

February 2021

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

HEADLINES

Earnings Recovery

It is fair to say we have been pleasantly surprised by the strength of the earnings recovery.

[Read more below](#)

Shareholder Engagement

We are busy preparing proposals for six of our portfolio companies.

[Read more below](#)

PERFORMANCE¹
(Figures to 28 February 2021)

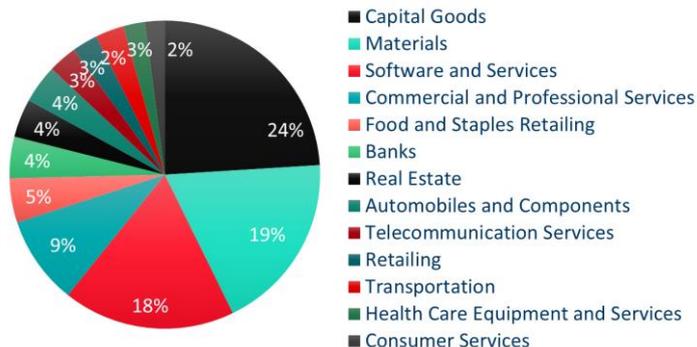
Share Price (pence)	105.5
NAV (pence)	104.6
Premium / (Discount)	0.9%

	Month	Since Inception*	2020 Calendar Yr
AJOT Share Price	-0.9%	7.2%	-5.2%
AJOT NAV	-1.4%	8.5%	-3.7%
MSCI Japan Small Cap	-1.3%	8.5%	-2.5%

Cumulative Return	1 mo	2 mo	3 mo	6 mo	1 yr
AJOT Share Price	-0.9%	-5.2%	-2.8%	3.1%	11.6%
AJOT NAV	-1.4%	-3.7%	-3.0%	3.1%	9.9%
MSCI Japan Small Cap	-1.3%	-2.5%	-0.7%	7.5%	13.9%

THE FUND

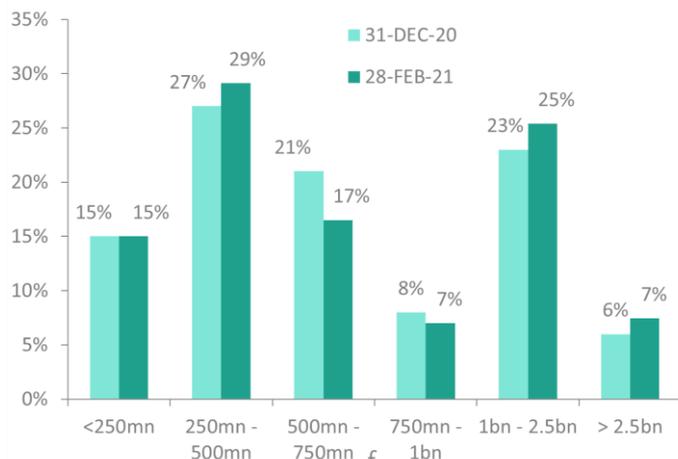
Sector Breakdown (% of Portfolio)



Top Ten Equity Holdings % of NAV

Holding	31-DEC-20	Holding	28-FEB-21
Fujitec	8.1	Fujitec	7.8
Pasona Group	6.3	DTS	6.9
DTS	6.1	Digital Garage	6.1
SK Kaken	6.1	SK Kaken	5.3
Secom Joshinetsu	5.5	C Uyemura	5.2
Konishi	5.5	Secom Joshinetsu	4.9
Digital Garage	5.4	Kato Sango	4.9
Teikoku Sen-I	5.2	Pasona Group	4.8
C Uyemura	4.9	Konishi	4.8
Daiwa Industries	4.8	Bank of Kyoto	4.6
TOTAL	57.9	TOTAL	55.3
% Gearing	107.2	% Gearing	103.9
No. of Holdings	27	No. of Holdings	27

Market Cap Breakdown (% of Portfolio)



MANAGER'S COMMENT

Our companies finished reporting their earnings for a hugely important quarter which we had hoped would prove to the market the quality of our portfolio and continue the V-shaped earnings recovery. It is fair to say we have been pleasantly surprised by the strength of the earnings recovery. 19 of 27 companies reported year-on-year profit growth while 20 reported quarter-on-quarter growth for an average growth rate of 27% and 23% respectively.

Despite the strong recovery and forecasts being made before the worst of the COVID-related disruption had finished, only four companies revised up their guidance. This leaves the implicit forecasts for the last quarter of the fiscal year, or the first quarter of the calendar year, showing a decline in profits of -26%. Given this would represent a greater decline in profit than that experienced during to height of the global pandemic, we believe these forecasts are unlikely to be accurate.

We attribute the perplexing guidance not to management's pessimism but to the inherent conservatism of Japanese management and the cultural unwillingness to break the status quo. At the announcement of full-year results in May, we expect guidance to be well and truly beaten and hope that this will prove a good catalyst for share price performance.

SoftBank Group (63bps) and the **Bank of Kyoto** (45bps) were the two largest contributors. SoftBank Group continued to see its discount narrow, coming in from 42% at the start of the month to 34%. This was buoyed by a change of perception towards the SoftBank Vision Fund, with successful IPOs proving the value of its unlisted assets. The Bank of Kyoto benefited from rising rates/reinflation concerns, boding well for the Bank's future lending activities.

C Uyemura (-47bps) and **NS Solutions** (-44bps) were the largest detractors. They fell by -5.5% and -6.9%, in Yen, respectively. C Uyemura suffered from the market's disappointment at the lack of an upward revision, despite seeing profits for the quarter growing +35% YoY, implying a drop in profits for the next quarter of -41%. We don't think this likely, and the market is being too myopic in ignoring the huge tailwind for C Uyemura from 5G applications. Similarly, NS Solutions suffered from a lack of upward revision to FY forecasts despite orders bottoming and achieving a +5% YoY profit growth in the last quarter.

With the end of April deadline for submitting shareholder proposals fast approaching, we are busy preparing proposals for six of our portfolio companies. We hope that none of these sees the light of day and management implement our suggestions ahead of the June AGMs. However, management know that we are serious and that a lack of action will see our arguments taken to the wider shareholder base. We are optimistic that our engagement activity coupled with our expectation for earnings to beat forecasts will bode well for the share prices of our portfolio over the coming months.

FUND FACTS

Fund Facts	
Launch Date	23 October 2018
Net Assets	£137.5m
Investment Manager	Asset Value Investors Limited
AJOT Shares owned by the Manager***	1,660,071
Shareholder Services	Link Asset Services
Management Fee**	1.0% of lower of market cap or NAV
Website	www.ajot.co.uk
Ticker Code	AJOT.LN
ISIN	GB00BD6H5D36

¹ All performance shown in GBP Total Return

* 23 October 2018 Start Date

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

*** Shares owned by AVI Ltd & AVI employees



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The share price can be found under 'INVESTMENT COMPANIES' in The Financial Times.

Information may be found on the following websites:

www.ajot.co.uk

www.assetvalueinvestors.com

IMPORTANT INFORMATION

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