as at 30 June 2024	4.3%
(difference between share price and Net Asset Value)	(5.9)p

NAV TR (GBP)	Since inception	**H1 2024**	2023	2022	2021	2020	2019	2018[1]
AJOT	51.4%	**7.7%**	15.8%	-4.3%	12.3%	-1.4%	19.0%	-4.0%
MSCI Japan Small Cap	16.0%	**-0.2%**	6.9%	-1.0%	-1.4%	3.2%	14.7%	-6.0%
Relative Performance	*35.4%*	***7.9%***	*8.8%*	*-3.4%*	*13.7%*	*-4.6%*	*4.3%*	*2.0%*

1 Since inception on 23 October 2018.





* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 21 and 22.

Chairman's Statement

AVI's unique brand of constructive engagement and high-quality research will allow for the unlocking of valuation anomalies that are unavailable in other global developed markets, with the potential for attractive absolute and relative returns.

Norman Crighton
Chairman

Performance and Introduction

Welcome to the fifth interim report for AVI Japan Opportunity Trust plc ("the Company" or "AJOT"), covering the period from 1 January 2024 to 30 June 2024. Since I last wrote to you, the Japanese equities market has continued to attract global attention, as regulators make further progress on the path to corporate reform. In early 2024, the Tokyo Stock Exchange intensified pressure on listed companies to improve capital efficiency and valuations by publishing a list of 1,115 companies that had made the required disclosures towards improvement, shining a light on those that hadn't. To 30 June 2024 this year, the MSCI Japan Small Cap Index has returned +12.9% (in JPY) and -0.2% (in GBP), compared to the MSCI Japan's return of +21.3% (in JPY) and +7.2% (in GBP).

Although small-cap Japanese equities have not fared as well as their large-cap counterparts during the first half of 2024, AJOT returned a positive +21.9% (in JPY) and +7.7% (in GBP), well ahead of the Benchmark Index. Over the same period, AJOT's peer group of UK-listed Japan smaller companies investment trusts fell an average of -2.7% (in GBP but gained +10.1% in JPY). The Board believes AJOT's strategy is proving to be accretive and resilient.

The lack of research coverage of small-cap companies relative to large-caps continues to present us with abundant opportunities. Foreign investors have predominantly allocated their capital into larger companies with greater liquidity rather than taking time to uncover small-cap opportunities. This is likely to change going forward as investors seek out cheaper and more attractive hidden gems amongst small caps.

In this period, your manager, AVI, published a presentation to Aichi, a subsidiary of Toyota Industries, and sent private letters or presentations to a further eight portfolio companies. AVI's Japan team spends considerable amounts of time engaging closely with portfolio companies on matters including operational improvements, capital structure efficiency and corporate governance reform. The team routinely travels to Japan and has already conducted three trips in the first half of the year. It is apparent that, in many cases, Japanese management is becoming more appreciative of the team's constructive suggestions, particularly due to our engagement focus on operational improvements, a key point of differentiation from AJOT's peers.

In addition, and perhaps uniquely amongst our peers, I as Chair and Yoshi Nishio, one of the Company's Directors, travelled to Japan to attend the AGM of investee company SK Kaken, where we were invited to address the board and other shareholders directly. We asked questions of the board about the direction of the family-controlled company, its commitment to all shareholders, and, more broadly, its obligations as a publicly listed company. This was an important escalation of AJOT's interaction with SK Kaken, which we expect to lead to more dialogue and continued improvement in the share price.

The portfolio is more resilient than ever, with a greater focus on companies with high-quality earnings. This is reflected in net cash and securities accounting for 49% of the portfolio companies' market caps, which is marginally lower than in previous periods. Meanwhile, the portfolio maintains an attractive valuation, with an EV/EBIT multiple of 7.7x[1]. This underscores the significant discounts at which AJOT's portfolio companies trade relative to peers, largely due to their over-capitalised balance sheets and limited sell-side coverage.

1 EV/EBIT figures are based on Last Twelve Months ("LTM") EBIT.

On the macro front, earlier in the year the Bank of Japan finally put an end to its yield curve control policy, increasing interest rates to a modest +0.1%. Although this was only a marginal increase and was reasonably well flagged, it was a step in the right direction.

We are delighted that, despite the twin impacts of the general strength of the mainstream Japanese market in 2023, which has continued into the start of 2024, and the continuing weakness of the currency, your Company has generated strong outperformance.

Dividend

The Board has elected to propose an interim dividend of 1.00 pence per share. As stated in the Prospectus at the Initial Public Offering ("IPO"), the Company intends to distribute substantially all the net revenue arising from the portfolio and is expected to pay an annual dividend, but this may vary substantially from year to year.

Investment Strategy

AJOT listed in October 2018 to take advantage of the highly attractive opportunity to invest in under-valued, overlooked Japanese small-cap equities with strong underlying business fundamentals. We believed, and very much still do, that AVI's unique brand of constructive engagement and high-quality research will allow for the unlocking of valuation anomalies that are unavailable in other global developed markets, with the potential for attractive absolute and relative returns.

Discount and Buybacks

As of 30 June 2024, your Company's shares traded at a discount of -4.3% to net asset value per share. Over the period under review, this ranged from a -5.8% discount to a +1.2% premium. The Board monitors the discount/premium situation closely, ensuring investors are protected from the downside of a widening discount, while also taking advantage of the premium to grow the Company. Over the period, the Company bought back 135,000 of its shares at an average discount of -5.1%. All shares repurchased are held in treasury rather than cancelled so that they may be reissued if sufficient demand arises.

The total outstanding shares in issue was 140,301,702 at the end of the period, compared to 140,436,702 at the end of 2023.

Also during the period, AVI purchased 140,000 shares as part of its ongoing commitment to invest one quarter of its management fee in AJOT shares.

Debt Structure and Gearing

At the end of the period, AJOT had £14.4 million worth of Yen debt, with gross notional gearing standing at 7.4% of NAV. Taking into account the utilisation of total return swaps, net debt with the swaps marked to market was 2.1% (based on % of net assets as set out on page 10).

Annual General Meeting

The Company's Annual General Meeting was held on 1 May 2024. All resolutions were passed with at least a 99% approval. The Board thanks Shareholders for their continuing support.

Closing Remarks

Your Board continues to have full confidence in the investment thesis and in the ability of the Investment Manager to execute it. However, wanting to lead by example, your Company stands by its commitment in our original Prospectus to offer Shareholders the opportunity to exit at close to NAV on a regular basis. 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.

I am very pleased to note that since the IPO neither of the scenarios mentioned above have materialised, and the Board and the Investment Manager firmly believe that the opportunities are now more attractive than they were when the Company was launched in 2018. Nevertheless, our broker, Singer Capital Markets, is canvassing opinion from Shareholders on the appetite for a redemption opportunity.

