

July 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

**Digital Garage aim to grow profits**

Over the next four years management are aiming to grow profits at an annual compound rate of 25%.

[Read more below](#)

**Strong earnings growth reported**

Our companies have started reporting extremely strong earnings growth this quarter.

[Read more below](#)

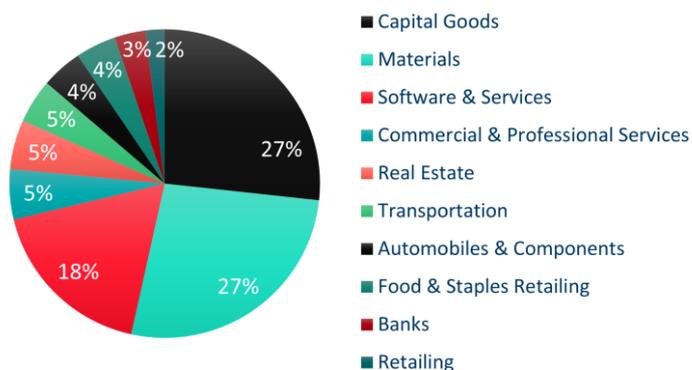
PERFORMANCE<sup>1</sup>

(Figures to 31 July 2021)

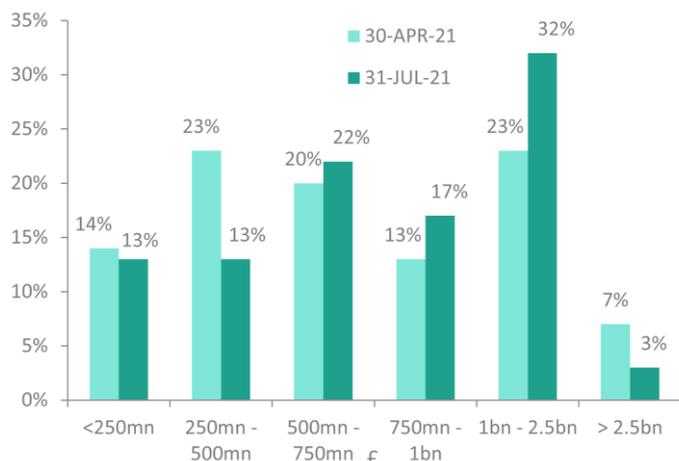
Share Price (pence)	112.0				
NAV (pence)	111.1				
Premium / (Discount)	0.8%				
	Month	Since Inception*	2020 Calendar Yr		
AJOT Share Price	0.0%	12.0%	1.3%		
AJOT NAV	-1.4%	14.3%	1.2%		
MSCI Japan Small Cap	-1.1%	11.6%	0.3%		
Cumulative Return	1 mo	2 mo	3 mo	6 mo	1 yr
AJOT Share Price	0.0%	6.7%	0.0%	5.8%	9.0%
AJOT NAV	-1.4%	6.8%	3.4%	3.9%	16.1%
MSCI Japan Small Cap	-1.1%	2.8%	-0.6%	1.5%	17.1%

## THE FUND

## Sector Breakdown (% of Portfolio)



## Market Cap Breakdown (% of Portfolio)



## Top Ten Equity Holdings % of NAV

Holding	30-APR-21	Holding	31-JUL-21
Fujitec	7.6	T Hasegawa	7.8
DTS	7.6	DTS	7.4
Digital Garage	6.5	Fujitec	7.1
SK Kaken	5.4	Digital Garage	6.2
Secom Joshinetsu	5.1	C Uyemura	5.9
C Uyemura	5.0	SK Kaken	5.6
Pasona Group	5.0	Pasona Group	5.4
Konishi	4.7	Daibiru	5.4
NS Solutions	4.4	NS Solutions	4.7
Kato Sangyo	4.4	Kato Sangyo	4.4
<b>TOTAL</b>	<b>55.7</b>	<b>TOTAL</b>	<b>59.9</b>
% Gearing	108.6	% Gearing	103.6
No. of Holdings	28	No. of Holdings	27

## MANAGER'S COMMENT

Over the month AJOT's NAV fell slightly (-1.4%), driven by **Digital Garage** and **SoftBank Group** which detracted 60bps and 31bps respectively. Digital Garage suffered as its 20% stake in listed kakaku.com fell -11% on continued social restrictions and concerns regarding lower restaurant consumption. While the stake in kakaku.com accounts for 48% of NAV, it is Digital Garage's payment settlement business (40% of NAV) that is the real driver for growth. We have been encouraged by strategic initiatives that management are taking in the payment business, following behind the scenes engagement, specifically a focus to orientate Digital Garage's holding structure around the payments business. The Company announced a "DG FinTech Shift", merging its two payment businesses with the aim to accelerate growth and create synergies with other business areas. Over the next four years management are aiming to grow profits at an annual compound rate of 25% - which is not reflected in Digital Garage's 12x EV/EBIT multiple.

SoftBank's share price fell, as its investment in Alibaba suffered from concerns over China's stricter regulatory stance. Over the month we exited the position, which had already been trimmed earlier in the year. This marks the end of what has been a successful investment, generating a Yen total return of +31%, in a little under a year compared to a TOPIX return of just +12%.

Contributors included long-term holdings in **Daiwa Industries** and **SK Kaken**, amongst the cheapest companies in our portfolio, with net cash covering 95% and 86% of their market caps respectively. News flow was light for both companies, and we suspect a more buoyant month for value stocks helped lift their share prices.

The portfolio ended the month on a 5.1x EV/EBIT multiple, which, while higher relative to the nadirs of last year, is still quite remarkable, especially considering generally high market valuations. Our companies have started reporting extremely strong earnings growth this quarter (the 11 companies who had reported by month end saw an average +40% YoY operating profit growth), however, share price reactions have been muted. As such, we expect that the EV/EBIT of the portfolio is likely to fall over the coming month.

## FUND FACTS

Fund Facts	
Launch Date	23 October 2018
Net Assets	£147m
Investment Manager	Asset Value Investors Limited
AJOT Shares owned by the Manager***	1,852,669
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

<sup>1</sup> 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](http://www.ajot.co.uk)  
[www.assetvalueinvestors.com](http://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.