AVI Japan Opportunity Trust

Annual Report
2019

AVI

AVI Japan Opportunity Trust plc ("AJOT" or "the Company") invests in a focussed 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.

Strategic Report

Governance

Financial Statements

Shareholder Information

For more information visit:
www.ajot.co.uk

@AVIJapan
avi-japan-opportunity-trust

Financial Highlights

Portfolio Statistics as at 31 December 2019

45.1%
Net cash/Market Cap

81.0%
Net Financial Value/ Market Cap

5.8%
FCF Yield

22.3%
EV/FCF Yield

3.8
EV/EBIT

-36.1%
Portfolio Discount

2.0%
Portfolio Yield

7.5%
ROE

18.0%
ROE ex non-core financial assets

Performance Summary

Net asset value per share at 31 December 2019	112.00p
Share price at 31 December 2019	114.25p

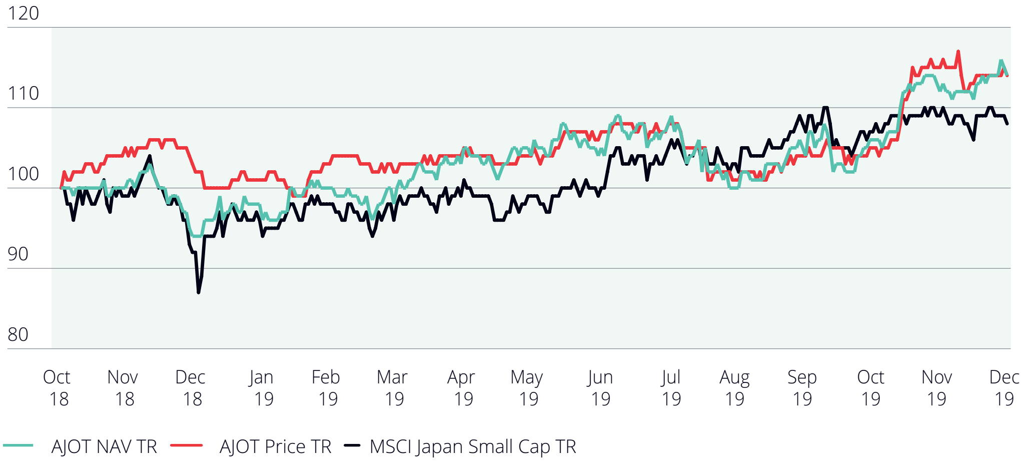
Premium as at 31 December 2019

(difference between share price and net asset value)	2.01%

Financial Highlights – Period from 23 October 2018 to 31 December 2019

NAV* +14.3%	**Share Price* +14.3%**	**Benchmark† +7.9%**

Net Asset Value, Share Price* and Benchmark†



Premium to Net Asset Value

* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 58 and 59
† MSCI Japan Small Cap Total Return Index (£ adjusted total return)

Overview

Company Objective & Strategy

AJOT aims to provide Shareholders with total returns in excess of the MSCI Japan Small Cap Total Return Index in GBP ("MSCI Japan Small Cap Total Return"), through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by Asset Value Investors Limited as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or other realisable assets.

AVI will seek to unlock this value through proactive engagement with management and taking advantage of the increased focus on corporate governance, balance sheet efficiency, and returns to shareholders in Japan.

Benchmark

The MSCI Japan Small Cap Total Return Index.

Capital Structure

As at 31 December 2019, the Company's issued share capital comprised 113,939,742 Ordinary Shares of 1p each and as at 7 February 2020 it comprised 114,889,742 Ordinary Shares. No shares were held in Treasury.

Annual General Meeting

The Company's first Annual General Meeting ("AGM") will be held at 10.30 am on Thursday, 26 March 2020 at the offices of N+1 Singer, 1 Bartholomew Lane, London EC2N 2AX. Please refer to the Notice of AGM for further information and the resolutions which will be proposed at this meeting.

Investment Manager

The Company has appointed Asset Value Investors Limited ("AVI" or the "Investment Manager") as its Alternative Investment Fund Manager.

Financial Conduct Authority ("FCA") regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments'

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA")'s rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an authorised investment trust.

The Company's ordinary shares are not classified as 'complex instruments' under the FCA's revised appropriateness criteria adopted in the implementation of MiFID II.

The Association of Investment Companies ("The AIC")

The Company is a member of The AIC.

Website

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 the half year report.

Chairman's Statement

"Your Company has generated strong positive returns since launch, with a net asset value (NAV) per share total return of 14.3%."

Norman Crighton, Chairman

Overview of the Period

It is with great pleasure that I present the first annual report of AVI Japan Opportunity Trust plc ("the Company" or "AJOT"), covering the period from incorporation on 27 July 2018 to 31 December 2019.

AJOT launched on 23 October 2018 with subscriptions for 80 million shares, and the Company was fully invested by the beginning of 2019. Your Investment Manager, Asset Value Investors ("AVI"), has a strong track record of investing in Japan, and has been diligent in forging close working relationships with our investee businesses. Since launch, the AVI team has further deepened those ties with a program of regular communication and face to face meetings with management boards. The engagement has been very positive, and we are especially appreciative of the constructive dialogue that has resulted.

Naturally, this level of collaboration is resource intensive and it is encouraging to see that AVI has continued to expand its Japan-focussed staffing, both in London and in Tokyo. These additions help to ensure that the Investment Manager's research process to identify and work with our investments remains at an industry leading standard.

Performance and Dividend

Your Company has generated strong positive returns since launch, with a net asset value ("NAV") per share total return of 14.3%, against a return of 7.9% from the benchmark, the MSCI Japan Small Cap Total Return Index (as measured in GBP). Performance has been driven by strong contributions from several stocks, as well as a relative paucity of detractors. The top three contributors added +8.7% to returns, compared to -1.1% from the worst three detractors.

As at 7 February 2020 (the latest date prior to the publication of this document) the NAV per share was 112.62p per share and the share price 116.50p per share. Since 31 December 2019 the Company has issued an additional 950,000 shares at a weighted average premium of 3.4%.

The Board has elected to propose a final dividend of 0.9 pence per share for the period, for approval by Shareholders at the Annual General Meeting. As stated in the Prospectus at the Initial Public Offering ("IPO"), the Company intends to distribute substantially all of 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

The original thesis behind AJOT is that corporate Japan is undergoing a paradigmatic shift in governance. Board independence, over-capitalised balance sheets, and returns on (and of) shareholder capital, are all under particular scrutiny. With pressure from the government, regulators and investors both foreign and domestic, Japanese companies feel increasingly compelled to improve corporate governance and streamline their balance sheets. By investing in high quality, cashflow-generative and compellingly valued stocks, our portfolio stands to profit not only from the sound underlying businesses but also disproportionately from this move towards improved governance.

Your Company has already benefitted directly from this trend. A good example of this occurred when electronics maker Toshiba Corp bought in its listed subsidiaries NuFlare Technology and Toshiba Plant Systems & Services, both holdings in the portfolio, at significant premiums to the prevailing share price. The unsustainability of so-called parent-child subsidiary arrangements has been a consistent pillar of our strategy since launch and both companies were significant holdings in our portfolio. For further details, please refer to the Investment Manager's Report on page 07 and 08.

To date, ten of AJOT's portfolio companies have announced buybacks, and three were subject to takeovers at substantial premiums. Out of a total of twenty-eight holdings, this is an impressive pace of change and further evidence in favour of our investment thesis.

Share Premium and Issuance

As at 31 December 2019, your Company's shares were trading at a premium of 2.01% to net asset value per share. The Board monitors this premium carefully and manages it by periodically issuing shares. Since May 2019, we have employed both placings and the Company's authorised block listing facility to increase our shares in issue. As at 31 December 2019, 33,939,742 shares had been issued at an average 2.1% premium to NAV, which has had the beneficial effect of modestly increasing NAV per share for existing Shareholders.

Chairman's Statement
continued

Debt Structure and Gearing

As described in the Prospectus, the Board supports the use of gearing to enhance portfolio performance. In April 2019, we entered into a one-year unsecured revolving credit facility for ¥1.465 billion with Scotiabank. In October 2019, following the issuance of additional shares, this facility was increased by a further ¥1.465 billion in order to maintain a broadly similar level of gearing for the portfolio. In total the Company currently has a total debt facility of ¥2.93 billion, equivalent to approximately £20 million. The gearing has been provided at an interest rate of LIBOR plus 0.75%.

As at 31 December 2019, ¥2.3 billion (£16 million) of the facility had been drawn, with gross gearing standing at 13% of NAV. Including cash, net gearing was negative at -2% (i.e. the Company was in a net cash position). This was driven by the realisation of two large positions at the end of the period, Nuflare and Toshiba Plant, after they were subject to takeover offers at premia to their prevailing share prices.

Outlook

Japan has a long and unenviable history of disappointing investors. Over three 'lost decades' global capital has repeatedly been deployed in the Japanese markets with the promise of revaluations that were going to be inevitable once the attractive valuations and opportunities were recognised. The performance of our portfolio since launch has been highly satisfactory so at the risk of sounding overly guarded, it is still worth injecting a word of caution: it is early days and any Company's true accomplishments can only be measured across the medium to long-term. Change in Japan is arduous (as it is in any culture) and the timing of inflection points, together with the consequent outsized returns, is difficult to predict. However, it is our conviction that change – meaningful change – is in the wind in Japan: with the political will to apply pressure through the revised Stewardship and Governance Codes, and the increasing presence of shareholder-conscious institutional investors, a slow-but-sure shift is coming about in Japan Inc.'s attitude to corporate governance. Perhaps things really are different this time. The companies we invest in continue to operate attractive businesses and boast high and growing levels of cash and realisable securities, all the while trading at valuations not available in other developed markets today. The opportunity set remains rich and continues to hold out the offer of highly attractive risk-adjusted returns. Valuations in the portfolio remain compelling.

The Environmental, Social & Governance Context ("ESG")

There has rightly been a marked increase in the attention paid to ESG factors in investments all over the world. As a UK based investment trust, the regulatory stipulations that apply to us are described and addressed on page 18. In my Chairman's Statement, with input from Yoshi Nishio an AJOT Director with deep knowledge of Japan and its culture, I want to go a little further and give an historical overview of how the ESG environment in Japan has developed to differ from the western world. Some of our portfolio companies are involved in activities that traditional ESG funds may seek to avoid. AJOT is not an ESG fund; the basis for making investment decisions is different. However, no responsible citizen, whether private or corporate, can or should ignore the growing calls for everyone to work together for the benefit of all. In this sense, your Board feels that your Company finds itself in an interesting position.

The history of caring for the environment in Japan is a long one, having its foundations in a deep-rooted cultural connection to nature. According to Shinto folklore, the islands that make up the nation owe their very existence to the ocean surrounding them, when the gods Izanami and Izanagi dipped their swords into the sea and the salty water droplets turned into land. Thus, when the air and water supplies suffered severe and tangible pollution during the period of rapid industrialisation in the 1950s, the Japanese people's response was visceral. The government was galvanised into crafting what now seems a very forward-looking framework placing heavy responsibilities on corporations not only to do no harm to the environment, but to take steps to improve it. The recycling of household waste has been commonplace for over twenty years, while as early as 1990, the business group Keidanren published detailed guidelines that required Japanese companies to review their activities from the viewpoint of reducing the burden on the environment and specifically integrating precautions and protections into their operations. More recently, the response to the nuclear accident in Fukushima in 2011 focussed the world's attention on an effective way to ensure that any damage to the environment is rectified immediately and those responsible be dealt with appropriately.

There is therefore a case to be made that Japan Inc. already benefits from high levels of corporate environmental awareness and responsibility. This is likely to take on increasing relevance to global investors as the interpretation of ESG develops over time. Even dedicated ESG funds are now starting to take a more nuanced approach – no longer just bluntly investing in businesses that are sustainable and avoiding others that cause harm - but also seeking out companies that perform traditionally harmful activities in innovative and less harmful ways, thereby starving the less responsible actors of investment. Under these criteria, the universe of companies that AJOT looks at is likely to outperform their non-Japanese counterparts.

In terms of benefits to society, Japan built its post-war prosperity on a slightly different model to the west, one that places a strong emphasis on societal advantage. Here again, history has a lesson to teach. During the Edo period (1603-1868) when the eponymous city, since renamed Tokyo, was the largest city in Asia and its most prosperous commercial hub, the merchants and traders coined a dictum: *sanpo yoshi*. Literally meaning "tripartite contentment", every transaction was thought to have three parties: the buyer, the seller and society. And only if all three parties were satisfied should any deal be concluded. Implicitly or explicitly, this is a dictum that has continued to be followed

Chairman's Statement
continued

to this day. Lifetime employment, the paucity of opportunities for outsized personal enrichment, consensus-based decision making, seniority based pay – many of the components of what western commentators have seized on as the essence of what is considered the 'Japanese way' owe their origins to *sanpo yoshi*. This does not mean that Japan doesn't have more improvements to make – the slow progress on gender equality is a very visible failing – but your Board feels that relative to global peers, our investee companies are in a better position to be of benefit to society.

So much for "E" and "S"; the focus for AJOT is "G," where we believe that real change is due in Japan. Better corporate governance and the consequent improvement in shareholder returns, is precisely the opportunity that we are pursuing. As capital flows become ever more international, Japan needs to evolve its particular model of capitalism to reflect and incorporate some aspects of globally accepted standards. AVI has been and always will be respectful of cultural sensitivities while engaging as shareholders. Looking forward, if we can be even a small part of the catalyst that brings about a permanent change in the way Japanese corporations work with their shareholders, AJOT may well come to be looked upon as the exemplary investment vehicle for the 21st century.

Closing Remarks

I would like to thank AVI and all of our service providers whose efforts come together every day to secure AJOT's success. I would also like to thank you, our Shareholders, for your continued support and for the trust that you have placed in us. We will continue working to ensure that we deserve that trust. We hope and believe that our relationship will be a long and rewarding one. If you have any queries, please do not hesitate to contact me personally (norman.crighton@ajot.co.uk), or alternatively speak to our broker N+1 Singer to arrange a meeting.

Norman Crighton
Chairman
12 February 2020

Investment Manager's Report

"We believe that changes in mindset and culture surrounding shareholders are the catalyst to unlocking a tremendous amount of value."

Joe Bauernfreund

AVI Japan Opportunity Trust (AJOT) was launched in October 2018. This report covers the period from 23 October 2018 to 31 December 2019. Over this time, your Company has returned +14.3% (on a NAV total return basis in GBP), ahead of the +7.9% total return generated by the benchmark, the MSCI Japan Small Cap Total Return Index (in GBP). This robust performance has been driven by a combination of several standout performers and a lack of significant detractors. The +8.7% contribution from the top three contributors, NuFlare Technology (+4.1%), Digital Garage (+2.6%) and Fujitec (+1.9%) far exceeded the combined -1.1% loss from the three largest detractors, Hi-Lex (-0.5%), Konishi (-0.4%), and TBS (-0.2%).

It has been a difficult time for the Japanese market since AJOT was launched. The TOPIX's +8.2% return has underperformed that of the MSCI Europe (+15.6%) and S&P 500 (+17.4%) indices. Japan is seen as a proxy for global trade and, with the US-China trade war dominating headlines, global investors have continued to be net sellers of Japanese equities, notwithstanding an encouraging reversal of this trend towards the end of the year. However, beneath the surface, companies are continuing to improve standards of corporate governance and increasingly focus on shareholder returns. This is particularly reflected in rising Return on Equity (ROE) and in the strong increase in announced share buybacks this year. Coupled with fundamental valuation metrics that are far more attractive than the rest of the developed world, we continue to believe that Japan represents one of the most attractive equity market opportunities today.

AJOT invests in strong businesses with high levels of cash flow generation, attractive valuations, and a potential event to unlock the value trapped within bloated corporate balance sheets. We find the greatest number of opportunities in cash-rich, small-cap, Japanese companies that are unloved and under-researched by the market. There have been an increasing number of successful shareholder engagements, which is creating the impetus needed to focus attention on shareholder value. We believe that changes in mindset and culture surrounding shareholders are the catalyst to unlocking a tremendous amount of value.

The attributes we look for in our investments can be grouped into three areas: quality, value, and prospects for improving corporate governance. Quality companies reduce the risk of earnings deterioration, which means we can be patient long-term shareholders; the valuation determines the potential upside of the investment; and improving corporate governance provides a catalyst to realise the value, mitigating the risk of value traps.

On the **quality** front, we try to find companies with stable earnings which over the medium-term have a good chance of growing. They are typically domestic-focused and provide services or goods which are highly valued by their customers, resulting in outsized margins and returns on equity.

Over the past year, the companies in our portfolio grew operating profits by a weighted average of +9.3%. This mainly came from margin expansion, particularly so in the case of Pasona, whose standalone operating profit margin rose from 0.1% to 0.5%. The portfolio's profit growth was a satisfactory result when compared to the +5.2% growth for the companies in the MSCI Japan Small Cap Total Return Index.