The Board would like to thank Shareholders for their continued trust and support. As always, if you have any queries, please do not hesitate to contact me personally (norman.crighton@ajot.co.uk) or alternatively speak to our broker Singer Capital Markets to arrange a meeting.

Norman Crighton
Chairman

16 September 2024

Investment Manager's Report

> The Japanese equity market continues to gain traction, amidst rising foreign capital allocation, corporate reform and a greater focus on shareholder returns. With these tailwinds, we maintain high conviction in our unique strategy built on constructive engagement, with more opportunities than ever for us to unlock substantial value across the small to mid-cap universe.

Joe Bauernfreund
Portfolio Manager

During the period from 1 January to 30 June 2024, your Company returned +21.9% (in JPY) and +7.7% (in GBP). This compares with a return for the benchmark index, the MSCI Japan Small Cap Index, of +12.9% (in JPY) and -0.2% (in GBP). Over the past six months, the Yen depreciated by -11.7% against the Pound, a significant headwind for sterling-based returns.

The Japanese equity market continued its strong performance from 2023, with large caps outperforming small caps. The MSCI Japan Index rose by +21.3% (in JPY) and +7.2% (in GBP). AJOT outperformed relative to its peer group of UK-listed Japan smaller companies investment trusts, which rose +10.1% (in JPY) and declined by an average of -2.7% (in GBP).

While we were pleased to see the Bank of Japan cease its long-standing yield curve control, the increased rate of 0.1% was too modest to curb the falling Yen. Nevertheless, this was widely seen as a positive sign of things to come, and after period-end, the Bank of Japan subsequently increased its benchmark rate to 0.25%, sending the Yen higher. This caused widespread volatility in global equity markets, particularly in Japan, however, the fundamentals of our portfolio did not change. During this period of volatility, we strategically added to existing holdings in our portfolio.

Additionally, corporate reform amidst pressure from the Tokyo Stock Exchange ("TSE") has made Japanese equities even more attractive to foreign investors. The small-cap companies within AJOT's investment universe remain under-researched, presenting us with abundant opportunities. We anticipate foreign investors will allocate more capital to the attractively valued small-cap sector of the Japanese market. Tender offer bids ("TOBs") are becoming increasingly common in Japan, with four AJOT portfolio companies benefiting from TOBs during the period at premiums ranging from 19% to 194%. Since inception, a total of eight portfolio companies have been privatised.

Over the period, we added nine new names to the portfolio, causing the concentration of the top 10 holdings to fall to 65.5%, down from a near all-time high of 73.3% at the end of 2023. Maintaining a concentrated portfolio of 15-25 stocks allows us to complete in-depth research and dedicate the necessary time to constructively engage with portfolio companies on matters such as operational improvements, capital structure efficiency and corporate governance reform.

With greater attention from foreign investors, continued pressure from regulators, and increased focus on shareholder returns at the company level, all signs are pointing towards an extended period of positive performance for the Japanese market.

AVI SHAREHOLDER ENGAGEMENT

Shareholder engagement remains a core component of AJOT's strategy. It is clear to us that management teams of our portfolio companies are particularly receptive and appreciative of our engagement efforts focusing on enhancing operational efficiency. While we prefer to keep our engagement private, shareholder proposals remain an important part of our engagement repertoire to drive corporate reform in companies that are lacking adequate management or strategic direction.

We filed shareholder proposals to two portfolio companies during the period, one of which we withdrew. In the case of SK Kaken, where we have now filed shareholder proposals for four consecutive years, AJOT Directors attended the AGM. This marked the first time a foreign investor attended as a speaker and the first time any shareholder had asked a question. Encouragingly, it was the most attended AGM and we were not the only shareholder asking probing questions about SK Kaken's woeful employee satisfaction track record and lack of strategic direction.

Our presence and the questioning seem to have alerted the family who control the company. Yet again, our shareholder proposals achieved support from the majority of minority shareholders, and we will continue engaging until the company addresses the plethora of issues.

Alongside our public campaign with SK Kaken, we also prepared an in-depth, 60-page public presentation on Aichi, focusing on several constructive suggestions to enhance operational efficiency and corporate value, while addressing the parent/subsidiary relationship with Toyota Industries.

As mentioned, private engagement remains our preferred method for unlocking corporate value, and over the period we sent letters or presentations to eight portfolio companies. By maintaining private engagement, we can build mutually beneficial long-term relationships with management. Our significant focus on operational improvements is also far more effectively addressed through in-depth private engagement in collaboration with management, than simply via shareholder proposals. Over the period, we engaged on operational improvement 64 times in aggregate, across 18 portfolio companies. Capital efficiency also remains a core area of focus for our engagement and share buybacks are becoming more frequent in Japan as companies demonstrate greater focus on shareholder returns, in line with the TSE's request.

We believe that the long-term focus of our constructive engagement assists management in building better businesses while enhancing shareholder value. A track record demonstrating our willingness to take engagement public enhances our credibility and adds another layer to our engagement.

PORTFOLIO TRADING ACTIVITY

With the team identifying plenty of new opportunities, annualised turnover was an elevated 74%. We exited six positions entirely and nine new companies entered the portfolio.

Sales

The largest sale over the period was Alps Logistics, which received a tender offer bid at a +194% premium to the undisturbed share price. We generated an ROI of +307% and IRR of +38% over the holding period.

Digital Garage was the second largest sale during the period, as we exited the long-standing position we had held since AJOT's inception. After publishing a press release in November 2023, at the end of the year, defiant to the trend of reducing cross-shareholdings, Digital Garage issued 5.3% of its treasury shares to Resona HD, with Resona HD committed to purchasing an additional 4.8% in the market. With a consistently underperforming and mismanaged business, along with the senseless issuance of undervalued shares, we have more promising opportunities to allocate our capital toward.

Turnover was boosted by two short-term holding periods in Yaizu Suisankagaku and Sun Corporation. We generated an ROI of +16% and IRR of +129% in our two-month special situation trade in Yaizu Suisankagaku, which was the beneficiary of a competitor buyout at a premium of +71% to the undisturbed share price. During the period we entered and nearly fully exited a position in Sun Corporation, during which time we benefitted from a +37% share price increase, delivering a +25% ROI and +406% IRR.

With an abundance of attractive opportunities in the small-cap market, we are focused on investing in high-quality businesses with management teams that are receptive to dialogue with shareholders. Whilst we have several tools to enact change and unlock value, we are willing to move on to more promising opportunities if management are unwilling to consider our constructive suggestions.

Purchases

The largest purchase during the period was Beenos, now the joint fourth largest position in the portfolio, which was added in late January. In the day following the announcement of our 5% ownership (which we have subsequently increased to 8.8%), the share price rose +17%. Following our declaration, another well-known engaged shareholder increased their holding to 9.8%. In less than six months, we have made a return on investment of +46%, for an IRR of +219%, and still foresee significant upside potential in the order of +70%.

