

July 2024

Investment Objective: To achieve capital growth through investing in a focused portfolio of over-capitalised small-cap Japanese equities. Asset Value Investors will leverage its three decades of experience investing in asset-backed companies to engage with company management and help to unlock value in this under-researched area of the market.

HEADLINES

Yen Strengthens as Rates Rise

The BoJ increased rates by 15bps to +0.25%, supporting the Yen's recent appreciation and leading to extreme market volatility. Previous Yen weakness weighed on sterling-based returns.

[Read more below](#)**JADE - Disclosure Delights**

A timely press release demonstrated to the market the full potential of its acquisition of Magaseek, highlighting the successful PMI, with Magaseek's annualised profits in May +63% YoY.

[Read more below](#)**Eiken - Earnings Underwhelms**

Shortly after month-end, the share price fell by -11.9% as the market was left disappointed by an underwhelming earnings announcement. However, full-year guidance remains unchanged.

[Read more below](#)

THE FUND

(Figures to 31 July 2024)

Share Price (pence)

141.0

NAV (pence)

148.8

Prem./Disc.

-5.3%

EV/EBIT

8.1X

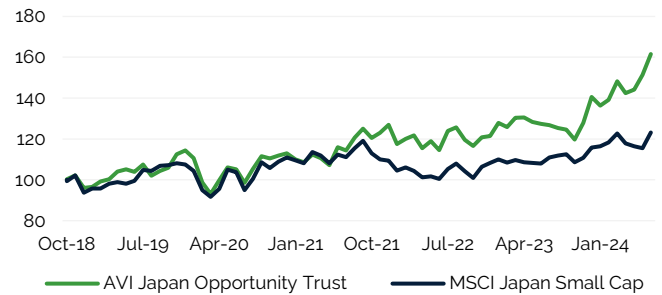
Net Cash/Market Cap¹

29.2%

NFV/Market Cap²

48.6%

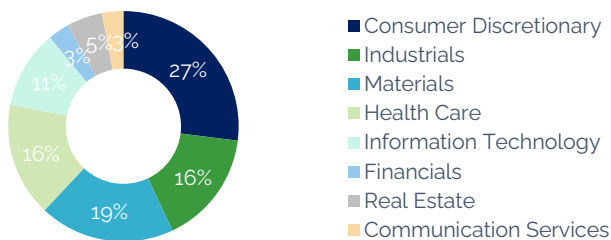
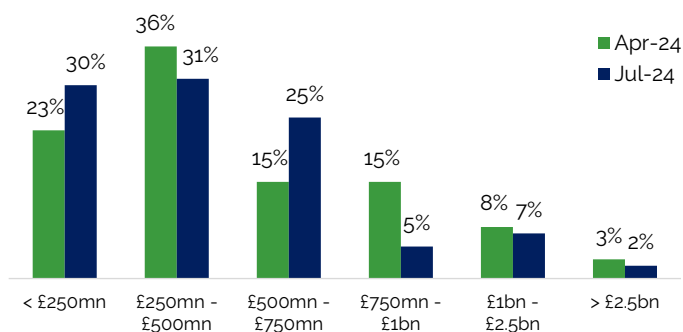
NAV Total Return Since Inception (£)



		Month	3 Month	YTD	1Y	3Y	SI*
GBP	AJOT NAV	6.7%	13.4%	15.0%	27.4%	41.3%	61.6%
	MSCI Japan Small Cap	6.6%	4.5%	6.4%	11.0%	10.8%	23.6%
JPY	AJOT NAV	1.4%	11.2%	23.6%	34.7%	78.9%	114.7%
	MSCI Japan Small Cap	1.3%	2.5%	14.4%	17.4%	40.3%	64.3%

PORTFOLIO

(Holdings to 31 July 2024)

Sector Breakdown (% of Portfolio)**Market Cap Breakdown (% of Portfolio)****Top Ten Equity Holdings (% of NAV)**

Holding	30-Apr-24	Holding	31-Jul-24
Eiken Chemical	10.1	TSI Holdings	9.3
TSI Holdings	10.1	Eiken Chemical	8.9
Nihon Kohden	8.7	Nihon Kohden	8.0
Takuma	7.7	Beenos	7.7
DTS	7.1	Takuma	6.7
Konishi	6.5	Jade Group	5.4
Beenos	6.3	Kurabo Industries	5.4
Shin-Etsu Polymer	5.5	Konishi	5.3
Jade Group	5.0	Aoyama Zaisan Networks	5.3
NC Holdings	4.7	Shin-Etsu Polymer	4.6
TOTAL	71.7	TOTAL	66.6
% Gearing	7.4	% Gearing	5.8
No. of Holdings	27	No. of Holdings	26

MANGER'S COMMENT

AJOT's NAV increased by +6.7% (in GBP) and +1.4% (in JPY) over the month. The two largest contributors to performance were **Jade Group** (+20.8% share price), which evidenced encouraging progress of its recent acquisition of Magaseek, and **Eiken Chemical** (+9.2%), which rose steadily before a disappointing earnings announcement. **Kurabo Industries** (-8.3%), which fell after a strong start to the year, and **Konishi** (-7.2%), were two of only four detractors during a buoyant month for the portfolio.