Attractive **valuations** in Japan are caused by a low overall valuation for Japanese companies and the market's heavy discounting of cash and investment securities held on companies' balance sheets. Adjusted for surplus capital, the companies in AJOT's portfolio trade on a weighted average EV/EBIT of 3.8x and have net cash and investment securities that cover 81% of their market caps.

Despite the +14.3% growth in AJOT's NAV, the overall valuation of the portfolio remains attractive. While the EV/EBIT of the portfolio increased from 3.6x at the end of February 2019 (when the portfolio was fully invested) to 3.8x at the end of December 2019 and net cash as a percentage of market cap decreased from 48% to 45%, net financial value ("NFV") as a percentage of market cap grew from 78% to 81%. As our portfolio evolves, we expect fluctuations in its valuation. The slight increase over the year is not significant and the still-attractive portfolio valuation highlights that we continue to find compelling opportunities.

Finally, we turn to **corporate governance,** the overarching theme of our portfolio. Since the introduction of the Corporate Governance Code in 2015, we have witnessed a gradual, but indisputable, shift in Japanese companies' attitudes towards shareholders.

Over the period, most of our portfolio companies showed signs of positive changes in their attitudes towards corporate governance. These changes have been seen in the form of 'softer' policy changes such as the introduction of stock-based compensation or independent directors, as well as in more impactful moves like share buybacks and takeovers. It is the latter two that have been a particular boon to performance.

Ten of our portfolio companies announced share buybacks over the period and three were subject to takeovers at substantial premia to their prevailing share prices. When one considers that your Company has a portfolio of just 28 investments, and has only been invested for 14 months, the pace of change has been quite impressive.

Investment Manager's Report
continued

The subsidiary buy-out theme is one we have discussed extensively in our reporting. The issue of parent-child listings and inadequate protection for minority shareholders is one that is receiving more attention from shareholders and the Government. It has been suggested that listed companies with controlling parent shareholders should be required to have a majority independent board to increase minority shareholder protection. The clear intention is to ultimately reduce the prevalence of parent-child listings, which are rarely seen in developed markets outside of Japan.

We benefitted from the subsidiary buy-out theme over the period, with Toshiba Corp's tender offer for NuFlare Technology and Toshiba Plant Systems & Services, two significant investments for AJOT. Both were majority controlled by Toshiba Corp and, with Toshiba's newly revitalised board and the pressure from regulators surrounding parent-child listings, we felt it was only a matter of time before something happened. After weeks of rumours, Toshiba submitted tender offers to minority shareholders for the shares in each company that it did not already own. These came at premia of +46% and +28% to the undisturbed prices for NuFlare and Toshiba Plant respectively, crystallising returns on investments for AJOT of +93% and +27%.

While the overall standard of corporate governance in Japan has improved, we believe the pace of change is accelerated by shareholder engagement. Often not known to the public, we – and other shareholders like us – are actively engaging with boards behind closed doors. It is sometimes difficult to attribute specific actions to our engagement directly, but we have numerous examples of our portfolio companies announcing steps broadly in line with those suggested in our letters and face-to-face meetings.

Since launching AJOT, we have written 33 letters to 18 of our portfolio companies and met or called them 95 times. Our discussions with management cover a variety of topics including balance sheet efficiency, director compensation, the abolition of poison pills and board independence.

While our investment horizon, and the time frame for judging our performance, is longer than the 14 months that AJOT has existed, it has been an encouraging start. We continue to believe that with growing shareholder engagement, Japanese boards will focus more on driving corporate value and increasing share prices. The market seems to underappreciate this phenomenon, which is why we have been able to build a portfolio at such astonishingly low valuations. The mismatch between the fundamental improvements we have witnessed and continued low valuations presents an exciting opportunity.

AVI Team

The team is led by Joe Bauernfreund with the support of two dedicated Japan analysts, Daniel Lee and Cameron Dryburgh, and Tom Treanor, Head of Research.

Since launching AJOT we hired Cameron, a full-time Japanese-speaking analyst based in London, added a part-time analyst based in Tokyo who works with us on research projects and increased our utilisation of locally based legal and corporate governance experts. Our increased resource has allowed us to enhance the quality and pace of engagement while allocating more time to researching new ideas. There is no shortage of engagement opportunities or new ideas, and we will continue to invest in the appropriate infrastructure to support the strategy.

Contributors

NuFlare

Contribution to total return:	+4.1%
Weight in AJOT net assets:	0.0%
EV/EBIT:	n/a
NFV/Market Cap:	n/a

NuFlare added +4.1% to returns, the strongest performer over the period. While our thesis was for a trade sale of the business, it was still pleasing to see Toshiba Corp make an offer to buyout minorities at a +46% premium to the undisturbed price. With the offer coming after an already strong period in the share price, we realised a return on investment of +93% and an IRR of +110%.

Toshiba Corp's offer is a vindication of the parent-child theme within AJOT's portfolio. We have argued that listed subsidiaries should be either bought in or sold off by the parent company, given that the potential for the abuse of minority shareholders' rights depresses the share price. With the Abe administration having been critical of these sorts of arrangements, and Toshiba Corp's recently refreshed board, it felt like simply a matter of time before the company would be required to either acquire or sell off its stake in NuFlare.

Our confidence in a premium offer being made for NuFlare was underpinned by our analysis of the business. At the end of March NuFlare was trading on a 10% free cash flow yield, an EV/EBIT of 1.7x with net cash covering 68% of its market cap. Putting the issues of governance and liquidity to one side, as a strategic buyer would, the valuations the market was subscribing did not correspond to a business with highly valuable technology and a near-monopolistic market share. The lack of NuFlare's sell-side coverage and the market's lack of interest in small-cap Japanese companies allowed us to take advantage of the situation and exploit the inefficiency.

Digital Garage

Contribution to total return:	+2.6%
Weight in AJOT net assets:	5.7%
EV/EBIT:	9.3
NFV/Market Cap:	62.3%

Digital Garage was the second strongest contributor over the period, adding +2.6% to performance. The returns were driven equally by an increase in our estimated fundamental value for the company and a narrowing of the discount at which it trades to that value.

Digital Garage has a 20% stake in Kakaku.com, which operates online price comparison and restaurant reservation sites.

Investment Manager's Report
continued

This investment accounts for 55% of Digital Garage's market cap and obscures the hidden value of Digital Garage's two main businesses, online marketing and credit card payment processing.

We did not acquire shares in Digital Garage until almost two months after launching on valuation grounds. This proved to be a wise decision as we were able to purchase our stake two months later at a price -18% lower than if we had purchased at launch. We then trimmed our position in May as the share price had risen +41% from our initial purchase, before opportunistically adding to our position in August after a -10% fall in the price, bringing our total average buy in price to ¥3,028 vs an end of year price of ¥4,585.

For the first half of Digital Garage's financial year (six months from March to September), Digital Garage's marketing and credit card processing businesses grew profits by +50% and +28% respectively. Being able to purchase these businesses on only a 9.3x EV/EBIT multiple despite such impressive growth rates make for an attractive investment.

Fujitec

Contribution to total return:	+1.9%
Weight in AJOT net assets:	5.5%
EV/EBIT:	8.4
NFV/Market Cap:	45.5%

Fujitec, a global elevator manufacturer, was AJOT's third most significant contributor, adding +1.9% to returns. While seemingly a cyclical business tied to construction spending, over half of Fujitec's business, in fact, comes from maintenance and renewal work. Elevator manufacturers are usually awarded the maintenance contract following a new installation. This constitutes a sticky, stable and high-margin revenue stream and can last for decades. Additionally, once an elevator has reached the end of its useful life, the manufacturer who built the lift and then maintained it, is typically awarded the contract for its replacement.

The appeal of the business model is not lost on investors. Kone and Schindler, two European-listed global manufacturers trade on EV/EBIT multiples of 24x and 19x respectively. These valuations far exceed the 8x that Fujitec trades on.

We attribute Fujitec's lower valuation to several factors. 1) **Poor balance sheet efficiency**. One third of Fujitec's balance sheet is allocated to low yielding cash and investment securities, which accounts for 46% of Fujitec's market cap. These contribute little to profits and are valued at a heavy discount by the market. 2) **Poison pill**. Fujitec first introduced a poison pill in 2007 to fend off a proposed buyout. By restricting potential buyers, it removes the possibility of a takeover, thus leading to a valuation discount. 3) **Weaker margins**. Fujitec suffers from lower margins than peers, 7% vs 12%, driven by lower scale and an overly diversified exposure to non-core geographies. 4) **Lack of sell-side coverage**. No sell-side analysts cover Fujitec while 30 cover Kone and 21 Schindler.

We are working with management and the board to address these problems who have so far been receptive to our suggestions. Considering not only the valuation upside but also margin upside, Fujitec represents one of the most compelling investments in AJOT's portfolio.

Toshiba Plant

Contribution to total return:	+1.5%
Weight in AJOT net assets:	0.0%
EV/EBIT:	n/a
NFV/Market Cap:	n/a

Even though Toshiba Plant spent most of the period as a detractor from performance, after an offer from Toshiba Corp at a +28% premium, it ended the period as our fourth-largest contributor adding +1.5% to returns.

Toshiba Plant is an engineering and construction company offering a full solution to industrial projects, such as power plants, factories and solar farms. With the know-how acquired from construction, Toshiba Plant offers maintenance solutions post-build, which are stable and highly profitable. Since it became a fully integrated engineering and construction company in 2004, profits have grown at an annualised rate of 12.3% and in 16 years, profits declined only once.

Toshiba Plant's business is intertwined with Toshiba Corp's. Toshiba Plant is given subcontract work from Toshiba, most notably for the maintenance of Toshiba's nuclear power plants, and as such it made little sense for Toshiba Plant to operate as a separate entity with minority shareholders. It has always been our contention that Toshiba Corp would ultimately buy-in Toshiba Plant, given the quality of Toshiba Plant's business and the synergies that would accrue to the combined entity.

Our thesis was vindicated when in November, Toshiba Corp finally made an offer to minority shareholders at a +28% premium. AJOT made a +27% return on its investment, which given the short holding period, crystallised a +35% IRR.

Nitto FC

Contribution to total return:	+1.4%
Weight in AJOT net assets:	0.0%
EV/EBIT:	n/a
NFV/Market Cap:	n/a

Despite a relatively brief holding period, Nitto FC was our fifth largest contributor. Nitto FC's strong business model and extreme undervaluation was noticed by a Japanese private equity firm, who took the company private at a +38% premium in May. Before the takeover, Nitto FC was trading with 83% of its market cap covered by net cash, and an EV/EBIT of 3.3x. In a little over six months, our investment in Nitto FC garnered a profit of +56%, adding 1.4% to returns.

Investment Manager's Report
continued

Nitto FC is a good example of the opportunity for private equity investors. Given compelling valuations and potential for efficiency gains, global private equity managers are increasing their exposure to Japan. George Roberts, of KKR, remarked that Japan is KKR's highest priority other than the US. With increasing scrutiny from public shareholders going private is becoming a viable option for companies. For AJOT, the presence of private equity increases the chances of our companies being taken over at a large premium, providing a catalyst for realising the underlying value in the portfolio.

Detractors

Hi-Lex

Contribution to total return:	-0.5%
Weight in AJOT net assets:	1.1%
EV/EBIT:	2.4
NFV/Market Cap:	81.7%

Hi-Lex was our largest detractor over the period, hindering overall returns by -0.5%. Hi-Lex produces a small range of essential auto components including window and door opening systems and control cables. The Company faces a declining market for a portion of their control cable sales (approximately 10% of total sales) which, over the coming decades are not needed in electric vehicles. As a result Hi-Lex has been allocating capital to door and window products, which are lower margin. This expansionary capital expenditure and lower margin product mix has led to declining profitability.

The last twelve months have been tough for Hi-Lex, cutting full year forecasts midway through the year, with operating profits falling over -30% for a second year in a row as the auto industry continues to be surrounded by uncertainty and weak sentiment. Although the company expects weaker sales in 2020, they also guided for a big upswing in operating profits, to which the market has responded favourably. Despite a difficult year Hi-Lex remains attractive on valuation grounds. Net cash accounts for 58% of Hi-Lex's market cap which, when including stakes in other listed companies, rises to 82% of the market cap. Hi-Lex thus trades on an EV/EBIT of 2.4x.

Although Hi-Lex has fallen -15% from our purchase price, its small average 1.5% weight over the period reduced its impact on portfolio returns, detracting only -0.5% overall.

Konishi

Contribution to total return:	-0.4%
Weight in AJOT net assets:	4.6%
EV/EBIT:	3.3
NFV/Market Cap:	56.1%

Konishi was a lacklustre performer over the period, more painful in relative rather than absolute terms. Its share price fell -4% from our average buy-in price, on weaker than anticipated operating profits and a lack of corporate governance improvement.

Konishi is a chemical company that manufactures adhesives, sealants and tape. It is best known for its glue brand in Japan called "Bondo", the equivalent of "Super Glue" in the UK. It also sells sealants for DIY home repairs and to professionals in the construction industry. Through the sale of sealants to professionals, it has successfully expanded its business into construction, particularly infrastructure repair work. With Japan's aging infrastructure, repair work is a useful tailwind for Konishi. A pure play peer in this area trades on an EV/EBIT of 19x showing the exciting dynamics of the industry.

We have been disappointed with the lack of progress Konishi has made to improve corporate governance. With a payout ratio of just 20%, only two independent directors on a nine-person board, and 31% of total assets in cash and investment securities, there is much to be improved. Collectively with AVI Global Trust, we own 3.6% of Konishi's voting rights, and given the underwhelming share price performance, we plan to step up our engagement with the board over the coming year.

Tokyo Broadcasting System

Contribution to total return:	-0.2%
Weight in AJOT net assets:	5.0%
EV/EBIT:	<0.0
NFV/Market Cap:	113.9%

Tokyo Broadcasting System ("TBS") has continued to be a frustrating holding in the portfolio. Since the launch of AJOT its share price has fallen -13.7%, even as the share prices of its two largest cross-shareholdings, Tokyo Electron and Recruit, rose by +61.7% and +27.6% respectively. TBS's stakes in these two companies have now swollen to 95% of TBS's market cap.

In their full-year results management gave a weak outlook for the FY2020 profitability due to reorganisation costs and the beginning of 4K broadcasting. This was compounded by announcing a dividend pay-out ratio of only 23% (below the company's stated 30% policy) and giving no further strategy for reducing cross-shareholdings. Investors had previously been hopeful for the prospects of a strategic change in policy, following a sell-side research note in February which explicitly mentioned the possibility of a large-scale sale of securities and greater shareholder returns through buybacks and dividends. The market reaction to the announcements was distinctly negative, with the stock falling by -15%.

Further disappointment came when TBS declined to take part in either Tokyo Electron's buyback or a block offering of Recruit shares. We were disappointed by this as both represented opportunities to reduce the extraordinarily large allocation in TBS's NAV.

Investment Manager's Report
continued

Against this, there are some grounds for optimism: in March, TBS sold down around 8% of one of its largest holdings, Tokyo Electron, introduced stock-based compensation for directors, and there was a 3% reduction in key allegiant shareholders' stakes.

Despite a difficult year, we believe that the investment case for TBS remains strong. It has excess cash, listed securities, and prime Tokyo real estate which cover its market capitalisation almost two times over. TBS is, in effect, an asset manager with a small broadcasting business. Whilst thus far TBS has been ambiguous in its intentions for these assets, we believe that if it were to announce a clearly defined strategic policy to reduce its over-capitalised balance sheet, the market would reward the company with a much higher share price. We remain in regular dialogue with TBS's board of directors in order to produce a satisfactory outcome for all stakeholders. We added to our position on share price weakness during the year.

Environmental, Social & Governance Issues

AVI undertakes detailed research on its existing and candidate holdings, and environmental, social and governance (ESG) factors form part of this research process. Our process does not involve the use of a filter to screen out stocks that score poorly on an ESG scale, or a filter to only include positive-scoring ESG stocks. We assess each potential investment on a case-by-case basis to identify potential strengths and weaknesses in a firm's conduct and operations. We believe that firms which score highly on ESG metrics have a beneficial impact on society and, as such, we work hard with the companies we invest in where we see deficiencies that can be corrected.

The emphasis in AJOT's portfolio is on governance factors. A significant amount of AVI's research process is dedicated to understanding the shortcomings in governance practices that may occur at your Company's investments. These shortcomings include, among others: inefficient balance sheets, low dividend payouts and share buybacks, depressed returns on equity, excessive board tenure policies, lack of board independence, and outdated corporate defence tools (such as poison pills). Where our analysis reveals less-than-ideal corporate governance practices, we engage with the board and management in a constructive and private manner in order to provide our expertise on the matter and to suggest solutions that will benefit all stakeholders. In so doing, we believe that we can unlock value for shareholders.

AVI respects the protection of the environment. We are encouraged that the World Business Council for Sustainable Development (WBCSC) has reported positively on Japan in their 2019 report: 'There is a strong focus on disclosure of corporate performance on environmental issues. Environmental topics are covered by 71% of reporting provisions in Japan, compared to 62% for the rest of the world and 65% for major economies.'

We aim to understand the network of relationships within which the investee company exists, including relationships with suppliers, customers, employees and society-at-large. We engage in dialogue with companies where we see practices that could be improved; an area of particular focus is employee relationships. In this regard, we have been pleased to see progress in Japan on minimum wage laws, greater female participation in the workforce generally, and a reduction in the levels of overtime required of employees.

Outlook

Standards of corporate governance in Japan are improving, along with an increased focus on shareholder returns. Record share buybacks during 2019 point to a growing acceptance by Japanese corporates that their ever increasing levels of surplus cash ought to be put to better use than simply sitting idly on their balance sheets. With large parts of the Japanese stock market – particularly the small and midcap segments – trading at low valuation multiples, there is huge scope for prices to re-rate upwards. At the heart of the renewed focus on shareholder returns, lies shareholder engagement. This has not been a particularly fruitful or popular activity in the past. However, the Stewardship Code along with the Corporate Governance Code, are encouraging domestic and foreign investors to engage with the management of the companies they are invested in. The increased levels of shareholder engagement are having an impact and we believe they will continue to do so.

Alongside shareholder engagement and company share buybacks, we have also seen increased levels of corporate activity. During the year Japan even experienced a number of contested takeovers– something that the country has rarely experienced before. This points to a recognition that some Japanese companies are under-valued and there is plenty of scope for unlocking this value.

AJOT will continue to try and identify the best possible candidates for inclusion in our concentrated portfolio. We will continue to engage pro-actively with the companies we are invested in on your behalf. And we are confident that there is plenty of upside within the existing portfolio.

We thank you for your support.

Joe Bauernfreund
Asset Value Investors Limited

Top 10 Investments

1. SK Kaken

7.1%
of portfolio

5.2
ev/ebit

SK Kaken specialises in industrial paints, commanding more than 50% domestic market share. It is a stable business with consistent earnings and margins but a low payout ratio has led to cash ballooning on the balance sheet. This capital inefficiency masks an otherwise high-quality business.

2. Teikoku Sen-i

6.9%
of portfolio

4.9
ev/ebit

Founded as a textile company, Teikoku Sen-i's main business now is in manufacturing disaster prevention equipment. It has a strong track record of growth with high operating margins. Despite this it trades at a 34% discount due to an inefficient balance sheet and other corporate governance failings.

3. Digital Garage

5.7%
of portfolio

9.3
ev/ebit

Its three main business interests are in: credit card payment processing, online market, and venture investments. Digital Garage has a good track record of incubating young tech businesses in Japan and being at the front of digital innovation. It also has a large stake in the online price comparison site Kakaku.com which accounts for 47% of Digital Garage's NAV.

4. Fujitec

5.5%
of portfolio

8.4
ev/ebit

A leading manufacturer of lifts and escalators with a global presence. It trades at a significant discount compared to global peers due to weak margins outside of Japan, low ROE exacerbated by a large cash pile on its balance sheet, and the presence of a poison pill. We believe that with some improvements in corporate governance and margins Fujitec should be trading at the same multiples as its global competitors and there is room for considerable upside.

5. C Uyemura

5.3%
of portfolio

4.9
ev/ebit

C Uyemura makes plating and surface finishing related chemical products. Although it has a long history of developing and manufacturing high-quality products, several years of hoarding cash, opaque business and capital allocation strategies have depressed its value. We were very pleased to see C Uyemura conduct its first buyback in eight years, which the market viewed very favourably.

6. Pasona

5.3%
of portfolio

<0
ev/ebit

A staffing company providing dispatch workers and recruitment services throughout Japan. Pasona has a 50% stake in Benefit One, a provider of welfare agency services. Benefit One has grown rapidly in recent years and Pasona's stake in the company is worth 277% of its market cap. The listed subsidiary phenomenon is a problem particularly acute in Japan and one we have paid close attention to as it comes under increasing scrutiny and pressure.

7. Secom Joshinetsu

5.2%
of portfolio

2.8
ev/ebit

Secom Joshinetsu, a regional subsidiary of Secom, is another example of the problems of parent-subsidiary listings in Japan. It operates in Niigata, Gunma, and Nagano prefectures providing security services. Despite having similar business characteristics to its parent, Secom, Secom Joshinetsu trades at a severe discount

8. Kato Sangyo

5.1%
of portfolio

2.8
ev/ebit

A leading wholesaler of food and drinks, primarily in Japan but growing fast abroad, particularly in South East Asia. As with many other companies in AJOT the strength of its core business contrasts strongly with inefficient deployment of its capital. Alongside a string of unnecessary cross-shareholdings tying up capital, cash takes up 36% of balance sheet assets, weighing down heavily on its ROE.

9. Tokyo Broadcasting System

5.0%
of portfolio

<0
ev/ebit

TBS is a well-known broadcaster in Japan. The bulk of TBS's value lies in its large real estate holdings and its cross-shareholdings, most significantly in Tokyo Electron and Recruit Holdings. The company justifies this misallocation of capital on the grounds of protecting key business relationships, but these reasons stand up to little scrutiny and consequently TBS trades at a 47% discount.

10. Toyota Industries

4.7%
of portfolio

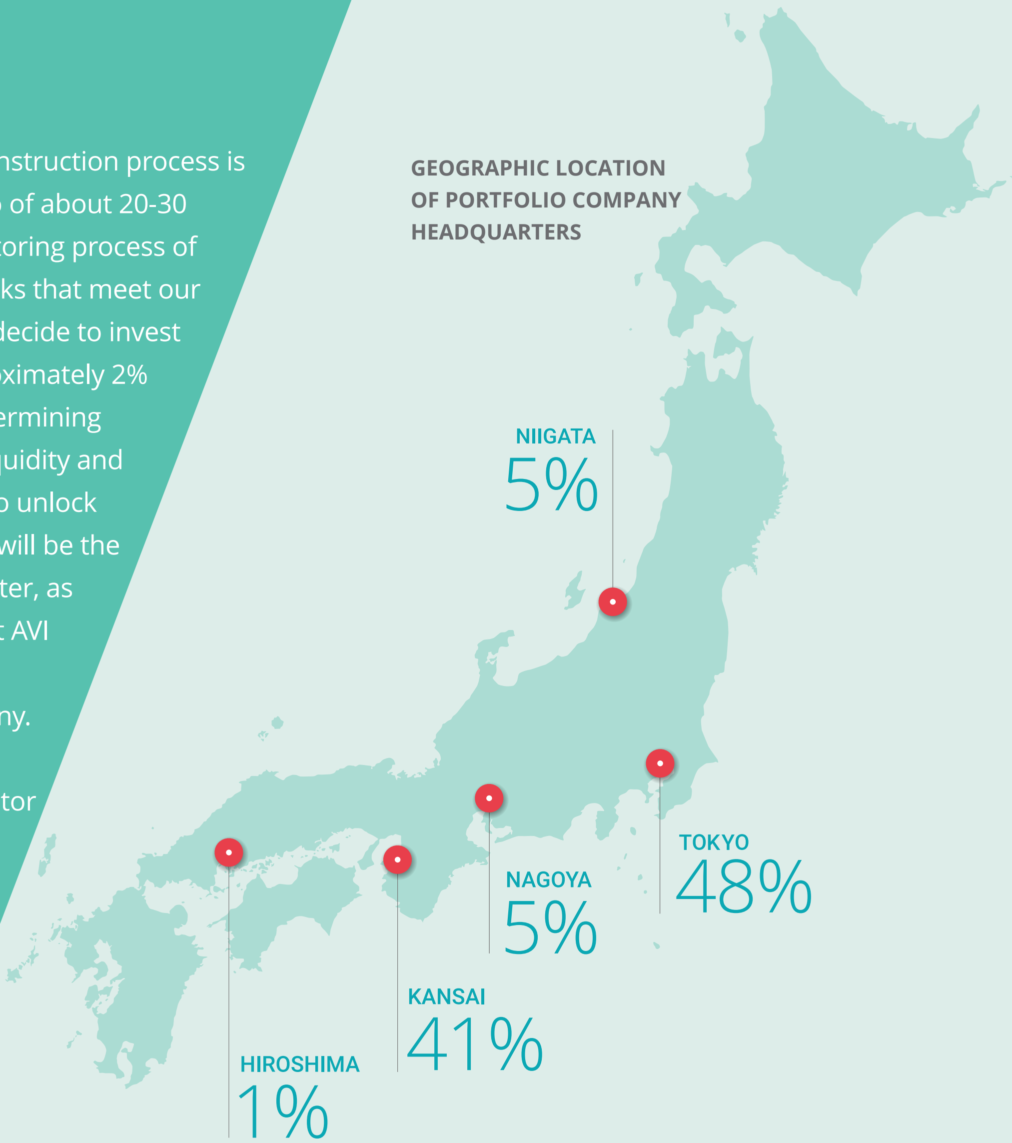
4.6
ev/ebit

Originally the core of the Toyota Group, the links between Toyota Industries and the Toyota Motor Group are still strong. Toyota Industries owns 6.7% of the auto company and in turn is 30% owned by Toyota Motor. This 6.7% stake is worth 85% of Toyota Industries' market cap. Toyota Industries itself manufactures forklifts, compressors for engines and air conditioning units. It is the largest manufacturer worldwide of forklifts.

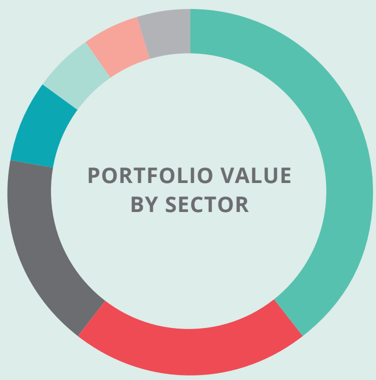
All ev/ebit figures are estimates provided by AVI. Please refer to Glossary on page 58.

Portfolio Construction

The objective of AVI's portfolio construction process is to create a concentrated portfolio of about 20-30 holdings, facilitating a clear monitoring process of the entire portfolio. AVI picks stocks that meet our investment criteria and once we decide to invest a minimum position size of approximately 2% of the portfolio is initiated. In determining position sizes, AVI is mindful of liquidity and the likely timing of any catalysts to unlock value. Often, a key consideration will be the make-up of the shareholder register, as this will indicate the likely support AVI could expect in any shareholder proposal it submits to the company. The portfolio is diverse in the industries within it but we are sector agnostic and select investments based on quality and value.



35.5%	£250m-£500m
27.5%	£500m-£1bn
25.0%	>£1 billion
12.0%	<£250m



39.7%	Industrials
21.1%	Materials
17.2%	Consumer Discretionary
7.1%	Information Technology
5.2%	Consumer Staples
5.1%	Communication Services
4.6%	Health Care

Investment Portfolio
At 31 December 2019

Company	Stock Exchange Identifier	% of investee company	Cost £'000*	Market value £'000	% of AJOT net assets	NFV/Market capitalisation[1]	EV/EBIT[1]
SK Kaken	JASDAQ: 4628	0.8	8,763	9,110	7.1%	62%	5.2
Teikoku Sen-i	TSE: 3302	2.0	8,513	8,775	6.9%	58%	4.9
Digital Garage	TSE: 4819	0.5	5,203	7,242	5.7%	62%	9.3
Fujitec	TSE: 6406	0.6	5,460	7,049	5.5%	46%	8.4
C Uyemura	TSE: 4966	1.2	5,895	6,760	5.3%	57%	4.9
Pasona	TSE: 2168	1.5	6,228	6,722	5.3%	274%	<0
Secom Joshinetsu	TSE: 4342	1.8	5,564	6,565	5.2%	74%	2.8
Kato Sangyo	TSE: 9869	0.7	6,327	6,522	5.1%	77%	2.8
Tokyo Broadcasting System	TSE: 9401	0.3	6,624	6,409	5.0%	114%	<0
Toyota Industries	TSE: 6201	0.0	6,051	6,039	4.7%	72%	4.6
Top ten investments			**64,628**	**71,193**	**55.8%**		
Konishi	TSE: 4956	1.3	6,282	5,901	4.6%	56%	3.3
Fukuda Denshi	JASDAQ: 6960	0.5	5,203	5,735	4.5%	65%	3.8
Daiwa Industries	TSE: 6459	1.1	4,920	4,957	3.9%	90%	1.0
Sekisui Jushi	TSE: 4212	0.6	4,467	4,897	3.8%	69%	3.4
Toagosei	TSE: 4045	0.4	4,507	4,733	3.7%	58%	4.5
Kanaden	TSE: 8081	1.6	3,997	4,282	3.3%	72%	2.9
Tokyo Radiator MFG	TSE: 7235	3.3	3,105	3,028	2.4%	91%	1.1
Alps Logistics	TSE: 9055	1.4	2,989	2,976	2.3%	38%	4.8
King	TSE: 8118	2.8	2,638	2,652	2.1%	108%	<0
Nishimatsuya Chain	TSE: 7545	0.6	2,605	2,502	2.0%	97%	4.6
Top twenty investments			**105,341**	**112,856**	**88.4%**		
Tachi-S	TSE: 7239	0.7	2,523	2,298	1.8%	65%	5.1
A-One Seimitsu	JASDAQ: 6156	4.0	2,339	2,295	1.8%	96%	0.5
Soft99	TSE: 4464	1.3	1,988	2,071	1.6%	94%	0.6
CAC Holdings	TSE: 4725	0.8	1,541	1,719	1.4%	50%	5.4
Nishikawa Rubber	TSE: 5161	0.6	1,594	1,466	1.2%	71%	1.4
Hi-Lex	TSE: 7279	0.3	1,658	1,416	1.1%	82%	2.4
Aichi	TSE: 6345	0.3	1,186	1,242	1.0%	57%	3.2
Techno Associe	TSE: 8249	0.1	150	168	0.1%	80%	1.8
Total investments			**118,320**	**125,531**	**98.4%**		
Other net assets and liabilities				2,079	1.6%[2]		
Net assets				127,610	100.0%		

* Please refer to Glossary on page 58.

[1] Estimates provided by AVI. Please refer to Glossary on page 58.

[2] Gearing. Please refer to Glossary on page 58.

Business Model

Company Status

The Company is registered as a public limited company under the Companies Act 2006 and is an investment company under Section 833 of the Companies Act 2006. It is a member of The AIC.

The Company was incorporated on 27 July 2018 and listed on the London Stock Exchange on 23 October 2018.

The Company has been approved as an investment trust under Sections 1158/1159 of the Corporation Tax Act 2010. The Directors are of the opinion, under advice, that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive ("AIFMD").

Investment Objective

The Company's investment objective is to provide Shareholders with capital growth in excess of the MSCI Japan Small Cap Total Return Index, through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by AVI as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets.

Investment Policy

The Company invests in a diversified portfolio of equities listed or quoted in Japan which are considered by the Investment Manager to be undervalued and where cash, listed securities and/or realisable assets make up a significant proportion of the market capitalisation. AVI seeks to unlock this value through proactive engagement with management and taking advantage of the increased focus on corporate governance and returns to shareholders in Japan. The Board has not set any limits on sector weightings or stock selection within the portfolio. Whereas it is not expected that a single holding (including any derivative instrument) will represent more than 10% of the Company's gross assets at the time of investment, the Company has discretion to invest up to 15% of its gross assets in a single holding, if a suitable opportunity arises.

No restrictions are placed on the market capitalisation of investee companies, but the portfolio is weighted towards small and mid-cap companies. The portfolio normally exists of between 20 and 30 holdings although it may contain a lesser or greater number of holdings at any time.

The Company may invest in exchange traded funds, listed anywhere in the world, in order to gain exposure to equities listed or quoted in Japan. On acquisition, no more than 15% of the Company's gross assets will be invested in other UK listed investment companies.

The Company may also use derivatives for gearing and efficient portfolio management purposes.

The Company will not be constrained by any index benchmark in its asset allocation.

Borrowing Policy

The Company may use borrowings for settlement of transactions, to meet on-going expenses and may be geared through borrowings and/or by entering into long-only contracts for difference or equity swaps that have the effect of gearing the Company's portfolio to seek to enhance performance.

The aggregate of borrowings and long-only contracts for difference and equity swap exposure will not exceed 25% of NAV at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in JPY.

Hedging Policy

The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investments denominated in JPY, although the Investment Manager and the Board may review this from time to time.

Material Changes to the Investment Policy

No material change will be made to the Company's investment policy without Shareholder approval. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which have been taken to rectify the breach.

Management Arrangements

The Company has an independent Board of Directors which has appointed AVI, the Company's Investment Manager, as Alternative Investment Fund Manager ("AIFM") under the terms of an Investment Management Agreement ("IMA") dated 6 September 2018. The IMA is reviewed annually by Board and may be terminated by one year's notice from either party subject to the provisions for earlier termination as stipulated therein.

The portfolio is managed by Joe Bauernfreund, the Chief Executive Officer and Chief Investment Officer of AVI. He also manages AVI Global Trust Plc and is responsible for all investment decisions across the Investment Manager's strategies. He conducts regular visits to Japan, engaging with prospective and current investments, which he has done for over 15 years.

Management fees are charged in accordance with the terms of the management agreement, and provided for when due. The Investment Manager is entitled to an annual fee of 1% per annum of the lesser of the Company's NAV or the Company's market capitalisation, invoiced monthly in arrears. The IMA requires AVI to invest not less than 25% of the management fee in shares in the Company. Management fees paid during the

Business Model
continued

period were £1,060,000 and the number of shares held by AVI is set out in note 14.

J.P. Morgan Europe Limited was appointed as Depositary under an agreement with the Company and AVI dated 6 September 2018 (the “Depositary Agreement”). The Depositary Agreement is terminable on 90 calendar days’ notice from either party.

JPMorgan Chase Bank, London Branch, has been appointed as the Company’s Custodian under an agreement dated 6 September 2018 (the “Custodian Agreement”). The Custodian Agreement is terminable on 90 calendar days’ notice from the Company or 180 calendar days’ notice from the Custodian.

Link Company Matters Limited was appointed as corporate Company Secretary on 27 July 2018. The current annual fee is £60,000, which is subject to an annual RPI increase. The agreement may be terminated by either party on six months’ written notice.

Link Alternative Fund Administrators Limited has been appointed to provide general administrative functions to the Company. The Administrator receives an annual fee of £90,000. The agreement can be terminated by either the Administrator or the Company on six months’ written notice, subject to an initial term of one year.

Directors’ Duties

Overview

The Directors’ overarching duty is to act in good faith and in a way that is the most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006 (“Section 172”). In doing so, Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make as well as aim to maintaining a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duty under Section 172 below.

To ensure that the Directors are aware of, and understand, their duties they are provided with the pertinent information when they first join the Board as well as receive regular and ongoing updates and training on the relevant matters. They also have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice. The schedule of matters reserved for the Board, as well as the terms of reference of its committees are reviewed on at least an annual basis and further describe Directors’ responsibilities and obligations, and include any statutory and regulatory duties. The Audit Committee has the responsibility for the ongoing review of the Company’s risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company’s risk register and are subject to periodic and regular reviews and monitoring.

Decision-making

The importance of the stakeholder considerations, in particular in the context of decision-making, is taken into account at every Board meeting. All discussions involve careful considerations of the longer-term consequences of any decisions and their implications for stakeholders.

Stakeholders

The Board seeks to understand the needs and priorities of the Company’s stakeholders and these are taken into account during all its discussions and as part of its decision-making. During the period under review, the Board has discussed which parties should be considered as stakeholders of the Company. Following thorough review, it was concluded that, as the Company is an externally managed investment company and does not have any employees or customers, its key stakeholders comprise its Shareholders and service providers. The section on the pages following discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

Business Model
continued

Importance	Board Engagement
Shareholders	
Continued Shareholder support and engagement are critical to existence of the business and the delivery of the long-term strategy of the business. The Directors intend to offer Shareholders the opportunity to exit the Company at close to NAV in October 2022 and every two years thereafter. The Board and Corporate Broker will canvass opinion from Shareholders in the months leading up to October 2022 (and at each appropriate interval thereafter) when making any decision in respect of any potential exit opportunity.	The Company has over 200 Shareholders, including institutional and retail investors. The Board is committed to maintaining open channels of communication and to engage with Shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of Shareholders. These include: • **Annual General Meeting ("AGM") -** The Company welcomes and encourages attendance and participation from Shareholders at the AGM. Shareholders have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. The Investment Manager attends the AGM and will provide a presentation on the Company's performance and the future outlook. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM and will take action or make changes, when and as appropriate; • **Publications -** The Annual Report and Half-Year results are made available on the Company's website and the Annual Report is circulated to Shareholders. These reports provide Shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet and quarterly reports which are available on the Company's website and the publication of which is announced via a Regulatory Information Service. Feedback and/or questions the Company receives from the Shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable; • **Shareholder meetings -** Unlike trading companies, Shareholder meetings often take the form of meeting with the Investment Manager rather than members of the Board. Shareholders are able to meet with the Investment Manager throughout the period and the Investment Manager provides information on the Company and videos of the Investment Manager on the Company's website and via various social medial channels. Feedback from all meetings between the Investment Manager and Shareholders is shared with the Board. The Chairman, the Chairman of the Audit Committee or other members of the Board are available to meet with Shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Investment Manager, the Chairman seeks meetings with Shareholders who might wish to meet with him; • **Shareholder concerns -** In the event Shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. Other members of the Board are also available to Shareholders if they have concerns that have not been addressed through the normal channels; and

Business Model
continued

Importance	Board Engagement
Shareholders	
	• **Investor Relations updates -** at every Board meeting, the Directors receive updates from the Company's broker on the share trading activity, share price performance and any Shareholders' feedback, as well as an update from the Investment Manager on any publications or comments by the press. To gain a deeper understanding of the views of its Shareholders and potential investors, the Investment Manager will also undertake regular Investor Roadshows. Any pertinent feedback is taken into account when Directors discuss the share capital, any possible fundraisings or the dividend policy and actioned as and when appropriate. The willingness of the Shareholders, including the partners and staff of the Investment Manager, to maintain their holdings over the long-term period is another way for the Board to gauge how the Company is meeting its objectives and suggests a presence of a healthy corporate culture.
Other Stakeholders	
The Investment Manager	
Holding the Company's shares offers investors an investment vehicle through which they can obtain exposure to AJOT's diversified portfolio of Japanese equities. The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to provide Shareholders with capital growth in excess of the MSCI Japan Small Cap Total Return Index through active management of the portfolio and engagement with portfolio companies.	Maintaining a close and constructive working relationship with the Investment Manager is crucial as the Board and the Investment Manager both aim to continue to achieve consistent, long-term returns in line with its investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture are: • Encouraging open discussion with the Investment Manager, allowing time and space for original and innovative thinking; • The IMA requires AVI to invest not less than 25% of the management fee in shares in the Company and to hold these for a minimum of two years which ensures that the interests of Shareholders and the Investment Manager are well aligned; • Recognising the alignment of interests mentioned above, adopting a tone of constructive challenge, balanced with robust negotiation of the Investment Manager's terms of engagement if those interests should not be fully congruent; • Drawing on Board Members' individual experience and knowledge to support the Investment Manager in its monitoring of and engagement with portfolio companies; and • Willingness to make the Board Members' experience available to support the Investment Manager in the sound long-term development of its business and resources, recognising that the long-term health of the Investment Manager is in the interests of Shareholders in the Company.
The Administrator, the Company Secretary, the Registrar, the Depositary, the Custodian and the Corporate Broker	
In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of reputable advisors for support in meeting all relevant obligations.	The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely taken into account. The Board formally assesses their performance, fees and continuing appointment at least annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit Committee reviews and evaluates the control environment in place at each service provider.

Business Model
continued

Importance	Board Engagement
Lender	
Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	Therefore, the Company aims to demonstrate to lenders that it is a well-managed business, capable of consistently delivering long-term returns.
Proxy Advisors	
The evolving practice and support (or lack thereof) of proxy adviser agencies are important to the Directors, as the Company aims to build a good reputation and maintain high standards of corporate governance, which contribute to the long-term sustainable success of the Company.	The Board recognises that the views, questions from, and recommendations of many proxy adviser agencies provide a valuable feedback mechanism and play a part in highlighting evolving Shareholders' expectations and concerns. When deemed relevant, the Company will engage with proxy advisers regarding resolutions that will be proposed to the Company's Shareholders at AGMs and, based on feedback received, incorporate changes to future Annual Reports to enhance disclosures.
Regulators	
The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its Shareholders.	The Company follows voluntary and best-practice guidance, and regularly considers how it meets various regulatory and statutory obligations, and how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer-term.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and will be discussed on a regular basis at Board meetings to ensure that they remain effective.

Culture

The Directors agree that establishing and maintaining a healthy corporate culture within the Board and in its interaction with the Investment Manager, Shareholders and other stakeholders will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager.

The Board strives to ensure that its culture is in line with the Company's purpose, values and strategy. The Company has a number of policies and procedures in place to assist with maintaining a culture of good governance including those relating to diversity, Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies as well as the general culture of the Board regularly through Board meetings and in particular during the annual evaluation process which is undertaken by each Director (for more information see the performance evaluation section on page 30).

The Board seeks to appoint the best possible service providers and evaluates their service on a regular basis as described on page 21. The Board considers the culture of the Investment Manager and other service providers, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

Environmental, Social and Governance Matters

As an investment company, the Company's own direct environmental impact is minimal. The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The Company's operations are delegated to third-party service providers, and the Company has no employees. The Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

The Directors do not have service contracts. There are four Directors, two male and two female. Further information on the Board's policy on diversity and recruitment of new Directors is contained on pages 28 and 29.

Both the Board and AVI recognise that social, human rights, community, governance and environmental issues have an effect on its investee companies. The Board supports AVI in its belief that good corporate governance will help to deliver sustainable long-term Shareholder value. AVI is an investment management firm that invests on behalf of its clients and its primary duty is to produce returns for its clients. AVI seeks to exercise the rights and responsibilities attached to owning equity securities in line with its investment strategy. A key component of AVI's investment strategy is to understand and engage with the management of public companies. AVI's Stewardship Policy recognises that Shareholder value can be enhanced and sustained through the good stewardship of executives and boards. It therefore follows that in pursuing Shareholder value AVI will implement its investment strategy through proxy voting and active engagement with management and boards. Further details on AVI's environmental, social and governance policy can be found on page 22.

Business Model
continued

KPIs

The Company's Board meets regularly and at each meeting reviews performance against a number of key measures. In selecting these measures, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company.

Net Asset Value Performance in Absolute and Relative Terms

+14.3%	+11.9%
23 October 2018 to 31 December 2019	Annualised

The Directors regard the Company's NAV total return as being the overall measure of value delivered to Shareholders over the long-term. Total return reflects both the net asset value growth of the Company and also dividends paid to Shareholders. Since the launch on 23 October 2018 the Company's NAV has increased 14.3% resulting in an annualised return of 11.9%. The Investment Manager's investment style is such that performance is likely to deviate materially from that of any broadly based equity index. The Board considers the most useful comparator to be the MSCI Japan Small Cap Total Return Index. Since the launch on 23 October 2018 the benchmark has increased 7.9% resulting in an annualised return of 6.6%. A full description of performance and the investment portfolio is contained in the Investment Manager's Report, commencing on page 6.

Peer Group NAV Performance Total Return AIC Japanese Smaller Companies Sector*

+14.3%	+16.9%	+3.9%	+11.7%	+10.8%
AVI Japan Opportunity Trust	Atlantis Japan Growth	Baillie Gifford Shin Nippon	JPMorgan Japan Smaller Companies	Average AIC peer group

The Board is aware of other investment trusts in The AIC Japanese Smaller Companies Sector. Each investment trust has its own focus and strategy which will differ from the one implemented by AVI. The Company's activist approach is concurrent with the focus on corporate governance reform taking place in Japan.

* Returns are for the period 23 October 2018 to 31 December 2019

Discount/Premium

2.0%	12.4%	0.8%
Premium 31 December 2019	Premium High for the period	Discount Low for the period

The Board believes that an important driver of an investment trust's discount or premium over the long-term is investment performance. However, there can be volatility in the discount or premium. Therefore, the Board seeks Shareholder approval each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium. During the period under review, 34.9 million new shares were issued through placings and under the authorisation granted by the Company's Block Listing Facility.

Ongoing Charges

1.64%
31 December 2019

The Board continues to be conscious of expenses and aims to maintain a sensible balance between good service and costs. In reviewing charges, the Board reviews in detail each year the costs incurred and ongoing commercial arrangements with each of the Company's key suppliers. The majority of the ongoing charges ratio is the cost of the fees paid to the Investment Manager. This fee is reviewed annually and the Board believes that the cost is reasonable, given the Investment Manager's activist approach to fund management and the resources required to provide the level of service. The Company adheres to The AIC guidance in calculating its ongoing charges ratio.

Business Model
continued

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date these financial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account 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 a going concern basis.

Viability

The Directors consider viability as part of their continuing programme of monitoring risk. The Directors believe five years to be a reasonable time horizon to consider the continuing viability of the Company, reflecting a balance between a longer-term investment horizon and the inherent shorter-term uncertainties within equity markets, although they do have due regard to viability over the longer term and particularly to key points outside this time frame, such as the due dates for the repayment of long-term debt. The Company is an investment trust whose portfolio is invested in readily realisable listed securities and with some short-term cash deposits.

The five year time horizon is deemed appropriate despite the fact that Shareholders will be given the opportunity to redeem their investment at NAV on the fourth anniversary of the Company (October 2022). Considering investment- and share price performance, as well as apparent Shareholder satisfaction, the Board does not anticipate more than a minimal take-up of the redemption opportunity. The investment strategy remains robust and the Board expects this to remain viable well beyond October 2022.

The following facts support the Directors' view of the viability of the Company:

- In the period under review, expenses (including finance costs and taxation) were adequately covered by investment income;
- The Company's investment portfolio is made up of listed equities;
- The Company has short-term debt of ¥2.3bn via an unsecured revolving credit facility. This debt was covered over 9 times as at the end of December 2019 by the Company's total assets. The Directors are of the view that, subject to unforeseen circumstances, the Company will have sufficient resources to meet the costs of annual interest and eventual repayment of principal on this debt, and
- The Company has a large margin of safety over the covenants on its debt.

The Company's viability depends on the Japanese and the global economy and markets continuing to function. The Directors also consider the possibility of a wide-ranging collapse in corporate earnings and/or the market value of listed securities. To the latter point, it should be borne in mind that a significant proportion of the Company's expenses are in *ad valorem* investment management fees, which would reduce if the market value of the Company's assets were to fall.

In order to maintain viability, the Company has a robust risk control framework which follows the FRC guidelines and has the objectives of reducing the likelihood and impact of: poor judgement in decision-making, risk-taking that exceeds the levels agreed by the Board, human error or control processes being deliberately circumvented.

Taking the above into account, and the potential impact of the principal risks as set out on pages 21 to 22, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of approval of this Annual Report.

Approval of Strategic Report

The Strategic Report has been approved by the Board and is signed on its behalf by:

Norman Crighton
Chairman
12 February 2020

Principal Risks and Uncertainties

The Prospectus issued in September 2018 (available from the Company's website – www.ajot.co.uk) includes details of what the Company considers to be the key principal risks faced by the business. The Board has a robust ongoing process for identifying, evaluating and managing the principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity. However, as AJOT has a limited operating history, some risks are not yet known and some that are currently not deemed material, could later turn out to be material. Following the risk assessment process described above, the Board considers the following as the principal risks faced by the Company and the following controls are in place to manage or mitigate these risks:

Risk Area	Controls and mitigation
Investment Objective	
The Company may be unsuccessful in achieving its investment objective, leading to a potential loss of demand for its shares.	The Company has a clearly defined strategy and investment remit. The portfolio is managed by a highly experienced Investment Manager backed by a strong team. The Board relies on the Investment Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company's Benchmark Index, that of its competitors and the outlook of the markets on a regular basis. The Board ensures that there is regular dialogue with major investors, primarily through the Company's broker and the Investment Manager; it follows up on any concerns and regularly reviews the discount control policy.
Investment opportunities matching the criteria encapsulated in the investment objective may become less available in the future.	The Board monitors the portfolio's composition, performance and development. Should appropriate opportunities diminish, the Board will consider the future of the Company and may recommend that the Company's investments are sold, it is wound up and cash returned to Shareholders.
Gearing	
The use of borrowings by the Company has the effect of amplifying the gains or losses the Company experiences. A significant fall in portfolio value could cause gearing levels to exceed pre-set limits, requiring Company to sell investments at short notice.	The Board and the Investment Manager regularly review gearing, as well as the effect of interest rate movements on the Company's finances and the Company's on-going compliance with the loan covenants. Aggregate borrowings may not exceed 25% of net assets. The Company entered into a 364 day ¥1.465 billion unsecured revolving facility agreement with Scotiabank Europe PLC which was increased by ¥1.465 billion in October 2019. As at 31 December 2019, ¥2.3 billion (£16 million) of the facility had been drawn. Interest is payable at a rate equal to LIBOR plus 0.75%. As at 31 December 2019, gearing stood at 13%.
Reliance on the Investment Manager and Other Service Providers	
The Company has no employees and relies on a number of third-party service providers, principally the Investment Manager, Registrar, Administrator and Custodian / Depositary. It is dependent on the effective operation of its service providers' control systems with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements.	The Board carries out regular reviews of the delegated services to ensure their continued competitiveness and effectiveness, which include assessment of the providers' control systems, whistleblowing policies and business continuity plans.
The Company is heavily reliant on the Investment Manager's processes, both in terms of making investment decisions and compliance with the investment policy.	The Investment Manager has an established investment process which has proven to be successful within the AVI Global Trust plc portfolio. The Board evaluates the investment process and compliance with investment limits and restrictions in conjunction with its portfolio review at every board meeting.

Principal Risks and Uncertainties
continued

Risk Area	Controls and mitigation
Cyber Security	
The Company has limited direct exposure to cyber risk. However, the Company's operations or reputation could be affected if any of its service providers suffered a major cyber security breach.	The Board monitors the preparedness of its service providers in this regard and is satisfied that the risk is given due priority.
Portfolio Liquidity	
The market for smaller Japanese stocks can be illiquid. The Company is exposed to the risk that it will not be able to sell its investments at the current market value or on a timely basis, when the Investment Manager chooses or is required to do so to meet financial liabilities.	The Investment Manager monitors trading volumes and prices and looks to ensure that a proportion of the portfolio is invested in readily realisable assets. The Board also receives updates on the liquidity of the portfolio and the current level of liquidity of the Company on a regular basis.
Foreign Exchange	
The functional and presentational currency of the Company is Pounds Sterling. All investments with income derived from these investments are denominated in Japanese Yen. Costs of the Company are denominated in Pounds Sterling. The Company is subject to currency risk on exchange rate movements between Pounds Sterling and Japanese Yen.	It is the Company's current policy not to hedge against currency risk, however the Investment Manager and the Board continuously monitor currency movements and exposure. The revolving credit facility is denominated in Yen and therefore the effect of Yen exchange rate movements on the drawn down facility will be offset against the assets.

Environmental, Social and Governance Policy

Factor	What we look at	The tools we use
Governance	Good governance has always been at the core of AVI's investment approach. The two areas of focus are: • How the managers and directors guide a business. This includes topics such as dividend policy, capital expenditure, merger and acquisition activity, and buybacks. • The set of rules that describes the company's governing mechanisms, including incentive and compensation structures, tenure policy, shareholder rights and remedies, and (specifically in Japan) poison pills.	We engage with our investee businesses in a variety of ways. Our preference is for collaborative engagement with management, although we will have the ability and willingness to bring issues to broader attention where we deem it necessary. The Corporate Governance and Stewardship Codes provide a useful framework for our interactions with companies, as they provide a set of standards against which we can measure a company's standing and progress. The various methods through which we engage with companies include: voting at AGMs; letters to boards requesting change; dialogue (usually via meetings and letters) with management and boards about governance issues.
Social	We try to understand the social system that an investee company operates within. The areas of focus are: • The stakeholder relationships between the company and its suppliers, customers, employees, and society-at-large.	As a minority shareholder, AVI advises and guides its investee companies in these areas. In this regard, we have been pleased to see progress in Japan on minimum wage laws, and a reduction in levels of overtime required of employees. Areas of engagement for the 'Social' aspect include: • Discussions on unequal relationships between stakeholders and how they can be remedied. • How employees are remunerated.
Environmental	As a responsible steward of capital, AVI fully supports policies and actions implemented by its portfolio companies to support a sustainable environment.	Our influence is limited as AVI is not involved in the day-to-day activities of its portfolio companies. However, we look to understand a company's stewardship of the environment to ensure that there are no egregious practices.

Directors

Norman Crighton

Chairman, Director

Norman is a non-executive chairman of RM Secured Direct Lending plc and Weiss Korea Opportunity Fund. Norman was, until May 2011, an investment manager at Metage Capital Limited where he was responsible for the management of a portfolio of closed-ended funds. He has nearly 30 years' experience in closed-ended funds having worked at Olliff and Partners, LCF Edmond de Rothschild, Merrill Lynch, Jefferies International Limited and latterly Metage Capital Limited. Norman was previously non-executive director of several other closed end funds and trading companies. His experience covers analysis and research as well as sales and corporate finance. Norman is British and resident in the United Kingdom.

Date of Appointment:
27 July 2018

Ekaterina Thomson (known as Katya)

Chairperson of the Audit Committee, Director

Katya is Chairperson of the Audit Committee. She is a corporate finance, strategy and business development professional with over 25 years of experience with UK and European blue chip companies. Katya is a non-executive director and audit committee chairperson of Miton Global Opportunities plc and Henderson EuroTrust plc, and a non-executive director of The New Carnival Company CIC. She is a member of the Institute of Chartered Accountants in England and Wales.

Date of Appointment:
5 September 2018

Yoshi Nishio

Non-Executive Director

Yoshi began his career at Goldman Sachs International, where he had overall responsibility for the trading of Japanese equities and equity derivative products. Since then, he has combined his twin specialisations of finance and media as an investor, advisor and consultant. Much of his work has had a Japanese focus, with clients ranging from family offices to the office of the chairman of Columbia Pictures in Hollywood in the period following the studio's acquisition by the Sony Corporation, to the Ministry of Finance of the Russian Federation. Yoshi is fluent in Japanese and in English. He was born in Japan but now holds dual British/American citizenship and lives in the United Kingdom.

Date of Appointment:
27 July 2018

Margaret Stephens

Non-Executive Director

Margaret was a partner of KPMG until 2016 having qualified as a Chartered Accountant in 1988. From 2007, she played a key role in building KPMG's Global Infrastructure Practice, also leading UK and international due diligence and structuring services on major merger and acquisition transactions and public private partnerships. Margaret was a non-executive Board Member and Chair of the Audit and Risk Assurance Committee of the Department for Exiting the European Union. She is also a Trustee of the London School of Architecture.

Date of Appointment:
5 September 2018

Directors' Report

The Directors present their report and the audited financial statements for the period ended 31 December 2019.

The Investment Portfolio on page 13, the Corporate Governance Statement on pages 27 to 31, Report from the Audit Committee on pages 36 to 37 and the Shareholder Information on pages 57 to 61 form part of the Report of the Directors.

Directors

The Directors of the Company are listed on page 23. All served throughout the period under review. The Directors will retire at the forthcoming AGM and offer themselves for re-election.

As set out on page 30, the Board carries out an annual review of each Director and of the Board as a whole. The Board considers that all Directors contribute effectively, possess the necessary skills and experience and continue to demonstrate commitment to their roles as non-executive Directors of the Company. Following the performance review, it was agreed that all Directors should stand for re-election, and the re-election of each of the Directors is recommended by the Board.

The Company has provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 31 December 2019 are set out in the Directors' Remuneration Report on page 34.

Share Capital

The Company's share capital comprises Ordinary Shares with a nominal value of 1p each. The voting rights of the shares on a poll are one vote for each share held. There are no restrictions on the transfer of the Company's Ordinary Shares or voting rights, no shares which carry specific rights with regard to the control of the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the Ordinary Shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the Shareholders pro rata to their holding of Ordinary Shares.

At 31 December 2019, there were 113,939,742 Ordinary Shares of 1p each in issue, of which none were held in treasury, and therefore the total voting rights attaching to Ordinary Shares in issue were 113,939,742. 950,000 shares were issued in the period from 1 January 2020 to 7 February 2020 and the voting rights attaching to Ordinary Shares as at 7 February 2020 were 114,889,742.

The Directors intend to seek annual authority from Shareholders to allot new Ordinary Shares, to disapply pre-emption rights of existing Shareholders and to buyback Ordinary Shares for cancellation or to be held in treasury.

Issues of Shares

At the General Meeting held on 24 August 2018, the Company was granted authority to allot up 200,000,000 shares under a share issuance programme. This authority expired on 6 September 2019. On 23 October 2018, 80,000,000 Ordinary Shares were issued at £1.00 each, pursuant to a placing and offer for subscription.

The Company undertook an equity placing on 26 April 2019, which resulted in 12,854,742 new Ordinary Shares of 1 pence each being issued at a price of £1.0113 per share, raising gross proceeds of approximately £13.0 million (before expenses). These shares were admitted to trading on the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange on 15 May 2019. The terms of issue were fixed on 10 May 2019 and the market price on that date was £1.0325 per share.

On 28 June 2019 pursuant to the authority to allot shares granted at the General Meeting held on 24 August 2018, the Company made an application to the FCA for a block listing of 16,000,000 Ordinary Shares to be admitted to the Official List of the FCA and to trading on the London Stock Exchange. The block listing became effective on 4 July 2019 and shares were issued under the block listing on the dates and at the price indicated in the table below. All were issued at a premium to NAV.

As at 31 December 2019, the remaining authority under the block listing facility was 8,015,000 Ordinary Shares and as at 7 February 2020 the remaining authority is 7,065,000 Ordinary Shares.

Directors' Report
continued

At the General Meeting held on 28 October 2019, the Company was granted authority to allot up to 18,897,948 Ordinary Shares. In addition, the Company was granted authority to issue up to 14,365,000 Ordinary Shares to Finda Oy, a significant Shareholder, as a related party. On 8 November 2019, the Company announced that Finda Oy had subscribed for 13,100,000 Ordinary Shares at £1.0708 each (mid market price on 8 November 2019: £1.0625 per share). These shares were admitted to trading on the London Stock Exchange on 11 November 2019.

As at 31 December 2019, the remaining authority to allot Ordinary Shares under the authority granted at the General meeting held on 28 October 2019 was 18,852,948 shares and at 7 February 2020 the remaining authority was 17,902,948 Ordinary Shares.

Share Issues Subsequent to IPO Date	Number of shares	Price paid per share	Mid market price
10/05/2019*	12,854,742	£1.01130	£1.0325
09/07/2019	275,000	£1.07150	£1.0750
17/07/2019	300,000	£1.07814	£1.0775
18/07/2019	410,000	£1.05000	£1.0575
19/07/2019	200,000	£1.06050	£1.0650
06/08/2019	450,000	£1.03500	£1.0450
24/10/2019	4,200,000	£1.03560	£1.0425
08/11/2019*	13,100,000	£1.07080	£1.0625
13/11/2019	200,000	£1.12250	£1.1100
18/11/2019	600,000	£1.14000	£1.1450
25/11/2019	300,000	£1.14450	£1.1500
25/11/2019	200,000	£1.14450	£1.1500
26/11/2019	250,000	£1.14670	£1.1550
18/12/2019	600,000	£1.13400	£1.1350
06/01/2020	600,000	£1.14500	£1.1450
08/01/2020	250,000	£1.14000	£1.1600
15/01/2020	100,000	£1.17500	£1.1750
Total	34,889,742		

* Share issue pursuant to equity placing as discussed above.

Share Premium Account

The share premium relates to amounts subscribed for share capital in excess of nominal value less associated issue costs of the subscriptions. On 4 June 2019, the Company's share premium account of £77,588,000 was cancelled and the balance transferred to a distributable reserve.

Purchase of Shares

At the general meeting held on 24 August 2018, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue following initial Admission, such authority to expire on conclusion of the 2020 AGM. No Ordinary Shares have been bought back under this authority.

Sale of Shares from Treasury

At the General Meeting held on 24 August 2018, the Company was authorised to waive pre-emption rights in respect of Treasury Shares, such authority to expire on conclusion of the 2020 AGM. No shares were held in Treasury and no shares were sold from Treasury during the period. As at the date of this report, no shares are held in Treasury.

Related Party Transactions

The Company's transactions with related parties in the period were with its Directors, the Investment Manager and Finda Oy as the Company's largest shareholder.

There have been no material transactions between the Company and its Directors during the period and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable. Directors' shareholdings are disclosed on page 34.

Directors' Report
continued

In relation to the provision of services by the Investment Manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there have been no material transactions with the Investment Manager affecting the financial position of the Company during the period under review. During the period, the Company and AVI entered into a side letter to the IMA, to adjust the reference date for the calculation of the management fee to ensure that the monthly payments more precisely reflect the latest NAV or market capitalisation. No change has been made to the percentage paid or the method of calculating the Management Fee. More details on transactions with the Investment Manager, including amounts outstanding at 31 December 2019 and shares held by AVI, are given in note 14 on page 56.

Interests in Share Capital

At 31 December 2019, the following holdings representing more than 3% of the Company's voting rights had been reported to the Company in accordance with the Disclosure Guidance and Transparency Rules:

	Number held at 31 December 2019	Percentage held at 31 December 2019	Percentage held at 7 February 2020
Finda Oy	30,000,000	26.84	26.84
City of London Investment Management Company Limited	14,599,697	12.97	11.99
Investec Wealth & Investment Limited	4,320,570	4.65	4.65
Brooks Macdonald Asset Management Limited	1,152,316	1.24	1.24

Following the period end, City of London Investment Management Company Limited notified the Company that its interest had decreased to 11.99% on 20 January 2020. No other changes have been notified in the period 1 January 2020 to 7 February 2020.

Finda 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, the following transactions took place between the Company and Finda Oy:

- Investment of £3,958,000 by Finda Oy in the placing on 15 May 2019, which was classed as a smaller related party transaction under Listing Rule 11.1.10R; and
- Issue of 13,100,000 new Ordinary Shares to Finda Oy in the placing, the results of which were announced on 8 November 2019, in line with the authority given to the Company at the General Meeting held on 28 October 2019 to issue up to 14,365,000 to Finda Oy as a related party.

Dividends

The Directors are proposing a final dividend of 0.9 pence per Share for the period to 31 December 2019. Subject to the approval of Shareholders at the forthcoming Annual General Meeting, the proposed final ordinary dividend will be payable on 30 April 2020 to Shareholders on the register at the close of business on 3 April 2020. The ex-dividend date will be 2 April 2020.

Annual General Meeting ("AGM")

The AGM will be held on Wednesday 26 March 2020 at 10.30 at N+1 Singer, 1 Bartholomew Lane, London, EC2N 2AX. The Notice of Meeting and details of the resolutions to be put to the AGM are contained in the circular sent to Shareholders with this report.

Directors' Statement as to Disclosure of Information to Auditors

Each of the Directors, who were all members of the Board at the date of approval of this Report, confirms that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditors are unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

Listing Rule 9.8.4

Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to Shares issued by the Company is set out on pages 24 and 25.

Other Information

Information on future developments and financial risks is detailed in the Strategic Report. Further details of post balance sheet events can be found in note 15.

By order of the Board
For and on behalf of Link Company Matters Limited

Company Secretary
12 February 2020

Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

Applicable Corporate Governance Codes

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 35, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council ("FRC") 2018 UK Corporate Governance Code (the "UK Code") and The AIC's Code of Corporate Governance issued in 2019, (the "AIC Code"), which complements the UK Corporate Governance Code and provides a framework of best practice for investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to Shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules. Whereas the AIC Code issued in 2019 applies to accounting periods beginning on or after 1 January 2019, and the period under review commenced on 27 July 2018, the Company has elected to adopt the 2019 AIC Code early and to report against this version of the Code in this year's Annual Report and Financial Statements.

The UK Code is available on the FRC website (www.frc.org.uk). The AIC Code is available on the AIC website (www.theaic.co.uk) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of Compliance

The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the principles and provisions of the AIC Code except as disclosed below:

- Provision 14: No senior independent director has been appointed. All the Directors have different qualities and areas of expertise on which they lead, and concerns can be conveyed to another Director if Shareholders do not wish to raise concerns with the Chairman or the Chairman of the Audit Committee. Any other Director will chair the Board or Nomination Committee meeting when the annual evaluation of the Chairman's performance, his re-election, or the recruitment of his successor, is discussed;

- Provision 17: As all of the Directors are independent of the Investment Manager, the Board is of the view that there is no requirement for a separate management engagement committee. The Board as a whole will review the terms of appointment and performance of the Investment Manager and the Company's other third-party service providers (other than the Auditors who are reviewed by the Audit Committee);

- Provision 37: As all of the Directors are non-executive, the Board is of the view that there is no requirement for a separate remuneration committee. Directors' fees will be considered by the Board as a whole within the limits approved by Shareholders; and

- Provision 23: Directors are not appointed for a specified term, as all Directors are non-executive and the Board believes that a Director's performance and their continued contribution to the running of the Company is of greater importance and relevance to Shareholders than the length of time for which they have served as a Director of the Company. Each Director is subject to the election and re-election provisions set out in the Articles which provide that a Director appointed during the period is required to retire and seek election by Shareholders at the next Annual General Meeting ("AGM") following their appointment. Thereafter the Directors intend to offer themselves for re-election annually but, under the Articles, are only required to submit themselves for re-election at least once every three years. Directors who have served for more than nine years will be subject to annual re-election, provided that the Nomination Committee and the Board remain satisfied that the relevant Director's independence is not impaired by their length of service.

Role of the Board

A management agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority. This includes management of the Company's assets and some marketing services. The Board is collectively responsible for the success of the Company and a formal schedule of matters reserved to the Board for decision has been approved, which is available on the Company's website: www.ajot.co.uk. This includes strategy and management, Board and committee membership and other appointments, appointment and oversight of delegates, corporate structure and share capital, remuneration, financial reporting and controls, company contracts, internal controls, corporate governance and policies.