In March, we initiated a position Raito Kogyo, which was the second largest purchase during the period, building it to 4.5% of AJOT's NAV. Raito Kogyo is a specialist construction company, with its 5.7x EV/EBIT[1] multiple, compared to the peers' average of 7.9x, suggesting that the market views it as a cyclical low-quality construction company, which it is not. Raito Kogyo's core business is slope construction and ground improvement works, accounting for over 70% of the company's total sales order. Raito Kogyo is the market leader for both slope construction and ground improvement. With an inferior EV/EBIT multiple relative to peers, and net cash that accounts for 41% of the market cap, we foresee further +50% upside to the current share price.

We also added to new positions in Kurabo Industries and Aoyama Zaisan Networks, building both to be top 10 holdings in the portfolio by the end of the period.

CONTRIBUTORS AND DETRACTORS

Alps Logistics (9055)

Alps Logistics, a provider of logistics services for warehousing and transportation, was the largest contributor, with a +247% share price increase during the period adding +392bps to performance.

In a takeover bid that reflects the true underlying value of the company and showcases the stark valuation differential between listed and private companies in Japan, KKR-controlled Logisteed paid a 194% premium to the undisturbed, pre-rumour price in February 2024 to privatise Alps Logistics. We were shareholders in Alps Logistics since AJOT's inception in late 2018, engaging with management on ways to enhance corporate value and addressing the parent/child subsidiary relationship with Alps Alpine.

It was a pleasing end to our investment, which generated a +38% IRR and +306% ROI. A total of eight AJOT portfolio companies have now been privatised since we launched the trust almost six years ago. They are a helpful way of realising the under-valuations in our portfolio companies, and there is no shortage of further privatisation targets in our portfolio. We are in regular dialogue with various private equity firms in Japan, which are quite familiar with our portfolio companies.

Beenos (3328)

Beenos achieved a share price return of +66% over H1 2024, adding +205bps to performance as the second largest contributor. We initiated a position in Beenos in January 2024, building our stake to 6.4% of AJOT's NAV, making it the fourth largest position in the portfolio.

Beenos operates in the e-commerce sector, deriving a significant portion of its profits from its Global Commerce platform. Beenos' business is primarily centred around a service called 'Buyee', which enables non-Japanese living abroad to purchase items from e-commerce sites popular in Japan, such as Yahoo! Japan, Mercari and Rakuten. Buyee's gross merchandise value has experienced robust growth at an annual rate of 31.3%.

1 EV/EBIT figures are based on LTM EBIT.

Investment Manager's Report continued

CONTRIBUTORS AND DETRACTORS CONTINUED

Beenos (3328) continued

Beenos trades at a 9.9x EV/EBIT[1] multiple, with net financial value constituting 55% of its market cap, including cash amounting to 32% of the market cap. We foresee a further +70% upside potential to the share price, and given an open shareholder register, we believe there is ample opportunity for successful engagement. Under the open shareholder register, investors' frustration is growing, evidenced by a rising number of shareholders opposing the CEO's reappointment. Additionally, the structure of the board of directors is favourable from a governance perspective, with a majority of independent directors, including a partner from Bain Capital and a former NRI Vice CEO.

Eiken Chemical (4549)

Eiken Chemical, a manufacturer of medical diagnostics equipment, was the third largest contributor, adding +142bps to performance as its share price rose +33%. Eiken Chemical holds a dominant market position in Colon Cancer Screening, with an overwhelming global market share in excess of 70%.

Eiken Chemical's share price benefited from a 7.3% buyback announced in January 2024, of which 2.7% was repurchased through an off-market transaction the following day. Our engagement with Eiken Chemical is in its early stages, but we are pleased to see that management have already taken steps to address its poor capital efficiency by buying back shares and improving disclosure to investors. However, we are disappointed with Eiken Chemical's profitability and believe that there is significant room for improvement on product optimisation and overseas distribution strategy.

Although the EV/EBIT[1] has increased to 10.5x from the 4.8x when we initiated our position, due to the increased share price and temporarily depressed earnings, we still foresee a substantial growth runway for the company, which if successfully executed by management, could unlock upside in the order of +120%. We're excited about Eiken Chemical's future and building our relationship with management.

JADE GROUP (3558)

Over the period, JADE GROUP ("JADE") (previously Locondo), an apparel e-commerce distributor, was the largest detractor, reducing performance by -157bps as its share price declined by -23%.

The share price increased +30% in the first quarter, propelled by the announcement of the acquisition of Magaseek, a leading fashion e-commerce platform owned 75% by DOCOMO and 25% by Itochu. The purchase is expected to double Gross Merchandise Value ("GMV") and profits by 2026. The shares then plummeted -41% in the second quarter, ending the period down -23% overall.

We invested in JADE in November 2021, after its share price had fallen -70% from a COVID-intoxicated high in August 2020. While JADE was viewed as a "growth stock", and not an obvious candidate for a value-driven engagement fund, it had become undervalued with a substantial net cash backing. We understood JADE's business model having had an indirect investment in Zalando, JADE's European equivalent, through our global fund. We watched in marvel as Zalando rolled out its partners programme across Europe and recognised a similar potential for JADE in the Japanese market.

Over the subsequent three years, led by President Tanaka and the newly appointed de facto CFO, Mr Shigetoshi, JADE continued its ambitious expansion. As the largest shareholder, we have actively supported management in pursuing its growth strategy. We agreed that the dividend should be scrapped to focus on M&A and share buybacks, and we sent letters highlighting JADE's undervaluation. Needless to say, it has been a busy period for management. They have made strides in improving IR communications, reduced the reliance on sales promoted by YouTube influencers, and successfully executed six acquisitions the most notable of which, prior to Magaseek, being Reebok Japan.

Having proven the model with numerous acquisitions, we believe the market is yet to fully comprehend how pivotal the Magaseek acquisition could be, and that the share price weakness was driven by myopic retail investors on non-fundamental factors. The share price weakness offered an irresistible opportunity to increase our holding by +44%.

We anticipate that as management better communicates the upside from the Magaseek acquisition in the coming months, the market will gain a better understanding of its significance and re-evaluate accordingly. When asked whether JADE is seeking to complete more acquisitions, management's response was unequivocal: "we absolutely want to do more." With JADE cementing itself as the #2 player in Japan's ¥2.4 trillion fashion e-commerce market, its ¥60 billion GMV still has a long way to go to catch up with Zozo's ¥574 billion, not to mention its valuation at 20x EV/EBIT.