This positive performance over the month followed a strong first half of 2024, in which AJOT's NAV returned +7.7% (in GBP) and +21.9% (in JPY). The lack of research coverage of companies within AJOT's investment universe continues to present us with abundant opportunities. It is pleasing to note that the nine new positions initiated in the first half of 2024 have added a combined 717bps to YTD performance, achieving an average ROI of +16.8%. Three new positions entered the portfolio during the month, including one special situations trade, as we continue to select the most attractive opportunities in a fruitful small-cap universe.

Earlier in the year, the Bank of Japan (BoJ) put an end to its long-standing yield curve control (YCC) policy as it increased the benchmark interest rate from -0.1% to +0.1%. Although this seemed a modest increase at face value, this was a sure signal to the market of things to come. As has been well covered in recent days, the Bank of Japan has announced a subsequent rate increase to +0.25%. This latest increase came sooner than anticipated by the market, and, for the first time in seven months, the Yen appreciated +5.3% relative to the pound as carry trades were unwound. Since AJOT's inception in 2018, the Yen has depreciated by -25% relative to the pound, and we hope these actions by the BoJ might mark a reversal of this trend, which has been a headwind to sterling-based returns. The anticipated rate cuts by the Fed later this year are expected to further support the Yen.

At the time of writing in early August, markets are experiencing a sharp sell-off – fuelled it would seem by the shift in BoJ policy and a strongly rising Yen. While it is too early to determine how this will play out, the reversal in the Yen is leading to a reversal in the pattern of capital flows we have seen in recent years.

Some Japanese domestic capital is being repatriated back to Japan whilst foreign capital that flowed into Japanese equities over the past 12-18 months is flowing in the opposite direction. Much of that capital fuelled a rally in large-cap Japanese names. We have argued for a while that there was far greater value in the small-cap universe, particularly so amongst companies largely exposed to the domestic economy and thus relatively immune from moves in the Yen and fears over a global slowdown. This is still very much the case. Panic selling and a sharp decline in share prices have historically proven to be good opportunities for our style of investing. We hope to be able to provide further detail on this as the effects become clearer, but for now we remain optimistic about the prospects of our portfolio and the impact our engagement is having.

JADE GROUP (3588) – Disclosure delights following successful PMI of Magaseek

Over the month, JADE GROUP ("JADE") (previously Locondo), the apparel e-commerce distributor, was the largest contributor, adding +131bps to performance as its share price rose +20.8%.

The share price increased +30% in the first quarter, propelled by the announcement of the acquisition of Magaseek, a leading fashion ecommerce platform 75% owned 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 first half of 2024 down -23% overall as the market was sceptical given the downward trend in Magaseek's profits from FY20-FY22.

JADE responded in early July with a timely press release demonstrating to the market the full potential of its acquisition of Magaseek, highlighting the successful post-merger integration (PMI), as Magaseek saw its operating income rise by +63% in May on an annualised level relative to FY23. The market appreciated this, with the share price rising +18.3% in a single day of trading. We were pleased to see this deserved recognition, as much of our recent engagement with JADE had focused on suggesting improved disclosure to allow the market to fully comprehend the upside of the acquisition.

MANGER'S COMMENT

Over the course of our three-year investment, JADE has 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. When asked whether JADE is seeking to complete more acquisitions, management's response was unequivocal: "we absolutely want to do more."

Trading on a lowly 6.6x EV/EBIT multiple, JADE's 5.4% position in AJOT is reflective of our conviction that as JADE continues to cement itself as the #2 player in Japan's ¥2.4trn fashion e-commerce market, there is significant upside to the current share price in the order of +130%. To date, our investment has generated a +49% ROI and +25% IRR.

Eiken Chemical (4549) – Earnings announcement falls flat after steady share price growth

Eiken Chemical, a manufacturer of medical diagnostics equipment, was the second largest contributor, adding +128bps to performance as its share price rose +9.2%. Eiken Chemical holds a dominant market position in Colon Cancer Screening, with over 70% global market share.

However, shortly after month-end the share price fell by -11.9% as the market was left disappointed by an underwhelming earnings announcement. Despite the slow start to the financial year, as its operating margin fell from 10.7% to 6.1%, the full-year guidance remains unchanged. Management attribute most of the earnings miss to delays in orders and are projecting underlying demand for its genetic testing and overseas FIT test reagents. Increased R&D costs also partly explain the lower than expected operating profit.