The Board is responsible for the approval of annual and half year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects.

The Board's role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. It is responsible for setting the Company's standards and values and for ensuring that its obligations to its Shareholders and other stakeholders are understood and met. The Board sets the Company's strategic aims (subject to the Company's Articles of Association, and to such approval of the Shareholders in General Meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met.

Corporate Governance Statement
continued

The Board meets formally at least four times a year, with additional ad hoc Board or Committee meetings arranged when required. The Directors have regular contact with the Investment Manager and Company Secretary between formal meetings. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's NAV, share price, premium, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the investment restrictions required by the FCA and s1158 of the Corporation Tax Act 2010, the Company's objective, investment, borrowing and hedging policies and reviews the investment strategy. The Board regularly receives reports from the Investment Manager on marketing and investor relations. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes.

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, Link Company Matters Limited, which is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Board Composition

The Board is chaired by Norman Crighton, and consists of four non-executive Directors who have all served throughout the period. All of the Board are regarded as independent of the Company's Investment Manager, including the Chairman. The Directors have a breadth of investment, financial and professional experience relevant to the Company's business and brief biographical details of each Director are set out on page 23. All members of the Board are resident in the UK.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

Responsibilities of the Chairman, the Board and its Committees

The Chairman leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Company has adopted a document setting out the responsibilities of the Chairman, which is available on the website: www.ajot.co.uk.

Tenure

Directors are generally initially appointed by the Board, until the following AGM when, as required by the Company's Articles of Association, they will stand for re-election by Shareholders. Thereafter, a Director's appointment is subject to an annual performance evaluation and the approval of Shareholders at each AGM, in accordance with corporate governance best practice.

Under the Articles of Association, Shareholders may remove a Director before the end of his or her term by passing a special resolution at a meeting, and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place. A special resolution is passed if more than 75% and an ordinary resolution if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

In accordance with the above and the AIC Code, all Directors will stand for re-election at the 2020 Annual General Meeting. The contribution and performance of the Directors seeking re-election was reviewed by the Nomination Committee at its meeting in February 2020, which recommended to the Board their continuing appointment.

The Board has adopted a formal tenure policy for Directors based on a continual review of performance. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board takes into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. It is not anticipated that any of the Directors would normally serve in excess of nine years. In exceptional circumstances, which would be fully explained to Shareholders at the time, a one or two year extension might be appropriate.

Similarly, it is not anticipated that the Chairman will normally serve in excess of nine years. However, given the entirely non-executive nature of the Board and as the Chairman may not be appointed as such at the time of their initial appointment as a Director, in exceptional circumstances, which would be fully explained at the time, a one or two year extension might be appropriate. As with all Directors, the continuing appointment of the Chairman is subject to ongoing review of performance, including a satisfactory annual evaluation, annual re-election by Shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board.

The Directors acknowledge the benefits of Board diversity and continual review of the Board's and individual Directors' effectiveness, while seeking to retain a balance of knowledge of the Company, diversity and continuity in the relationship with the Investment Manager. The Board has adopted a Diversity Policy in line with its commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. The

Corporate Governance Statement
continued

Board does not feel that it would be appropriate to set targets as all appointments must be made on merit. However, diversity generally will be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each Board vacancy. The Board has established the following objectives for achieving diversity on the Board:

- all Board appointments will be made on merit, in the context of the skills, background, knowledge and experience that are needed for the Board to be effective; and
- long lists of potential non-executive directors should include diverse candidates of appropriate merit.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office during normal business hours and at the Company's AGM.

Board Independence

All Directors are non-executive, have a range of other interests and are not dependent on the Company itself. At the Nomination Committee meeting in February 2020, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Investment Manager. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and knowledge and understanding of the Company are of great benefit to Shareholders.

There were no contracts subsisting during or at the end of the period in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' Conflicts of Interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts").

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. The Board has a formal system in place in line with the Articles of Association for Directors to declare any new situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes and the register of interests. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively. The Chairman has had no relationship that may have created a conflict between his interests and those of the Company's Shareholders.

Induction and Training

On appointment, the Company Secretary provides all Directors with induction training. The training covers the Company's investment strategy, policies and practices. The Directors are also given regular briefings on changes in law and regulatory requirements that affect the Company and the Directors. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible for general secretarial functions and for assisting the Company with compliance with its continuing obligations as a company listed on the premium segment of the Official List. The Company Secretary is also responsible for ensuring good information flows between all parties.

Directors' Insurance and Indemnification

Directors' and officers' liability insurance cover was in place throughout the period and remains in place at the date of this report. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. The Company has granted indemnity to Directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as Directors of the Company.

Board Committees

The Board delegates certain responsibilities and functions to the Audit Committee and the Nomination Committee. Both Committees comprise all Directors. The terms of reference for these Committees are available on the website www.ajot.co.uk or via the Company Secretary.

Separate Remuneration and Management Engagement Committees have not been established as the Board consists of only independent non-executive Directors. The whole Board is responsible for setting Directors' fees in line with the Remuneration Policy set out on page 32, which is subject to periodic Shareholder approval. The investment management agreement and performance of the Investment Manager is reviewed by the Board as a whole on a regular basis, ensuring that

Corporate Governance Statement
continued

the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its Shareholders. The Board as a whole also reviews the terms of appointment and performance of the Company's other service providers.

Audit Committee

The Audit Committee comprises all Directors and is chaired by Katya Thomson, who is a Chartered Accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Audit Committee's members has recent and relevant financial experience. The Audit Committee as a whole is considered to have competence relevant to the sector. All members of the Audit Committee are independent. The Chairman of the Board is a member of the Audit Committee but, in line with the AIC Code, he does not chair it and he was considered independent on appointment. The Chairman's membership of the Audit Committee is considered appropriate given his extensive knowledge of the Investment Trust sector.

The Report of the Audit Committee, which forms part of this Corporate Governance Statement can be found on pages 27 to 31.

Nomination Committee

The Nomination Committee, chaired by the Chairman of the Board and consisting of all of the Directors, meets at least annually. The Nomination Committee is responsible for ensuring that the Board has an appropriate balance of skills and experience to carry out its duties, to select and propose suitable candidates for appointment when necessary and for making recommendations regarding the re-election of existing Directors.

When considering succession planning and tenure policy, the Nomination Committee bears in mind the balance of skills, knowledge, experience, gender and diversity of Directors, the achievement of the Company's investment objective and compliance with the Company's Articles of Association and the AIC Code. The Nomination Committee will make recommendations when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up. The Company may use external agencies as and when recruitment becomes necessary.

The Nomination Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow an annual performance evaluation of the Board, its Committees and individual Directors and consideration of the Director's independence. The evaluation of individual Directors takes into account whether they have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board and its Committees considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

The Nomination Committee met in February 2020 to carry out its annual review of the Board, its composition and size and its Committees, the results of which are detailed below.

Board and Committee Meeting Attendance

The table details the number of scheduled Board and Committee meetings held during the period under review and the number of meetings attended by each Director.

	Board	Audit Committee	Nomination Committee
Norman Crighton	5/5	3/3	n/a
Yoshi Nishio	5/5	3/3	n/a
Margaret Stephens	5/5	3/3	n/a
Katya Thomson	5/5	3/3	n/a

The Directors also met on an ad hoc basis during the period to undertake business such as the approval of the Company's interim results, approval of the loan facility agreement, business relating to placings, block listing and to discuss the business dealt with at the General Meetings.

Performance Evaluation

The performance of the Company is considered in detail at each Board meeting. In February 2020, the Nomination Committee conducted a review of the Board's performance, together with that of its Committees, the Chairman and each individual Director, as well as their independence. This was conducted by way of an evaluation questionnaire. The results of the questionnaires were supplied to the Company Secretary who collated the results and provided a summary to the Board. It was concluded that the performance of the Board, its Committees, the Chairman and each individual Director was satisfactory and the Board has a good balance of skills and experience. It is considered that each of the Directors remains independent of the Investment Manager, makes a significant contribution and devotes sufficient time to the affairs of the Company, the Chairman continues to display effective leadership and all Directors seeking re-election at the Company's AGM merit re-election by Shareholders.

Internal Control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Audit Committee supports the Board in the continuous monitoring of the internal control and risk management framework. The Board has established an ongoing process for identifying, evaluating and managing the principal and new or emerging risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014.

The risk management process and system of internal control was in operation throughout the period and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the

Corporate Governance Statement
continued

Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

In arriving at its judgement of what risks the Company faces, the Board, through the Audit Committee, has considered the Company's operations in light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the extent to which third parties operate the relevant controls.

The Company maintains a risk matrix which identifies key risks faced by the Company and controls in place to mitigate those risks. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate against them. This risk matrix is reviewed twice a year by the Audit Committee and at other times as necessary.

The Directors confirm that they have carried out a robust assessment of the Company's emerging and principal risks as identified by the Board, which are set out on pages 21 to 22, as well as the controls in place to manage or mitigate those risks.

The Board reviews financial information produced by the Investment Manager and the Administrator on a regular basis. Most functions for the day-to-day management of the Company are sub contracted, and the Directors therefore obtain assurances and information, including internal control reports, from key third-party suppliers regarding the internal systems and controls operated in their respective organisations.

By the means of the procedures set out above, the Board confirms that it has reviewed, and is satisfied with, the effectiveness of the Company's system of internal control for the period ended 31 December 2019, and to the date of approval of this Annual Report and Financial Statements.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

Internal audit function

As the Company is an externally managed investment company with day-to-day management and administrative functions being outsourced to third parties, and as the Company does not have executive Directors, employees or internal operations, the Board does not consider it necessary to establish an internal audit function, as it believes the existing system of monitoring and reporting by the third parties to be appropriate and sufficient.

Accountability and Relationship with AVI

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 35, the Independent Auditors' Report on pages 38 to 42 and the Viability Statement on page 20.

The Board has delegated contractually to external third parties, including the Investment Manager, the management of the investment portfolio, the custodial services (including the safeguarding of the assets), the day-to-day accounting and cash management, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. Further information on management arrangements can be found on page 14.

The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

Representatives of AVI attend Board meetings, enabling the Directors to probe further on matters of concern. The Board and the Investment Manager operate in a supportive, co-operative and open environment.

Continued Appointment of the Investment Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. In addition to the monitoring of investment performance at each Board meeting, an annual review of the Company's investment performance over both the short and longer terms is undertaken.

Following an annual review, it is the Directors' opinion that the continuing appointment of AVI, the Investment Manager, on the existing terms, is in the best interests of the Company and its Shareholders as a whole.

By order of the Board
For and on behalf of Link Company Matters Limited

Company Secretary
12 February 2020

Directors' Remuneration Report

Directors' Remuneration Policy

The Remuneration Policy provides details of the remuneration policy for the Directors of the Company. A resolution to approve this Remuneration Policy will be proposed at the AGM of the Company, to be held on 26 March 2020. If the resolution is passed, the Remuneration Policy provisions will apply from that date until they are next set out put to Shareholders for renewal of that approval, which must be at intervals of not more than three years, or if the Remuneration Policy is varied, in which event Shareholder approval for the new Remuneration Policy will be sought.

The Company follows the recommendation of the AIC Code of Corporate Governance (the "AIC Code") that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined from time to time at the Board's discretion with reference to comparable organisations and appointments.

All Directors are non-executive, appointed under the terms of letters of appointment. There are no service contracts in place. The Company has no employees. In line with the majority of investment trusts and the AIC Code, there are no performance conditions attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

The Board has set three levels of fees: one for a Director and additional fees for the chairman of the Audit Committee and the Chairman of the Board. Fees are reviewed annually in accordance with the above policy. Annual fees are pro-rated where a change takes place during a financial year. The fee for any new Director appointed to the Board will be determined on the same basis.

In addition to the annual fee, under the Company's Articles of Association, any Director who is requested to perform services which, in the opinion of the Board, go beyond the ordinary duties of a director, may be paid such extra remuneration as the Board may in its discretion decide in addition to or in substitution for any other remuneration that they may be entitled to receive. Directors are also entitled to reimbursement of reasonable fees and expenses incurred by them in the performance of their duties.

The approval of Shareholders would be required to increase the aggregate annual Directors' Remuneration limit of £150,000, as set out in the Company's Articles of Association.

None of the Directors has any entitlement to pensions or pension related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance related payments. No Director is entitled to any other monetary payment or any assets of the Company except in their capacity (where applicable) as Shareholders of the Company. Directors' Letters of Appointment expressly prohibit any entitlement to payment on loss of office.

Directors' and Officers' liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors. The Company has also provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The Company is committed to ongoing Shareholder dialogue and any views expressed by Shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' remuneration policy and in the annual review of Directors' fees.

This policy was approved by the Board on 26 November 2019.

Directors' Remuneration Report
continued

Report on Implementation

This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 as amended in August 2013. The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors' remuneration. The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

Resolutions to approve this Directors' Remuneration Report and to approve the Company's Remuneration Policy included on page 32, will be proposed at the Annual General Meeting to be held on 26 March 2020. Once approved, the Remuneration Policy will remain in place until the 2023 Annual General Meeting, unless amended by way of an ordinary resolution put to Shareholders at a General Meeting. The Board may amend the level of remuneration paid to individual Directors within the parameters of the Remuneration Policy. No changes to the policy are currently proposed.

Statement from the Chairman

As the Company has no employees and the Board is comprised wholly of non-executive Directors, the Board has not established a separate Remuneration Committee. Directors' remuneration is determined by the Board as a whole, at its discretion, within an aggregate ceiling of £150,000 per annum. Each Director abstains from voting on their own individual remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

During the period, the Board carried out a review of the level of Directors' fees in accordance with the draft Remuneration Policy. As part of this review, the Board considered the level of fees being paid to non-executive directors in the Company's peer group. The Board also took into consideration that the level of fees paid to the Directors had been set before the Company's Initial Public Offering ("IPO") and therefore had been discounted, as the success of the IPO, the size of the Company and the demands placed on Directors' time were unknown at that stage. Taking these matters into consideration, the review concluded that the fees being paid to the Company's Directors were substantially below the average. As a result, with effect from 23 October 2019 (being one year since the IPO), fees were increased to £35,000 (previously £30,000) per annum for the Chairman, £32,500 (previously £27,500) per annum for the Chairperson of the Audit Committee and £30,000 (previously £25,000) per annum for other Directors. The Board is satisfied that the changes to the remuneration of the Directors is compliant with the Directors' Remuneration Policy.

There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the period under review.

Directors' Emoluments (audited information)

Directors are only entitled to fees at such rates as are determined by the Board from time to time and in accordance with the Directors' Remuneration Policy as approved by the Shareholders.

No Director has a service contract with the Company. None of the Directors has any entitlement to pensions or pension-related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance-related payments. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly the Single Total Figure table below does not include columns for any of these items or their monetary equivalents. Directors' & Officers' liability insurance is maintained and paid for by the Company on behalf of the Directors.

In line with market practice, the Company has agreed to indemnify the Directors in respect of costs, charges, losses, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under Section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' & Officers' liability insurance maintained by the Company be exhausted.

The Directors who served during the period received the following emoluments:

Single Total Figure Table (audited information)*

Name of Director	Fees paid**	Taxable benefits	Total
Norman Crighton	36,775	-	36,775
Yoshi Nishio	30,808	-	30,808
Margaret Stephens	30,808	-	30,808
Katya Thomson	33,791	-	33,791
	132,182	-	132,182

* From IPO on 23 October 2018 to 31 December 2019

** Excluding Employer's National Insurance Contribution

Directors' Remuneration Report
continued

Sums Paid to Third Parties (audited information)

None of the fees referred to in the above table were paid to any third-party in respect of the services provided by any of the Directors.

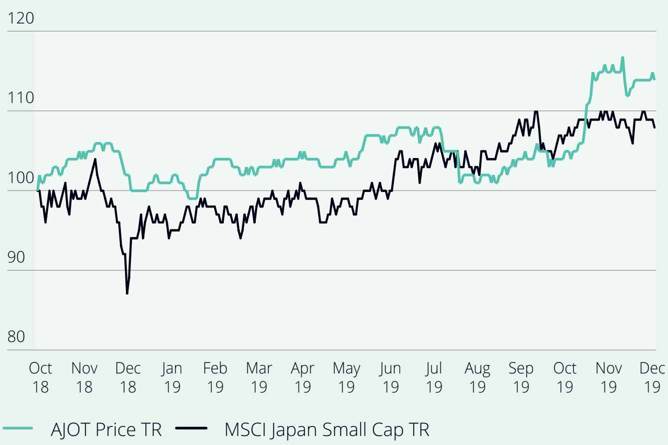
Other Benefits

Taxable benefits – Article 105 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings or any other meeting which they, as Directors, are entitled to attend.

Pensions related benefits – Article 106 permits the Company to provide gratuities or pensions or similar benefits for Directors of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

Performance

The chart below illustrates the total Shareholder return for a holding in the Company's shares, as compared to the MSCI Japan Small Cap (£ adjusted total return), which the Board has adopted as the measure for both the Company's performance and that of the Investment Manager for the period, over the period since inception of the Company.



Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2018/2019 £'000
Spend on Directors' fees*	132
Distribution to Shareholders	1,034
Management fee and other expenses**	1,797

* As the Company has no employees the total spend on remuneration comprises only the Directors' fees.

** Note: the items listed in the table above are as required by the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ss.20 with the exception of the management fee and other expenses, which has been included because the Directors believe it will help Shareholders' understanding of the relative importance of the spend on pay. The figures for this measure are the same as those shown in note 3 to the financial statements.

Statement of Directors' Shareholding and Share Interests (audited information)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity and debt securities of the Company at 31 December are shown in the table below:

Name of Director	Ordinary Shares
Norman Crighton	20,000
Yoshi Nishio	–
Margaret Stephens	10,000
Katya Thomson	10,000
Total	40,000

There have been no changes to Directors' interests between 31 December 2019 and the date of this Report.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Implementation summarises, as applicable, for the period to 31 December 2019:

(a) the major decisions on Directors' remuneration;

(b) any discretion which has been exercised in the award of Directors' remuneration;

(c) any substantial changes relating to Directors' remuneration made during the period; and

(d) the context in which the changes occurred and decisions have been taken.

Norman Crighton
Chairman
12 February 2020

Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements for each financial year and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Company financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Financial Statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

The Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements based on the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Website Publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities Pursuant to Disclosure Guidance and Transparency Rules

The Directors listed on page 23, being the persons responsible, hereby confirm to the best of their knowledge:

- The Company's Financial Statements have been prepared in accordance with IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

In the opinion of the Board, the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy.

Directors Statement as to the Disclosure of Information to Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

For and on behalf of the Board

Norman Crighton
Chairman
12 February 2020

Report from the Audit Committee

I am pleased to present the Audit Committee Report for the period ended 31 December 2019.

The Audit Committee (the "Committee") met three times during the period under review and once following the period end. The Company's Auditors are invited to attend meetings as necessary. Representatives of the Investment Manager may also be invited.

Details of the composition of the Committee are set out in the Corporate Governance Statement on page 30.

Responsibilities of the Committee

The Committee's responsibilities are set out in formal terms of reference which are available on the Company's website and are reviewed at least annually. The Committee's primary responsibilities are set as follows:

- to monitor the integrity of the financial statements of the Company, including its Annual and Half-Yearly reports and any other formal announcements of the Company relating to its financial performance, and to review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the Auditor;
- to review the Half-Yearly and Annual Reports;
- to review the Company's internal financial controls and the internal control and risk management systems of the Company and its third-party service providers;
- to make recommendations to the Board in relation to the appointment of the external auditor and their remuneration;
- to review the scope, results, cost effectiveness, independence and objectivity of the external auditor;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services and considering relevant guidance regarding the provision of non-audit services by the external audit firm; and
- to review circulars issued in respect of major non-routine and corporate transactions.

Activities in the Period

During the period, the Committee has:

- conducted a detailed review of the internal controls and risk management systems of the Company and its third-party service providers;
- considered and adopted the Company's non-audit services policy;
- considered the costs and benefits of an Interim Review and Agreed Upon Procedures;
- agreed the audit plan and fees with the Auditor in respect of the Annual Report for the period ended 31 December 2019, including the principal areas of focus;
- reviewed the Company's Half-Yearly Report and financial statements, discussed the appropriateness of the accounting policies adopted and recommended these to the Board for approval;
- considered the appropriate level of dividend to be paid by the Company for recommendation to the Board; and
- examined in detail the methodology and assumptions applied in valuing the assets of the Company.

Following the period end, the Committee has received and discussed with the Auditor their report on the results of the audit and reviewed the Annual Report and Financial Statements, discussed the appropriateness of the accounting policies adopted and recommended these to the Board for approval.

Significant Issues

The Committee considered the following key issues in relation to the Company's financial statements during the period. A more detailed explanation of the consideration of the issues set out below, and the steps taken to manage them, is set out in the principal risks and uncertainties on pages 21 to 22.

Valuation of investments

The Committee considered the valuation of the investment portfolio. The Company's portfolio currently consists of quoted investments, which are valued by reference to their bid prices on the relevant exchange. Third-party fund valuations are received from the fund managers and reviewed by the Directors. Any future unquoted or illiquid investments will be valued by the Directors based on recommendations from the Investment Manager's pricing committee.

Maintaining internal controls

The Committee has considered carefully the internal control systems. As the Company relies heavily on third-party suppliers, the Committee monitors the services and control levels of all of its suppliers on an ongoing basis, as explained below.

Going concern and long-term viability of the Company

The Committee considered the Company's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis. The Committee also considered the longer-term viability statement within the Annual Report for the period ended 31 December 2019, covering a five year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 20.

Internal Controls

The Committee carefully considers the internal control systems by continually monitoring the services and controls of its third-party service providers.

Report from the Audit Committee
continued

The Committee reviewed the risk matrix quarterly during the period under review and where appropriate it was updated. The Committee received a report on internal control and compliance from the Investment Manager and the Company's other service providers and no significant matters of concern were identified.

The Company does not have an internal audit function. During the period, the Committee reviewed whether an internal audit function would be of value and concluded that this would provide minimal additional comfort at considerable extra cost to the Company. While the Committee believes that the existing systems of monitoring and reporting by third parties remain appropriate and adequate, it will continue, on an annual basis, to actively consider possible areas within the Company's controls environment which may need to be reviewed in detail.

External Auditor

BDO LLP has been the Auditor to the Company since launch in 2018. No tender for the audit of the Company has been undertaken. In accordance with the CMA Order, a competitive audit tender must be carried out at least every ten years. The Company is therefore required to carry out a tender no later than in respect of the financial year ending 31 December 2029. The Committee will review the continuing appointment of the Auditor on an annual basis and give regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

Audit fees and non-audit services provided by the Auditor

In accordance with the Company's non-audit services policy, as adopted by the Board on 6 March 2019, the Audit Committee reviews the scope and nature of all proposed non-audit services before engagement, to ensure that auditor independence and objectivity are safeguarded. The policy includes a list of non-audit services which may be provided by the Auditor provided there is no apparent threat to independence, as well as a list of services which are prohibited. Non-audit services are capped at 70.0% of the average of the statutory audit fees for the preceding three years.

Information on the fees paid to the Auditor is set out in note 3 to the Financial Statements on page 49.

Effectiveness of the external audit

The Audit Committee monitors and reviews the effectiveness of the external audit carried out by the Auditor, including a detailed review of the audit plan and the audit results report, and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor. This review takes into account the experience and tenure of the audit partner and team, the nature and level of services provided, and confirmation that the Auditor has complied with independence standards. Any concerns with effectiveness of the external audit process would be reported to the Board. No concerns were raised in respect of the period ended 31 December 2019.

Independence and objectivity of the Auditor

The Committee has considered the independence and objectivity of the Auditor. The cost of non-audit services provided by the Auditor for the period to 31 December 2019 was £3,000 and comprised services relating to incorporation and the Scotiabank loan facility. These non-audit services were assurance related and the Audit Committee believes that BDO LLP were best placed to provide the services for incorporation on a cost effective basis to the benefit of shareholders. In the case of the services provided in relation to the Scotiabank loan, this is a requirement of the Articles of Association. The fees for non-audit services are considered not material in the context of the accounts as a whole. The Committee is satisfied that the Auditor has fulfilled its obligations to the Company and its Shareholders.

Appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the period and a review of its independence and objectivity, the Committee has recommended to the Board the appointment of BDO LLP as Auditor to the Company.

Ekaterina Thomson
Chairperson of the Audit Committee
12 February 2020

Independent Auditor's Report to the Members
For the period ended 31 December 2019

Opinion

We have audited the financial statements of AVI Japan Opportunity Trust Plc (the "Company") for the period from 27 July 2018 to 31 December 2019 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of the profit for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the financial statements, Article 4 of the IAS Regulation.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Principal Risks, Going Concern and Viability Statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation on page 31 in the annual report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement set out on pages 20 and 35 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' responsibilities statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 20 in the annual report as to how they have assessed the prospects of the Company over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditor's Report to the Members

For the period ended 31 December 2019 – continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How we addressed the key audit matter in the audit
Valuation and ownership of investments (Notes 1,8 and 13 to the financial statements)	
We considered the valuation and ownership of investments to be the most significant audit area, as investments represent the most significant balance in the financial statements and underpin the principal activity of the Company. We also considered the valuation of investments with respect to realised and unrealised gains/ losses to be a significant area as the reported performance of the portfolio is a key area of interest for the users of the financial statements. Furthermore, we considered the disclosures related to investments to be a significant area as they are expected to be a key area of interest for the users of the financial statements.	We responded to this matter by testing the valuation and ownership of 100% of the portfolio of investments. We performed the following procedures: • We made use of our data analytic tool to confirm the period-end bid price used agreed to externally quoted prices • For a sample of investments, we assessed if there were contra indicators such as liquidity considerations to suggest bid price is not the most appropriate indication of fair value • Obtained direct confirmation from the custodian regarding the investments held at period-end. The gains/losses on investments held at fair value comprise realised and unrealised gains/losses. For unrealised gains/losses, we tested the valuation of the portfolio at period-end, together with testing the reconciliation of opening and closing investments. For realised gains/losses, we tested a sample of disposal proceeds by agreeing cost to contract notes and proceeds to the bank statements and custodian's transaction report and we reperformed the calculation of realised gains/losses. We also considered the completeness, accuracy and clarity of investment related disclosures by agreeing all the disclosures to supporting documentation and completing our disclosure checklist. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments or the disclosures.

Independent Auditor's Report to the Members

For the period ended 31 December 2019 – continued

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

Materiality measure	Purpose	Quantum (£)
Financial statement materiality was set at 1% of net assets ,prior to consideration of qualitative factors (as listed below)	Assessing whether the financial statements as a whole present a true and fair view.	£966,000
Performance materiality was set at 75% of materiality	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	£724,000

- Financial statement materiality was set at 1% of net assets as it is the main factor considered by potential investors before they make their investments decisions. In setting materiality, we have had regard to the nature and disposition of the investment portfolio. For a low risk portfolio where fair values are highly visible (e.g. quoted securities like the Company's portfolio), a base line percentage of 1% invested assets would be a typical benchmark.
- Performance materiality was set at 75% due to the fact that there are relatively few financial statement accounts.

We set a lower testing threshold for those items impacting revenue return of £74,000, with a performance threshold of £55,000, which is based on 5% of profit before tax and 75% of this respectively. Profit before tax could influence users of the financial statements as it is a measure of the Company's performance of income generated from its investments after expenses . We have applied a benchmark percentage of 5% to determine the materiality level. We have considered the percentage for performance materiality to be appropriately set at 75%, as revenue return requires a relatively little to no level of estimation procedures from management.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £19,000 for balance sheet and in excess of £1,480 for specific materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of our Audit

Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Company's transactions and balances which were most likely to give risk to a material misstatement.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006,the FRC listing and DTR rules, the principles of the UK Corporate Governance Code and industry practice represented by the SORP. We also considered the Company's qualification as an investment company under UK tax legislation as any breach of this would lead to the Company being penalised.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the Investment Manager, Administrator and the board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise

Independent Auditor's Report to the Members
For the period ended 31 December 2019 – continued

explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions::

- **Fair, balanced and understandable –** the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting –** the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code –** the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:.

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are Required to Report by Exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept , or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members

For the period ended 31 December 2019 – continued

Other Matters which we are Required to Address

Following the recommendation of the audit committee, we were appointed by AVI Japan Opportunity Trust Plc on 8 October 2018 to audit the financial statements for the period ending 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is one year, this period being the first period of audit.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions, we have formed.

Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
150 Aldersgate Street
Barbican
London
EC1A 4AB

12 February 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

For the period ended 31 December 2019

		For the period from 27 July 2018 to 31 December 2019		
	Notes	Revenue return £'000	Capital return £'000	Total £'000
Income				
Investment income	2	2,345	-	**2,345**
Gains on investments held at fair value	8	-	14,905	**14,905**
Exchange losses on currency balances		-	(791)	**(791)**
		2,345	14,114	**16,459**
Expenses				
Investment management fee	3	(106)	(954)	**(1,060)**
Other expenses (including irrecoverable VAT)	3	(738)	-	**(738)**
Profit before finance costs and tax		1,501	13,160	**14,661**
Finance costs	4	(9)	(77)	**(86)**
Exchange gains on revolving credit facility revaluation	4	-	62	**62**
Profit before taxation		1,492	13,145	**14,637**
Taxation	5	(230)	-	**(230)**
Profit for the period		**1,262**	**13,145**	**14,407**
Earnings per Ordinary Share	7	**1.40p**	**14.63p**	**16.03p**

The total column of this statement is the Income Statement of the Company prepared in accordance with IFRS, as adopted by the European Union. 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 for the period 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 31 December 2019

	Ordinary Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Special reserve* £'000	Capital reserve* £'000	Revenue reserve** £'000	Total £'000
Issue of Ordinary Shares	1,139	-	114,412	-	-	-	**115,551**
Expenses of share issue	-	-	(2,322)	-	-	-	**(2,322)**
Cancellation of share premium account as at 4 June 2019	-	-	(77,588)	77,588	-	-	**-**
Expenses in relation to cancellation of share premium account	-	-	(26)	-	-	-	**(26)**
Total comprehensive income for the period	-	-	-	-	13,145	1,262	**14,407**
Ordinary dividends paid	-	-	-	-	-	-	**-**
Balance as at 31 December 2019	**1,139**	**-**	**34,476**	**77,588**	**13,145**	**1,262**	**127,610**

* Following Court approval and the subsequent registration of the Court order with the Registrar of Companies on 4 June 2019, the cancellation of the Company's share premium account became effective and an amount of £77,588,000 was transferred from the share premium account to the special reserve which is distributable by way of dividend.

Within the balance of the capital reserve, £5,934,000 relates to realised gains which under the Articles of Association is distributable by way of dividend. The remaining £7,211,000 relates to unrealised gains and losses on investments and is non-distributable.

** Revenue reserve is fully distributable by way of dividend.

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

Balance Sheet
As at 31 December 2019

	Notes	As at 31 December 2019 £'000
Non-current assets		
Investments held at fair value through profit or loss	8	125,531
		125,531
Current assets		
Other receivables	9	296
Cash and cash equivalents		17,995
		18,291
Total assets		143,822
Current liabilities		
Revolving credit facility	10	(15,965)
Other payables	10	(247)
		(16,212)
Total assets less current liabilities		127,610
Net assets		127,610
Equity attributable to equity Shareholders		
Ordinary Share capital	11	1,139
Share premium		34,476
Special reserve		77,588
Capital reserve		13,145
Revenue reserve		1,262
Total equity		127,610
Net asset value per Ordinary Share – basic	12	112.00p
Number of shares in issue	11	113,939,742

These financial statements were approved and authorised for issue by the Board of AVI Japan Opportunity Trust plc on 12 February 2020 and were signed on its behalf by:

Norman Crighton

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

Registered in England & Wales No. 11487703

Statement of Cash Flows

For the period ended 31 December 2019

	Period to 31 December 2019 £'000
Reconciliation of profit before taxation to net cash outflow from operating activities	
Profit before taxation	14,637
Gains on investments held at fair value through profit or loss	(14,905)
Increase in other receivables	(296)
Exchange gains on revolving credit facility	(62)
Increase in other payables	247
Taxation paid	(230)
Net cash outflow from operating activities	(609)
Investing activities	
Purchases of investments	(143,350)
Sales of investments	32,724
Net cash outflow from investing activities	(110,626)
Financing activities	
Issue of shares net of costs	113,229
Issue of revolving credit facility net of costs	16,027
Share premium cancellation costs	(26)
Cash inflow from financing activities	129,230
Increase in cash and cash equivalents	17,995
Reconciliation of net cash flow movement	
Cash and cash equivalents at beginning of period	-
Increase in cash and cash equivalents	17,995
Cash and cash equivalents at end of period	17,995

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

Notes to the Financial Statements

For the period ended 31 December 2019

1 General information and accounting policies

AVI Japan Opportunity Trust plc is a company incorporated on 27 July 2018 and registered in England and Wales. The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010 and its investment approach is detailed in the Strategic Report.

The Company commenced trading and was listed on the London Stock Exchange on 23 October 2018.

The financial statements of the Company have been prepared in conformity with IFRS as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and as applied in accordance with the provisions of the Companies Act 2006. The financial statements have also been prepared in accordance with the AIC SORP for the financial statements of investment trust companies and venture capital trusts, except to the extent it is not consistent with the requirements of IFRS.

Basis of preparation

The financial statements of the Company have been prepared for the period 27 July 2018 to 31 December 2019.

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 Company invests in Japan with subsequent cash-flows (dividend receipts and interest payments) being received in Japanese Yen however the Directors consider the Company's functional currency to be Pound Sterling as the Shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom, principally having its Shareholder base in the United Kingdom and pays dividend and expenses in Pounds Sterling. The Directors have chosen to present the financial statements in Pounds Sterling rounded to the nearest thousand except where otherwise indicated.

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 and are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date these financial statements were approved). Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account 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 a going concern basis.

Segmental reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

The Company invests in companies listed in Japan on recognised exchanges.

Accounting developments

The Company has early adopted IFRS 16 Leases although applicable for financial periods commencing from 1 January 2019. IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases by lessors and lessees. The early adoption has not had any material impact on these financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Statement of Comprehensive income and the disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about discounts to fair valuations, carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. The Directors consider the Company's functional currency to be Pound Sterling. There are no further significant judgements or estimates in these financial statements

Investments

The investment objective of the Company is to provide Shareholders with capital growth in excess of the MSCI Japan Small Cap Total Return Index in GBP, through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by the Investment Manager as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets.

The investments held by the Company are designated 'at fair value through profit or loss'. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as 'Gains or losses on investments held through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments. When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is the bid price. The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership to another entity. On derecognition of a financial asset, the difference between the asset's carrying value carrying amount and the sum of the consideration received and receivable, and the cumulative gain or loss that had been accumulated is recognised in profit or loss.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 13.

Notes to the Financial Statements

For the period ended 31 December 2019 – continued

Foreign currency

Transactions denominated in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing on the date of transaction. Items which are denominated in foreign currencies are translated at the rates prevailing on the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as exchange gain or loss in the capital reserve or revenue reserve depending on whether the gain or loss is capital or revenue in nature.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above net of outstanding bank overdrafts when applicable.

Other receivables and payables

Trade and other receivables and payables are measured where applicable, at amortised cost and balances revalued for exchange rate movements.

Revolving credit facility

The revolving credit 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 reserve and shown in the capital column of the Statement of Comprehensive Income.

Income

Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Fixed returns on non-equity shares are recognised on a time-apportioned basis. Dividends from overseas companies are shown gross of any withholding taxes. Irrecoverable withholding taxes are disclosed separately within taxation in the Statement of Comprehensive Income.

Special dividends are taken to the revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case-by-case basis.

When the Company has elected to receive scrip dividends in the form of additional shares rather than cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of cash dividend is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

All other income is accounted for on a time-apportioned accruals basis and is recognised in the Statement of Comprehensive Income.

Expenses and Finance Costs

All expenses and finance costs are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns the Company charges 90% of its management fee and finance costs to capital.

Taxation

The charge for taxation is based on the net revenue for the period and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the 'marginal' basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

Dividends payable to Shareholders

Dividends to Shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

Share premium

The share premium account represents the accumulated premium paid for shares issued above their nominal value less issue expenses. This is a reserve forming part of the non-distributable reserves. The following items are taken to this reserve:

- costs associated with the issue of equity; and
- premium on the issue of shares

Special reserve

The special reserve was created by the cancellation of the share premium account by order of the court.

Capital reserve

The following are taken to the capital reserve through the capital column in the Statement of Comprehensive Income:

Capital reserve – other, forming part of the distributable reserves:

- gains and losses on the disposal of investments;
- issue expenses on revolving credit facility;
- exchange differences of a capital nature; and
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Capital reserve – investment holding gains, not distributable:

- increase and decrease in the valuation of investments held at the period end.

Revenue reserve

The revenue reserve represents the surplus of accumulated profits and is distributable by way of dividends.

Notes to the Financial Statements

For the period ended 31 December 2019 – continued

2 Income

	31 December 2019 £'000
Income from investments	
Overseas dividends	2,304
Bank and deposit interest	39
Exchange gains on receipt of income*	2
Total income	**2,345**

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

3 Investment management fee and other expenses

	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Management fee	106	954	1,060
Other expenses:			
Directors' emoluments – fees	132	–	132
Directors' and officers' insurances	12	–	12
Directors' National Insurance Contributions	10	–	10
Auditor's remuneration – audit services	20	–	20
Auditor's remuneration – non-audit services in respect of agreeing procedures for Adjusted Share Capital	3	–	3
Marketing	170	–	170
Printing and postage costs	6	–	6
Registrar fees	14	–	14
Custodian fees	40	–	40
Depositary fees	39	–	39
Advisory and professional fees	271	–	271
Regulatory fees	21	–	21
	738	**–**	738

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 (through open market purchases) and will hold these for a minimum of two years.

4 Finance costs

	2019 Revenue return £'000	2019 Capital return £'000	2019 Total £'000
JPY revolving credit facility	9	77	86
Exchange gain on JPY revolving credit facility*	–	62	62

On 5 April 2019 the Company entered into a ¥1,465,000,000 unsecured revolving credit facility (the "facility") with the option to increase the amount available under the facility to a maximum of ¥2,930,000,000. During the period ¥2,297,500,000 was drawn down, which is repayable on 3 April 2020.

Interest is payable at a rate equal to LIBOR plus 0.75%.

* Revaluation of revolving credit facility.

Notes to the Financial Statements
For the period ended 31 December 2019 – continued

5 Taxation

	Period ended 31 December 2019		
	Revenue return £'000	Capital return £'000	Total £'000
Analysis of charge for the period			
Overseas tax not recoverable	230	–	230
Tax cost for the period	**230**	**–**	**230**

The tax assessed for the period is the standard rate of corporation tax in the United Kingdom of 19%. The differences are explained below:

	Period ended 31 December 2019		
	Revenue return £'000	Capital return £'000	Total £'000
Return on ordinary activities after interest payable but before appropriations	1,492	13,145	14,637
Theoretical tax at UK corporation tax rate of 19%	283	2,498	2,781
Effects of the non-taxable items:			
– Tax-exempt overseas investment income	(438)	–	(438)
– Gains on investments and exchange losses on capital items	–	(2,693)	(2,693)
– Excess management expenses carried forward	151	195	346
– Disallowed expenses	4	–	4
– Overseas tax not recoverable	230	–	230
Tax credit for period	**230**	**–**	**230**

At 31 December 2019, the Company had unrelieved losses of £1,825,000 that are available to offset future taxable revenue. A deferred tax asset of £310,000 has not been recognised because the Company is not expected to generate sufficient taxable income in future periods in excess of the available deductible expenses and accordingly, the Company is unlikely to be able to reduce future tax liabilities through the use of existing surplus losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company.

6 Dividends

The final dividend proposed on Ordinary Shares in respect of the financial period, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered.

	Period to 31 December 2019 £'000
Proposed final dividend for the period ended 31 December 2019 of 0.9p per Ordinary Share	1,034

Based on shares in circulation on 7 February 2020.

Notes to the Financial Statements
For the period ended 31 December 2019 – continued

7 Earnings per Ordinary Share

The earnings per Ordinary Share is based on the Company's net profit after tax of £14,407,000 and on 89,867,183 Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the period.

The earnings per Ordinary Share detailed above can be further analysed between revenue and capital as follows:

	Period to 31 December 2019		
	Revenue	Capital	Total
Net profit (£'000)	1,262	13,145	14,407
Weighted average number of Ordinary Shares			89,867,183
Earnings per Ordinary Share (£)	**1.40**	**14.63**	16.03

There are no dilutive instruments issued by the Company.

8 Investments held at fair value through profit or loss

	31 December 2019 £'000
Financial assets held at fair value	
Opening fair value	–
Movement in the period:	
Purchases at cost:	
Equities	143,350
Sales proceeds:	
Equities	(32,724)
– realised gains on equity sales	7,694
Increase in investment holding gains	7,211
Closing fair value	125,531
Closing book cost	118,320
Closing investment holding gains	7,211
Closing fair value	125,531

Notes to the Financial Statements

For the period ended 31 December 2019 – continued

	Period ended 31 December 2019 £'000
Transaction costs	
Cost on acquisition	88
Cost on disposals	19
	107
Analysis of capital gains	
Gains on sales of financial assets based on historical cost	7,694
Movement in investment holding gains for the period	7,211
Net gains on investments held at fair value	14,905

9 Other receivables

	31 December 2019 £'000
Other receivables	296
Total	296

10 Current liabilities

	31 December 2019 £'000
Revolving credit facility	15,965
Other payables:	
Management fees	33
Interest payable	24
Other payables	190
Total other payables	247
Total current liabilities	16,212

Revolving credit facility

On 5 April 2019 the Company entered into an agreement with Scotiabank Europe Plc for a ¥1,465,000,000 unsecured revolving credit facility (the "facility") for a period of 364 days, with the option to increase the amount available under the facility to a maximum of ¥2,930,000,000. During the period ¥2,297,500,000 was drawn down, which is repayable on 3 April 2020.

The facility bears interest at the rate of 0.75% over LIBOR on any drawn balance. Undrawn balances above ¥1,465,000 are charged at 0.275% and any undrawn portion below this is charged at 0.225%. Under the terms of the facility, the net assets shall not be less than £35m and the adjusted net asset coverage to borrowing shall not be less than 4.5:1.

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

11 Share capital

	Ordinary Shares of 1p each	
	Number of shares	Nominal value (£)
Allocated, called up, and fully paid	113,939,742	1,139,397

Notes to the Financial Statements
For the period ended 31 December 2019 – continued

During the period to 31 December 2019 113,939,742 Ordinary Shares were issued for a net consideration of £113,229,000. This comprised the initial offering on 23 October 2018 of 80,000,000 Ordinary Shares at 100p and subsequent placings of 33,939,742 shares at an average of 104.75p.

12 Net asset value per Ordinary Share

The net asset value per Ordinary Share is based on net assets of £127,610,000 on 113,939,742 Ordinary Shares, being the number of Ordinary Shares in issue at 31 December 2019.

13 Financial instruments and capital disclosures

Investment objective and policy

The investment objective of the Company is to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value.

The Company's investment objective and policy are detailed on page 14.

The Company's financial instruments comprise equity investments, cash balances, receivables, payables and borrowings. The Company makes use of borrowings to achieve improved performance in rising markets. The risk of borrowings may be reduced by raising the level of cash balances held.

Risks

The risks identified arising from the financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk and credit and counterparty risk. The Company may also enter into derivative transactions to manage risk.

The Board and Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed below.

Market risk

Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss which the Company might suffer through holding market positions by way of price movements, interest rate movements and exchange rate movements. The Investment Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

Market price risk

The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with the objective of maximising overall returns to Shareholders. If the fair value of the Company's investments at the period end increased or decreased by 10%, then it would have had an impact on the Company's capital return and equity of £12,553,000.

Foreign currency

The value of the Company's assets and the total return earned by the Company's Shareholders can be significantly affected by foreign exchange rate movements as most of the Company's assets are denominated in currencies other than Pounds Sterling, the currency in which the Company's financial statements are prepared. Income denominated in foreign currencies is converted to Pounds Sterling upon receipt. The JPY exchange rate at 31 December 2019 is ¥143.905 : £1.

Currency Risk

	GBP £'000	JPY £'000	Total £'000
At 31 December 2019			
Other receivables	15	281	296
Cash and cash equivalents	345	17,650	17,995
JPY revolving credit facility	–	(15,965)	(15,965)
Other payables	(223)	(24)	(247)
Currency exposure on net monetary items	137	1,942	2,079
Investment held at fair value through profit or loss	–	125,531	125,531
Total net currency exposure	**137**	**127,473**	127,610

If the above level of cash was maintained for a year a 1% increase in interest rates would increase the revenue return and net assets by £20,000. Management proactively manages cash balances. If there was a fall of 1% in interest rates, it would potentially impact the Company by turning positive interest to negative interest. The total effect would be a cost increase/revenue reduction of £20,000.

Notes to the Financial Statements

For the period ended 31 December 2019 – continued

A 5% rise or decline in Sterling against foreign currency denominated (i.e. non Pounds Sterling) assets and liabilities held at the period end would have increased/decreased the net asset value by £6,374,000.

This exposure is representative at the Balance Sheet date and may not be representative of the period as a whole. The balances are shown in the reporting currencies of the investee companies and may not represent the underlying currency exposures of the investee companies.

Interest rate risk

Interest rate movements may affect:

- the level of income receivable on cash deposits; and
- the interest payable on variable rate borrowings.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The exposure at 31 December 2019 of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	31 December 2019 £'000
Exposure to floating interest rates	
Cash and cash equivalents	**17,995**
JPY revolving credit facility	**(15,965)**

If the above level of cash was maintained for a year, a 1% increase in interest rates would increase the revenue return and net assets by £20,000. Management proactively manages cash balances. If there was a fall of 1% in interest rates, it would potentially impact the Company by turning positive interest to negative interest. The total effect would be a cost increase/revenue reduction of £20,000.

Liquidity risk

The Company's assets mainly comprise readily realisable securities which can be easily sold to meet funding commitments, if necessary. Unlisted investments, if any, in the portfolio are subject to liquidity risk. The risk is taken into account by the Directors when arriving at their valuation of these items.

The remaining contractual payments on the Company's financial liabilities at 31 December 2019, based on the earliest date on which payment can be required and current exchange rates at the Balance Sheet date, were as follows:

	Due in 1 year or less £'000
At 31 December 2019	
JPY revolving credit facility	**(15,965)**
Other payables	**(223)**
	(16,188)

Credit risk

Credit risk is mitigated by diversifying the counterparties through which the Investment Manager conducts investment transactions. The credit standing of all counterparties is reviewed periodically, with limits set on amounts due from any one counterparty.

The total credit exposure represents the carrying value of cash and receivable balances and totals £18,291,000 .

Notes to the Financial Statements
For the period ended 31 December 2019 – continued

Fair values of financial assets

The Company measures fair values using the following fair value 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 within 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.

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 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	125,531	–	–	125,531
	125,531	–	–	125,531

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

Capital management policies and procedures

The structure of the Company's capital is described on page 24 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 44.

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying net asset value, through an appropriate balance of equity capital and debt; and
- to maximise the return to Shareholders while maintaining a capital base to allow the Company to operate effectively and meet obligations as they fall due.

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Company's capital on an ongoing basis. These reviews include:

- the level of gearing, which takes account of the Company's position and the Investment Manager's views on the market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are set out in the Strategic Report. The Company is subject to externally imposed capital requirements:

- as a public company, the Company is required to have a minimum share capital of £50,000; and
- in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006, the Company, as an investment company:
  - is only able to make a dividend distribution to the extent that the assets of the Company are equal to at least one and a half times its liabilities after the dividend payment has been made; and
  - is required to make a dividend distribution each year such that it does not retain more than 15% of the income that it derives from shares and securities.

The Company has complied with these requirements at all times since commencing trading on 23 October 2018.

Notes to the Financial Statements
For the period ended 31 December 2019 – continued

14 Related party disclosures and investment management fees

Fees paid to the Company's Directors are disclosed in the Report on Remuneration Implementation on page 33 and in note 3 on page 49.

The Company paid management fees to AVI during the period amounting to £1,027,000. As at the period end, £33,000 remained outstanding in respect of management fees. As at 31 December 2019, AVI held 325,000 shares of the Company.

Finda 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 the following transactions took place:

- 15 May 2019 placing of 3,913,774 shares at 101.13p which was classed as a smaller related party transaction under Listing Rule 11.1.10R;
- 28 October 2019 an Extraordinary General Meeting gave authority to issue up to 14,365,000 shares;
- 8 November 2019 placing of 13,100,000 shares at 107.08p

At 31 December 2019 Finda Oy held 30,000,000 shares representing 26.33% of shares in issue.

15 Post Balance Sheet events

Since 31 December 2019 the Company has issued 950,000 Ordinary Shares at an average price of 114.68p.

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 Total Return 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 yard stick 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), 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 of 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 12.5 represents borrowings of £15,965,000 expressed as a percentage of Shareholders' funds of £127,610,000. The gearing of 1.6% represents borrowings net of cash of £2,079,000 expressed as a percentage of Shareholders' funds of £127,610,000.

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. 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

As recommended by The AIC in its guidance, ongoing charges are the Company's annualised expenses of £1,509,000 (excluding finance costs and certain non-recurring items) expressed as a percentage of the average monthly net assets of £92,170,000 of the Company during the period.

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 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.

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 the purpose. Mandate forms may be obtained from Link Asset Services, using the contact details given below or via www.signalshares.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

Link Asset Services' Customer Support Centre is available to answer any queries you have in relation to your shareholding:

– By phone: from the UK, call 0871 664 0300, from overseas call +44 (0) 371 664 0300 (calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales);

– By email: shareholderenquiries@linkgroup.co.uk;

– By post: The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

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 Link Asset Services using the contact details given above, under the signature of the registered holder.

Daily Net Asset Value

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

Company Information

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Yoshi Nishio
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From overseas call: +44 (0) 371 664 0300
Calls cost 12p per minute plus your phone company's access charge. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday, excluding public holidays in England and Wales.

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