Shin-Etsu Polymer (7970)

Shin-Etsu Polymer, a producer of moulded plastics, was the second largest detractor over the period, reducing performance by -143bps as its share price fell -9%.

Shin-Etsu Polymer is a subsidiary of the chemical giant Shin-Etsu Chemical, where we have been engaging on ways to rectify their poor corporate governance and woefully low valuation (6.6x EV/EBIT). During the quarter, we met with Shin-Etsu Polymer's President in Tokyo, and while it was a pleasant and cordial meeting, we found it to be somewhat underwhelming. We did not get the impression that management had an ambition to grow corporate value nor that the company is taking adequate steps to address the conflicts and corporate governance shortcomings of its parent-subsidiary relationship.

We continue to believe that the parent-subsidiary relationship is harming Shin-Etsu Polymer's corporate value and that, as many listed subsidiaries in Japan have done already, it should be eliminated.

Takuma (6013)

Takuma, a waste treatment plant maintenance company, was the third largest detractor over the period, with its -6% share price decline reducing performance by -128bps.

The market was left disappointed by Takuma's underwhelming mid-term plan ("MTP") announced in May 2024, with the share price declining by -12.0% in the subsequent day of trading. Positively, the MTP demonstrated improved transparency around quantitative targets (such as orders intake and ROE targets), and, for the first time, disclosed a shareholder returns policy. This included a 50% payout policy, 4.0% Dividend on Equity target and the intention to buy back 3.8% of shares outstanding this year, with a similar amount during the following two years. However, the profit guidance for the next three years left much to be desired, with next year's operating profit conservative guidance (¥11.2 billion) falling well short of consensus (¥13.4 billion).

1 EV/EBIT figures are based on LTM EBIT.

While we acknowledge that Takuma implemented some of our suggestions, management chose to ignore several of our most important points, such as the unwinding of cross-shareholdings and the divestment of non-core business segments. Having so far achieved an ROI of +17% in our just over one-year holding period, we will continue engaging with management on methods to enhance capital policy and improve operating efficiency. We see a further +70% upside, with Takuma's 6.4% weight in AJOT reflective of our conviction.

Outlook

The portfolio performed positively over the period, achieving a +7.7% return, compared to the benchmark, the MSCI Japan Small Cap Index, which returned -0.2%. In local currency terms, performance was stronger, with a total return of +21.9% during the period. Overall, the portfolio trades at an attractive EV/EBIT multiple of 7.7x, with net cash and listed securities covering 49% of the market cap.

After period-end, July and August saw a period of heightened volatility in global equity markets, particularly in Japan. Some of this extreme volatility was attributable to the change in monetary policy by the Bank of Japan, which increased its benchmark rate by 15bps to 0.25% and caused strengthening of the Yen. The fundamentals of our portfolio did not change, and we used the period as an opportunity to add to existing portfolio names at attractive valuations.

The Japanese equity market continues to gain traction, amidst rising foreign capital allocation, corporate reform and a greater focus on shareholder returns. The seeds planted in recent years are beginning to come through, presenting us with abundant opportunities. We remain committed to selectively adding the most promising companies to our concentrated portfolio.

Joe Bauernfreund
Asset Value Investors

16 September 2024

Investment Portfolio
As at 30 June 2024

Company	Stock Exchange Identifier	% of net assets	Cost £'000	Equity Exposure[2] £'000	% of investee company	NFV/Market capitalisation[1]	EV/EBIT[1]
TSI Holdings	TSE: 3608	10.1%	12,110	19,773	**5.2%**	78%	7.6
Eiken Chemical	TSE: 4549	8.8%	14,104	17,147	**4.1%**	35%	10.5
Nihon Kohden	TSE: 6849	8.2%	14,090	16,113	**1.6%**	18%	14.2
Beenos	TSE: 3328	6.4%	9,064	12,604	**8.2%**	55%	9.9
Takuma	TSE: 6013	6.4%	12,959	12,562	**1.9%**	55%	6.1
Konishi	TSE: 4956	5.8%	9,414	11,236	**2.5%**	44%	5.0
Kurabo Industries	TSE: 3106	5.1%	8,059	9,987	**2.2%**	79%	2.1
NC Holdings	TSE: 6236	5.0%	8,977	9,817	**19.3%**	56%	5.1
Aoyama Zaisan Networks	TSE: 8929	4.9%	8,803	9,528	**5.1%**	21%	8.2
Jade Group	TSE: 3558	4.8%	9,425	9,401	**10.2%**	12%	5.5
Top ten investments		**65.5%**	**107,005**	**128,168**			
Shin Etsu Polymer	TSE: 7970	4.6%	8,520	8,924	**1.5%**	41%	6.6
Raito Kogyo	TSE: 1926	4.5%	8,930	8,746	**1.8%**	44%	5.7
Wacom	TSE: 6727	4.3%	11,246	8,459	**1.6%**	18%	12.9
DTS	TSE: 9682	4.1%	6,468	8,055	**0.9%**	37%	12.9
Aichi	TSE: 6345	3.6%	6,115	7,145	**1.6%**	50%	7.3
Araya Industrial	TSE: 7305	3.2%	4,858	6,178	**3.9%**	73%	4.3
SK Kaken	TSE: 4628	3.1%	9,444	5,995	**0.9%**	104%	0.0
T Hasegawa	TSE: 4958	3.0%	5,272	5,874	**0.8%**	28%	11.7
Broadmedia	TSE: 4347	2.4%	4,091	4,728	**7.1%**	36%	9.9
Shiga Bank	TSE: 8366	1.5%	2,410	2,868	**0.3%**	94%	0.5
Top twenty investments		**99.8%**	**174,359**	**195,140**			
Tecnos Japan	TSE: 3666	1.4%	2,472	2,701	**3.9%**	42%	5.6
Kyoto Financial Group	TSE: 5844	0.5%	958	995	**0.0%**	140%	0.0
A-One Seimitsu	TSE: 6156	0.3%	591	568	**1.2%**	68%	18.6
Sun Corporation	TSE: 6736	0.0%	83	109	**0.0%**	122%	0.0
Equity investments at fair value		**102.0%**	**178,463**	**199,513**			

		% of net assets	Equity Exposure £'000	Fair Value £'000
Total Return Swaps Long positions				
Kyoto Financial Group	TSE: 5844	0.1%	3,043	101
Hachijuni Bank	TSE: 8359	0.0%	3,006	32
		0.1%	**6,049**	**133**
Investments and Total Return Swaps		**102.1%**	**184,512**	**199,646**
Other net current assets less current liabilities		5.3%		10,356
Non-current liabilities		(7.4%)		(14,409)
Net assets		**100.0%**		**195,593**

* Please refer to the Glossary on pages 21 and 22.

1 Estimates provided by AVI. For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 21 and 22.

2 Notional current equity value of investments and swaps.

Principal Risks and Uncertainties

The principal risks and uncertainties associated with the Company's business are broadly unchanged from those set out in the 2023 Annual Report and include, but are not limited to, risks relating to the investment objective, gearing, reliance on the Investment Manager and other service providers, cyber security, portfolio liquidity and foreign exchange. Information on these risks and how they are managed is set out on pages 36 and 37 of the 2023 Annual Report.

The Board regularly performs a high-level review of the principal risks to ensure that the risk assessment is correct and relevant, adjusting mitigating factors and procedures as appropriate.

Directors' Responsibility Statement

The Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting; and gives a true and fair view of assets, liabilities, financial position and profit and loss of the Company; and
- this Interim Report includes a fair review of the information required by:
  a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the period under review and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place during the period ended 30 June 2024 and have materially affected the financial position or performance of the Company during that period and any material changes in the related party transactions described in the last Annual Report.

This Interim Report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

Norman Crighton
Chairman

16 September 2024

Statement of Comprehensive Income

For the period ended 30 June 2024 (unaudited)

		For the 6 months to 30 June 2024			For the 6 months to 30 June 2023			For the year ended 31 December 2023		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Income										
Investment income	2	**2,764**	**–**	**2,764**	2,672	–	2,672	3,956	–	3,956
Gains on investments held at fair value		**–**	**12,408**	**12,408**	–	5,750	5,750	–	23,115	23,115
Exchange losses on currency balances		**–**	**(1,221)**	**(1,221)**	–	(1,367)	(1,367)	–	(1,158)	(1,158)
		2,764	**11,187**	**13,951**	2,672	4,383	7,055	3,956	21,957	25,913
Expenses										
Investment management fee		**(90)**	**(814)**	**(904)**	(82)	(735)	(817)	(162)	(1,460)	(1,622)
Other expenses		**(490)**	**–**	**(490)**	(389)	–	(389)	(886)	–	(886)
Profit before finance costs and tax		**2,184**	**10,373**	**12,557**	2,201	3,648	5,849	2,908	20,497	23,405
Finance costs		**(14)**	**(129)**	**(143)**	(9)	(77)	(86)	(18)	(163)	(181)
Exchange gains on revolving credit facility	3	**–**	**1,892**	**1,892**	–	2,292	2,292	–	1,933	1,933
Profit before taxation		**2,170**	**12,136**	**14,306**	2,192	5,863	8,055	2,890	22,267	25,157
Taxation		**(289)**	**–**	**(289)**	(287)	–	(287)	(418)	–	(418)
Profit for the period		**1,881**	**12,136**	**14,017**	1,905	5,863	7,768	2,472	22,267	24,739
Earnings per Ordinary Share – basic and diluted (pence)	5	**1.34**	**8.65**	**9.99**	1.37	4.20	5.57	1.76	15.89	17.65

The total column of this statement is the Income Statement of the Company prepared in accordance with UK-adopted international accounting standards. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

There is no other comprehensive income, and therefore the profit/loss for the six months after tax is also the total comprehensive income.

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity

For the period ended 30 June 2024 (unaudited)

	Ordinary Share capital £'000	Share premium £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the six months to 30 June 2024						
Balance as at 31 December 2023	**1,408**	**64,255**	**77,144**	**38,195**	**1,941**	**182,943**
Ordinary Shares bought back and held in Treasury	**–**	**–**	**(174)**	**–**	**–**	**(174)**
Total comprehensive income for the period	**–**	**–**	**–**	**12,136**	**1,881**	**14,017**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**(1,193)**	**(1,193)**
Balance as at 30 June 2024	**1,408**	**64,255**	**76,970**	**50,331**	**2,629**	**195,593**
For the six months to 30 June 2023						
Balance as at 31 December 2022	1,375	60,155	77,153	15,928	1,784	156,395
Issue of Ordinary Shares	33	4,126	–	–	–	4,159
Expenses of share issues	–	(104)	–	–	–	(104)
Ordinary Shares issued from treasury	–	78	1,125	–	–	1,203
Ordinary Shares bought back and held in treasury	–	–	(690)	–	–	(690)
Total comprehensive income for the period	–	–	–	5,863	1,905	7,768
Ordinary dividends paid	–	–	–	–	(1,118)	(1,118)
Balance as at 30 June 2023	1,408	64,255	77,588	21,791	2,571	167,613
For the year ended 31 December 2023						
Balance as at 31 December 2022	1,375	60,155	77,153	15,928	1,784	156,395
Issue of Ordinary Shares	33	4,099	–	–	–	4,132
Expenses of share issues	–	(76)	–	–	–	(76)
Ordinary Shares issued from treasury	–	77	1,125	–	–	1,202
Ordinary Shares bought back and held in treasury	–	–	(1,134)	–	–	(1,134)
Total comprehensive income for the year	–	–	–	22,267	2,472	24,739
Ordinary dividends paid	–	–	–	–	(2,315)	(2,315)
Balance as at 31 December 2023	1,408	64,255	77,144	38,195	1,941	182,943

The accompanying notes are an integral part of these financial statements.

Balance Sheet

As at 30 June 2024 (unaudited)

	Notes	**As at 30 June 2024 £'000**	As at 30 June 2023 £'000	As at 31 December 2023 £'000
Non-current assets				
Investments held at fair value through profit or loss	8	**199,513**	172,668	185,857
		199,513	172,668	185,857
Current assets				
Total return swap assets	8	**133**	–	–
Receivables		**4,420**	947	388
Cash and cash equivalents		**7,232**	10,475	13,430
		11,785	11,422	13,818
Total assets		**211,298**	184,090	199,675
Current liabilities				
Revolving credit facility	3	**–**	(15,943)	(16,301)
Other payables		**(1,296)**	(534)	(431)
		(1,296)	(16,477)	(16,732)
Total assets less current liabilities		**210,002**	167,613	182,943
Non-current liabilities				
Revolving credit facility	3	**(14,409)**	–	–
Net assets		**195,593**	167,613	182,943
Equity attributable to equity Shareholders				
Ordinary Share capital	7	**1,408**	1,408	1,408
Share premium		**64,255**	64,255	64,255
Special reserve		**76,970**	77,588	77,144
Capital reserve		**50,331**	21,791	38,195
Revenue reserve		**2,629**	2,571	1,941
Total equity		**195,593**	167,613	182,943
Net Asset Value per Ordinary Share – basic and diluted (pence)	6	**139.41**	119.01	130.27
Number of shares in issue excluding treasury shares	7	**140,301,702**	140,836,702	140,436,702

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the period ended 30 June 2024

	Six months to 30 June 2024 £'000	Six months to 30 June 2023 £'000	Year to 31 December 2023 £'000
Reconciliation of profit before taxation to net cash inflow from operating activities			
Profit before taxation	**14,306**	8,055	25,157
Gains on investments held at fair value through profit or loss	**(12,408)**	(5,750)	(23,115)
(Increase)/decrease in other receivables	**(968)**	(617)	132
Exchange gains on revolving credit facility	**(1,892)**	(2,292)	(1,933)
Exchange losses on currency balances	**1,221**	1,437	1,162
Interest paid	**106**	94	200
Increase/(decrease) in other payables	**10**	(35)	(30)
Taxation paid	**(289)**	(287)	(418)
Net cash inflow from operating activities	**86**	605	1,155
Investing activities			
Purchases of investments	**(69,002)**	(34,126)	(55,633)
Sales of investments	**65,412**	31,582	56,966
Net cash (outflow)/inflow from investing activities	**(3,590)**	(2,544)	1,333
Financing activities			
Dividends paid	**(1,193)**	(1,118)	(2,315)
Issue of shares	**–**	4,237	4,132
Issue of Ordinary Shares from treasury	**–**	1,125	1,202
Cost of share issues	**–**	(104)	(76)
Payments for Ordinary Shares bought back and held in treasury	**(174)**	(690)	(1,134)
Drawdown of revolving credit facility	**–**	2,703	2,703
Interest paid	**(106)**	(94)	(200)
Net cash (outflow)/inflow from financing activities	**(1,473)**	6,059	4,312
(Decrease)/increase in cash and cash equivalents	**(4,977)**	4,120	6,800
Reconciliation of net cash flow movement			
Cash and cash equivalents at beginning of period	**13,430**	7,792	7,792
Exchange rate movements	**(1,221)**	(1,437)	(1,162)
(Decrease)/increase in cash and cash equivalents	**(4,977)**	4,120	6,800
Cash and cash equivalents at end of period	**7,232**	10,475	13,430

Notes to the Financial Statements

For the period ended 30 June 2024

1. Accounting Policies

The condensed financial statements of the Company have been prepared in accordance with UK adopted international accounting standards and the AIC SORP.

The condensed set of financial statements for the half year-ended 30 June 2024 has been prepared on the basis of the accounting policies set out in the audited financial statements for the year-ended 31 December 2023.

Basis of Preparation

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the Statement of Comprehensive Income between items of revenue and a capital nature has been prepared alongside the Statement of Comprehensive Income.

The financial statements are presented in the Company's functional currency, Pounds Sterling, rounded to the nearest thousand except where otherwise indicated.

Comparative Information

The financial information contained in this Interim Report does not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the six months to 30 June 2024, and the six months to 30 June 2023, has not been audited or reviewed by the Company's Auditor. The comparative figures for the financial period ended 31 December 2023 are not the Company's statutory accounts for that financial period. Those accounts have been reported on by the Company's Auditor and delivered to the Registrar of Companies. The report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going Concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met.

The Directors have made an assessment of the Company's ability to continue as a going concern based on detailed profit and loss and cash flow forecasts. These forecasts have been 'stressed' for inflation, as well as a severe but plausible and sudden downturn in market conditions under which it is assumed that the investment portfolio will lose 50% of its value. Even under this extreme "stress" scenario, the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved. The Directors also regularly assess the resilience of key third-party service providers, most notably the Investment Manager and Fund Administrator. These have put in place contingency plans in the event of business disruption. The contingency plans and the viability of service providers are reviewed by the Directors on a regular basis. In making their assessments, the Directors have considered the likely impacts of international and economic uncertainties on the Company, operations and the investment portfolio. These include but not limited to, geopolitical events, the Israel/Palestine conflict and the war in Ukraine. The Directors noted that the Company, with the current cash balance and holding a portfolio of liquid listed investments, is able to meet the obligations of the Company as they fall due.

The Investment Manager assesses the exposure to risk when making each investment decision, and monitors cash flows and the performance of the portfolio on a daily basis.

The current cash balance plus available additional borrowing, through the revolving credit facility, enable the Company to meet any funding requirements and finance future additional investments. The Company is a closed-ended fund, where assets are not required to be liquidated to meet day-to-day redemptions. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Derivatives

Derivatives, including Total Return Swaps, are classified as financial instruments at fair value and included in current assets/liabilities. Derivatives are derecognised when the contract expires or on the trade on which the contract is sold. Changes in fair value of derivative instruments are recognised as they arise in the capital column of the Statement of Comprehensive Income. The fair value is calculated by either the quoted price (if listed) or a broker using models with inputs from market prices. On disposal or expiration, realised gains and losses are also recognised in the Statement of Comprehensive Income as capital items.

2. Income

	Six months to 30 June 2024 £'000	Six months to 30 June 2023 £'000	Year to 31 December 2023 £'000
Income from investments			
Overseas dividends	**2,889**	2,875	4,179
Bank and deposit interest	**(6)**	(4)	(16)
Exchange losses on receipt of income*	**(119)**	(199)	(207)
Total income	**2,764**	2,672	3,956

* Exchange movements arise from ex-dividend date to payment date.

3. Revolving Credit Facility

	Six months to 30 June 2024		Six months to 30 June 2023		Year to 31 December 2023	
	¥'000	**£'000**	¥'000	£'000	¥'000	£'000
Opening balance	**2,930,000**	**16,301**	2,465,000	15,532	2,465,000	15,532
Proceeds from amounts drawn	**–**	**–**	465,000	2,703	465,000	2,703
Exchange rate movement	**–**	**(1,892)**	–	(2,292)	–	(1,934)
Closing balance	**2,930,000**	**14,409**	2,930,000	15,943	2,930,000	16,301
Maximum facility available	**2,930,000**	**14,409**	2,930,000	15,943	2,930,000	16,301

The Company extended the ¥2.93 billion revolving credit facility ("the facility") for a further two years to 2 April 2026. Interest is charged at the Tokyo Overnight Average Rate ("TONAR") plus 1.55%.

When less than 50% of the facility is utilised, commitment fees of 0.375% are charged on undrawn balances. If over 50% is drawn down, 0.325% is payable on the undrawn amount. As at the date of this report, the Company has drawn down the ¥2.93 billion facility in full and no commitment fee is payable.

Under the terms of the facility the net assets shall not be less than £75 million and the adjusted total net assets to borrowing ratio shall not be less than 4.5:1.

Subject to the terms of the facility the Company may draw down and repay at its own discretion.

The facility is shown at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserves. Interest costs are charged to capital and revenue in accordance with the Company's accounting policies.

4. Dividends per Ordinary Share

A final dividend of 0.85 pence per Ordinary Share for the period ended 31 December 2023 was paid on 24 May 2024 to Ordinary Shareholders on the register at the close of business on 26 April 2024 (ex-dividend date 25 April 2024).

An interim dividend of 1.00 pence per Ordinary Share for the period ended 30 June 2024 has been declared and will be paid on 8 November 2024 to Ordinary Shareholders on the register at the close of business on 11 October 2024 (ex-dividend date is 10 October 2024).

Notes to the Financial Statements continued

For the period ended 30 June 2024

5. Earnings per Ordinary Share

	Six months to 30 June 2024			Six months to 30 June 2023			Year to 31 December 2023		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total	Revenue	Capital	Total
Net profit (£'000)	**1,881**	**12,136**	**14,017**	1,905	5,863	7,768	2,472	22,267	24,739
Weighted average number of Ordinary Shares			**140,356,400**			139,450,458			140,094,621
Earnings per Ordinary Share (pence)	**1.34**	**8.65**	**9.99**	1.37	4.20	5.57	1.76	15.89	17.65

There are no dilutive instruments issued by the Company.

6. Net Asset Value per Ordinary Share

The Net Asset Value per Ordinary Share is based on net assets of £195,593,000 (30 June 2023: £167,613,000; 31 December 2023: £182,943,000) and on 140,301,702 Ordinary Shares (30 June 2023: 140,836,702; 31 December 2023: 140,436,702), being the number of Ordinary Shares in issue excluding treasury shares.

7. Share Capital

	At 30 June 2024 Ordinary Shares of 1p each	
Allotted, called-up and fully paid	**Number of shares**	Nominal value £'000
Balance at beginning of period	**140,836,702**	1,408
Balance at end of period	**140,836,702**	1,408
Treasury shares		
Balance at beginning of period	**400,000**	
Buyback of Ordinary Shares into treasury	**135,000**	
Balance at end of period	**535,000**	
Total Ordinary Share capital excluding treasury shares	**140,301,702**	

During the period to 30 June 2024, no Ordinary Shares (30 June 2023: 4,360,000; 31 December 2023: 4,360,000) were issued for a net consideration of £nil (30 June 2023: £5,258,000; 31 December 2023: £5,258,000) including no Ordinary Shares issued from treasury (30 June 2023: 985,000; 31 December 2023: 985,000).

During the period to 30 June 2024, 135,000 Ordinary Shares (30 June 2023: 585,000; 31 December 2023: 985,000) were bought back and placed in treasury for an aggregate consideration of £174,000 (30 June 2023: 690,000; 31 December 2023: £1,134,000).

8. Values of Financial Assets and Financial Liabilities

Valuation of financial instruments

The Company measures fair values using the following hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value is the amount at which the asset could be sold or the liability transferred in an orderly transaction between market participants, at the measurement date, other than a forced or liquidation sale.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 – valued using quoted prices, unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included in Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

8. Values of Financial Assets and Financial Liabilities continued

Financial assets

The table below sets out fair value measurements of financial instruments as at the period end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 30 June 2024	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	199,513	–	–	199,513
Total Return Swaps	–	133	–	133
	199,513	133	–	199,646

Financial assets at fair value through profit or loss at 30 June 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	172,668	–	–	172,668
	172,668	–	–	172,668

Financial assets at fair value through profit or loss at 31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity Investments	185,857	–	–	185,857
	185,857	–	–	185,857

There have been no transfers during the period between Levels 1, 2 and 3.

The Company may use a variety of derivative contracts including Total Return Swaps to enable the Company to gain long and short exposure to individual securities. The Total Return Swaps are valued by reference to the underlying instruments and exchange and therefore categorised as Level 2.

The gross positive exposure on the Total Return Swaps as at 30 June 2024 was £6,049,000 (30 June 2023: £nil; 31 December 2023: £nil). The derivatives are secured against collateral held at Nomura (the 'prime broker') consisting of £836,000 as at 30 June 2024 (30 June 2023: £nil; 31 December 2023: £nil) which is included within receivables in the Balance Sheet.

9. Related Parties and Transactions with the Investment Manager

Investment management fees for the period amounted to £884,000 (six months to 30 June 2023: £817,000; year to 31 December 2023: £1,613,000).

At the period end, £153,000 (30 June 2023: £141,000; 31 December 2023: £133,000) remained outstanding in respect of management fees.

The management fee of 1% per annum is calculated on the lesser of the Company's Net Asset Value or Market Capitalisation at each quarter end. The Investment Manager will invest 25% of the management fee it receives in shares of the Company and will hold these for a minimum of two years. As at 30 June 2024, AVI held 1,640,000 shares of the Company.

At AVI's request, the Board agreed in September 2023 to temporarily reduce the investment to 10% of the management fee, to bolster AVI's cash reserves for an acquisition on the basis that the Investment Manager would increase the reinvestment level subsequently, in order to ensure that 25% of the management fees were reinvested by 31 December 2024.

Fees paid to Directors for the period ended 30 June 2024 amounted to £101,000, including £20,000 for Directors attending investee company meetings in Japan (six months to 30 June 2023: £74,000; year to 31 December 2023: £148,000).

Finda Telecoms Oy, a significant Shareholder of the Company, is deemed to be a related party of the Company for the purposes of the Listing Rules by virtue of its holding in the Company's issued share capital. During the period under review no material transactions took place between the Company and Finda Telecoms Oy. As at 30 June 2024 the Company had not been notified of any change to Finda Oy's holding of 30,000,000 Ordinary Shares reported in the period to 31 December 2023, representing 21.38% of the total voting rights (six months to 30 June 2022: 21.5%; year to 31 December 2023: 21.36%).

AIFMD Disclosures

The Company's AIFM is Asset Value Investors Limited.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Those disclosures that are required to be made pre-investment are included within an AIFMD Investor Disclosure Document. This, together with other necessary disclosures required under AIFMD, can be found on the Company's website **www.ajot.co.uk**. All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The AIFM's remuneration disclosures can be found on the Company's website **www.ajot.co.uk**.

Glossary

Alternative Performance Measure ("APM")
An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

The definitions below are utilised for the measures of the Company, the investment portfolio and underlying individual investments held by the Company. Certain of the metrics are to look through to the investments held, excluding certain non-core activities, so the performance of the actual core of the investment may be evaluated. Where a company in the investment portfolio holds a number of listed investments these are excluded in order to determine the actual core value metrics.

Comparator Benchmark
The Company's Comparator Benchmark is the MSCI Japan Small Cap Index, expressed in Sterling terms. The benchmark is an index which measures the performance of the Japan Small Cap equity market. The weighting of index constituents is based on their market capitalisation. Dividends paid by index constituents are assumed to be reinvested in the relevant securities at the prevailing market price. The Investment Manager's investment decisions are not influenced by whether a particular company's shares are, or are not, included in the benchmark. The benchmark is used only as a yardstick to compare investment performance.

Cost
The book cost of each investment is the total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.

Discount/Premium
If the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

The discount and performance are calculated in accordance with guidelines issued by the AIC. The discount is calculated using the Net Asset Values per share inclusive of accrued income with debt at market value.

Earnings Before Interest and Taxes ("EBIT")
EBIT is equivalent to profit before finance costs and tax set out in the statement of comprehensive income.

Enterprise Value ("EV")
Enterprise Value reflects the economic value of the business by taking the market capitalisation less cash, investment securities and the value of treasury shares plus debt and net pension liabilities.

Enterprise Value ("EV")/Earnings Before Interest and Taxes ("EBIT")
A multiple based valuation metric that takes account of the excess capital on a company's balance sheet. For example, if a company held 80% of its market capitalisation in NFV (defined under Net Financial Value/Market Capitalisation), and had a market capitalisation of 100 and EBIT of 10, the EV/EBIT would be 2x, (100-80)/10.

Enterprise Value ("EV") Free Cash Flow Yield ("EV FCF Yield")
A similar calculation to free cash flow yield, except the free cash flow excludes interest and dividend income and is divided by enterprise value. This gives a representation for how overcapitalised and undervalued a company is. If a company were to pay out all of its NFV (defined under Net Financial Value/Market Capitalisation) and the share price remained the same, the EV FCF Yield would become the FCF yield. For example, take a company with a market capitalisation of 100 that had NFV of 80 and FCF of 8. The FCF yield would be 8%, 8/100, but if the company paid out all of its NFV the FCF yield would become 40%, 8/(100-80). This gives an indication of how cheaply the market values the underlying business once excess capital is stripped out.

Free Cash Flow ("FCF") Yield
Free cash flow is the amount of cash profits that a business generates, adjusted for the minimum level of capital expenditure required to maintain the company in a steady state. It measures how much a business could pay out to equity investors without impairing the core business. When free cash flow is divided by the market value, we obtain the free cash flow yield.

Gearing
Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the Shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

The gearing of 7.4% (30 June 2023: 9.5%; 31 December 2023: 8.9%) represents borrowings of £14,409,000 (30 June 2023: £15,943,000; 31 December 2023: £16,301,000) expressed as a percentage of Shareholders' funds of £195,593,000 (30 June 2023: £167,613,000; 31 December 2023: £182,943,000).

The net gearing of 3.2% (30 June 2023: 3.0%; 31 December 2023: 1.6%) represents borrowings net of cash of £6,341,000 (30 June 2023: £5,055,000; 31 December 2023: (£2,915,000)) expressed as a percentage of Shareholders' funds of £195,593,000 (30 June 2023: £167,613,000; 31 December 2023: £182,943,000).

Net Asset Value ("NAV")
The NAV is Shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The total NAV per share is calculated by dividing the NAV by the number of Ordinary Shares in issue.

Net Cash/Market Capitalisation
Net cash consists of cash and the value of treasury shares less debt and net pension liabilities. It is a measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a net cash/market capitalisation of 100% is zero.

Net Financial Value ("NFV")/Market Capitalisation
Net Financial Value consists of cash, investment securities (less capital gains tax) and the value of treasury shares less debt and net pension liabilities. It is a measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a NFV/market capitalisation of 100% is zero.

Glossary continued

Ongoing Charges Ratio

The Company's Expense Ratio is its expenses (excluding finance costs and certain non-recurring items) of £1,392,000 (30 June 2023: £1,206,000; 31 December 2023: £2,485,000) (being investment management fees of £904,000 (30 June 2023: £817,000; 31 December 2023: £1,622,00) and other expenses of £490,000 (30 June 2023: £389,000; 31 December 2023: £886,000) less non-recurring expenses of £2,000 (30 June 2023: £nil; 31 December 2023: £23,000) expressed as a percentage of the average net assets of £184,456,000 (30 June 2023: £168,388,000; 31 December 2023: £166,887,000) of the Company during the period.

The expenses for the six month periods are annualised for the purposes of calculation and comparison.

Portfolio Discount

A proprietary estimate of how far below fair value a given company is trading. For example, if a company with a market capitalisation of 100 had 80 NFV and a calculated fair value of the operating business of 90, we would attribute to it a discount of -41%, 100/(90+80) -1. This indicates the amount of potential upside. The company trading on a -41% discount has a potential upside of +69%, 1/(1-0.41).

Portfolio Yield

The weighted-average dividend yield of each underlying company in AJOT's portfolio.

Return on Equity ("ROE")

A measure of performance calculated by dividing net income by Shareholder equity.

ROE ex Non-Core Financial Assets

Non-core financial assets consists of cash and investment securities (less capital gains tax) less debt and net pension liabilities. The ROE is calculated as if non-core financial assets were paid out to Shareholders. Companies with high balance sheet allocations to non-core, low yielding financial assets have depressed ROEs. The exclusion of non-core financial assets gives a fairer representation of the true ROE of the underlying business.

Total Return – NAV and Share Price Returns

The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. Any dividends received by a Shareholder are assumed to have been reinvested in either additional shares in the Company or in the assets of the Company at the prevailing NAV, in either case at the time that the shares begin to trade ex-dividend.

Total Return Swap

A total return swap is a financial contract between two parties, whereby each party agrees to "swap" a series of cash flows. On long positions, AJOT receives income but pays floating rate interest and capital movement. Capital movement is based on the notional value (the equity exposure of the underlying security). On short positions, AJOT pays income and receives the floating rate interest and capital movement. In utilising these positions AJOT is able to obtain equity exposure with the minimal outlay of capital.

Investing in the Company

The Company's Ordinary Shares are listed on the London Stock Exchange and can be bought directly on the London Stock Exchange or through the platforms listed on **www.ajot.co.uk/how-to-invest/platforms/**.

Share Prices

The share price is published daily in The Financial Times, as well as on the Company's website: **www.ajot.co.uk**.

Dividends

Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, can complete a mandate form for this purpose. Mandate forms may be obtained from Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA on request or downloaded from Equiniti's website **www.shareview.com**. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into Shareholders' bank accounts, dividend tax vouchers are sent to Shareholders' registered addresses.

Registrar Customer Support Centre

Equiniti's Shareholder Helpline is available to answer any queries you have in relation to your shareholding:

- 0371 384 2490 Lines are open 8.30am to 5.30pm, Monday to Friday.
- Registrar's Broker Helpline: 0906 559 6025. Calls to this number cost £1 per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

Change of Address

Communications with Shareholders are mailed to the last address held on the share register. Any change or amendment should be notified to Equiniti Limited using the contact details given above, under the signature of the registered holder.

Daily NAV

The daily NAV of the Company's shares can be obtained from the London Stock Exchange or via the website: **www.ajot.co.uk**.

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Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9:00am to 5:30pm, Monday to Friday, excluding public holidays in England and Wales.

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