Eiken Chemical is the second largest holding in the portfolio, accounting for 8.9% of AJOT's NAV. We will monitor the earnings recovery closely and will consider adding to our position if the share price falls further.

Our investment has so far generated an ROI of +45% and an IRR of +73%. We anticipate an additional +105% upside to the current share price.

Kurabo Industries (3106) – Modest share price dip following rapid growth

One of the few notable detractors during the month, Kurabo Industries reduced performance by -19bps as its share price declined by -8.3%.

Kurabo Industries is a diversified conglomerate with significant real estate and investment securities backing, which accounted for 106% of its market cap at the time of investment in early 2024, which has subsequently fallen to 86% on the back of +47% share price growth. We attribute the share price drop during the month to profit taking by investors following the improvements made in the advanced technology segment, which led to improved profit margins especially for its semiconductor business.

Engaged in the textile, chemical, advanced technology, food & service, and real estate businesses, Kurabo has a history of stable revenues, while it has doubled its operating margin in recent years. Given this track record of high-quality earnings, coupled with substantial asset backing, we made the most of the dip in the share price to build Kurabo Industries to a +5.4% holding, making it the equal sixth largest position in the portfolio.

Despite the recent easing of the share price, we have so far generated a +10% ROI for an IRR of +58% and foresee a further +90% upside.

¹ Net cash = Cash – Debt – Net Pension Liabilities + Value of Treasury Shares

² Net Financial Value (NFV) = Net cash + Investment Securities

³Net gearing at fair value

STATISTICS

Contributors / Detractors (in GBP)

Largest Contributors	Monthly Contribution bps	% Weight
Jade Group	131	5.4
Eiken Chemical	128	8.9
Beenos	81	7.7
Takuma	77	6.7
Shin-Etsu Polymer	58	4.6

Largest Detractors	Monthly Contribution bps	% Weight
Kurabo Industries	-19	5.4
Konishi	-14	5.3
TSI Holdings	-12	9.3
Broadmedia	-11	2.4
Sun Corp	0	0.0

Fund Facts

Launch Date	23 October 2018
Net Assets	£208.8m
Investment Manager	Asset Value Investors Limited
AJOT Shares Owned by the Manager***	2,856,598
Shareholder Services	Link Company Matters Limited
Management Fee**	1.0% of lower of market cap or NAV
Website	www.ajot.co.uk
Ticker Code	AJOT.LN
ISIN	GB00BD6H5D36

	1m	1y	3y	SI
Share Price TR	5.6%	21.2%	31.1%	48.5%
Net Asset Value TR	6.7%	27.4%	41.3%	61.6%
MSCI Jap Small Cap	6.6%	11.0%	10.8%	23.6%
Calendar Year Net Returns (%)	YTD	2023	2022	2021
Price	11.8%	14.8%	-6.0%	10.0%
Net Asset Value	15.0%	15.8%	-4.3%	12.3%
MSCI Jap Small Cap	6.4%	6.9%	-1.0%	-1.4%

Capital Structure

Ordinary Shares	140,836,702
Shares held in Treasury	535,000
TONAR + 1.15% Revolving Credit facility	¥2,930,000,000

Gross Assets/Gearing

Gross Assets	£224.0m
Debt at fair value (gross)	£15.2m
Gearing (net)****	5.8%

All performance shown in GBP Total Return

^ 23 October 2018 Start Date

** 25% of Management Fee to be reinvested in shares of AJOT

*** Shares owned by AVI Ltd & AVI employees

**** Net gearing at fair value

Investment Manager – Joe Bauernfreund

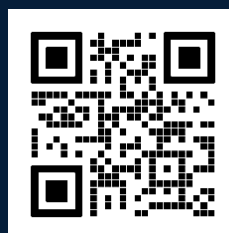
AVI Ltd. +44 20 7659 4800 info@ajot.co.uk

The share price can be found in [The Financial Times](#).
ISIN: GB00BD6H5D36 Trading as: [AJOT:LN](#)

Information may be found on the following websites:

www.ajot.co.uk

www.assetvalueinvestors.com



IMPORTANT INFORMATION

All figures are as at the period under review unless otherwise stated. All sources Asset Value Investors Ltd ("AVI") unless otherwise stated. AVI is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the "FCA") and is a registered investment adviser with the Securities and Exchange Commission of the United States. While AVI is registered with the SEC as an investment adviser, it does not comply with the Advisers Act with regard to its non-U.S. clients. This document does not constitute an offer to buy or sell shares in AVI Global Trust plc (the "Trust"). The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Trust should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund.