

The background of the slide is a photograph of a Japanese city skyline at dusk. In the foreground, a large suspension bridge with white towers and cables spans a body of water. In the background, a dense city skyline is visible, with the Tokyo Tower prominently lit up in orange and white. The sky is a mix of orange, pink, and blue.

AVI

Asset Value Investors

AVI Japan Opportunity Trust (AJOT)

An investment trust established to provide shareholders with capital growth through investing in undervalued cash-rich and over-capitalised small-cap Japanese equities. AVI will leverage its three decades of experience investing in asset-backed companies to engage with management and help to unlock value in this under-researched area of the market, encouraging them to follow the spirit of The Corporate Governance Code.

www.ajot.co.uk

Concentrated Portfolio

20-30 holdings

Net cash and investment securities as percentage of market cap

more than 70%

Median market cap

£500m

Target Fund Size

£100-200m

Japan is a highly attractive market

- AVI launches its first dedicated vehicle to capitalise on this opportunity

Extraordinary under-valuations in cash-rich and over-capitalised companies

- Initial portfolio to have more than 70% of market cap covered by net cash and investment securities

Corporate governance reform & shareholder activism to unlock long-trapped value

- Pressure from domestic institutions and highest levels of government
- Foreign activists empowered to seek change

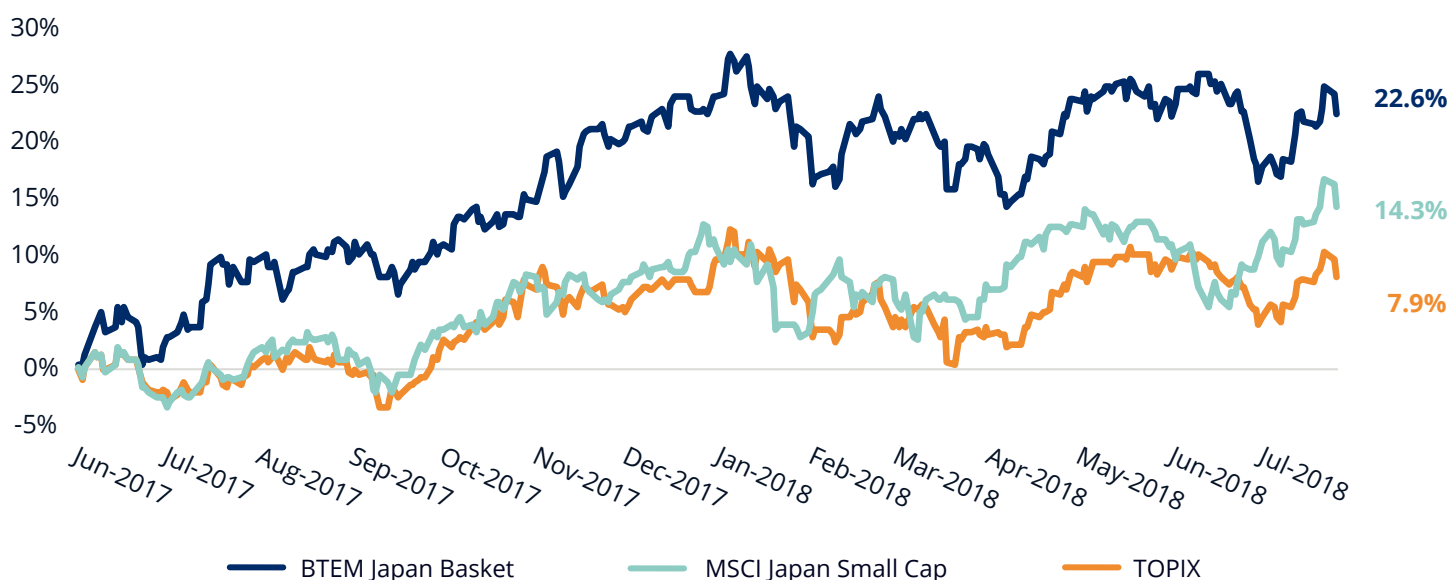
Avoid value traps and zombie companies

- High quality companies with growing operating businesses
- Get paid to wait – highly cash-generative companies

Under-researched and inefficient

- Poor sell-side coverage, and lack of international investor base provides inefficiently priced opportunities

Relative Carve-out Performance¹

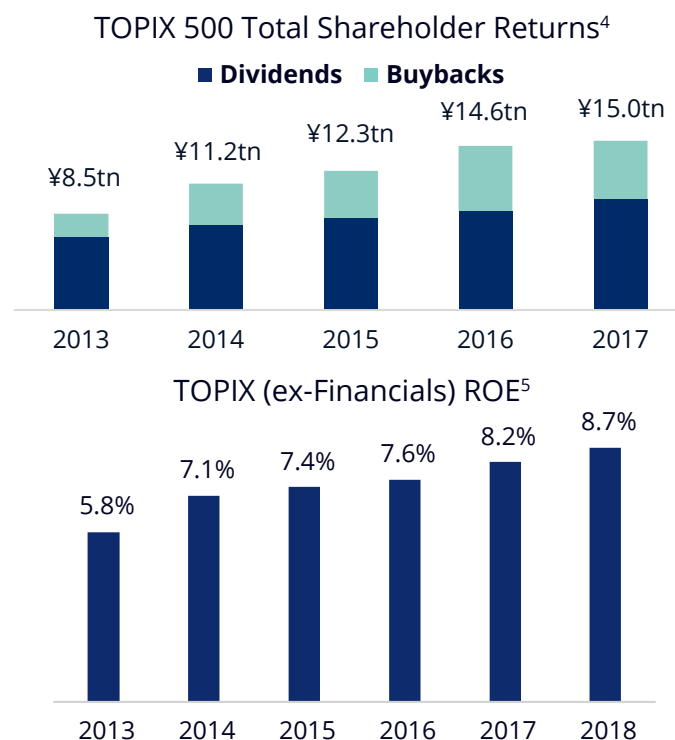


Attractive Valuations

	Indicative AJOT	MSCI Japan Small Cap ²	S&P 1500 ²
Net Cash as % of Market Cap	47%	6%	-14%
NFV as % of Market Cap ³	77%	17%	-13%
Free Cash Flow Yield (Equity)	6.8%	4.7%	3.6%
Free Cash Flow Yield (EV)	24.0%	5.7%	3.2%
EV/EBIT	4.4	9.7	20.2
Dividend Yield	1.7%	1.7%	1.0%
Median Market Cap (£m)	508	719	3,013

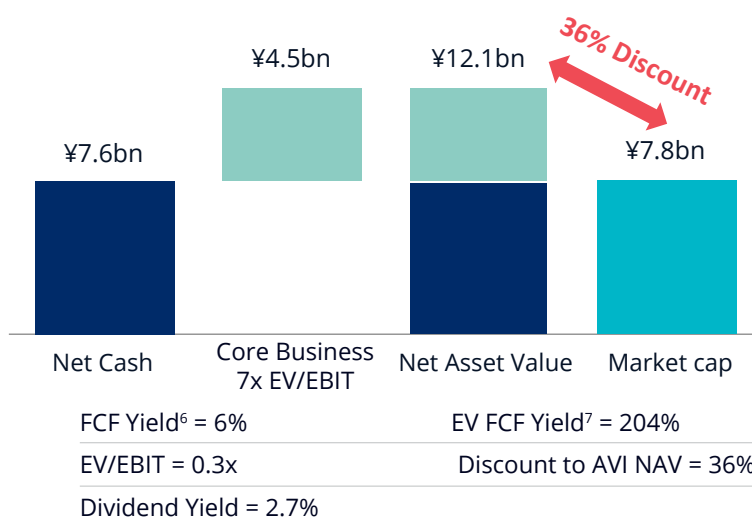
Note: ¹Factset. Japan Basket performance based on carve-out of stocks designated as special situations in British Empire. Total Return from 06/06/2017 to 31/07/2018, in GBP, gross of fees. ²CapitalIQ, ex-financials. Valuation metrics are taken as a median value. ³Net Financial value (NFV) = Investment securities + cash + treasury share value – debt – pension liabilities ⁴CLSA ⁵Capital IQ, median value

Improving Shareholder Returns



Case Study – A-One Seimitsu

- Manufactures parts used in a wide variety of machinery; 60% domestic market share in niche product offering
- Known for its reliability and ultra-short lead time
- Market cap 97% covered by non-core assets



Trust Structure

- 1% annual management fee based on lower of market cap or net assets
- Opportunity to exit all or part of holdings four years after launch at close to NAV, and every two years after
- Buyback triggered at 5% discount⁸
- AVI to invest approximately £0.5m at launch
- AVI to receive AJOT shares in lieu of 25% of the management fee

Note: ⁶Free cash flow (FCF) ⁷EV FCF Yield = (free cash flow – dividends from investment securities) / (market cap – cash – investment securities – treasury share value + debt + pension liabilities) ⁸Buybacks at less than a 5% discount at director's discretion. Authorisation to buy back 15% of shares annually, to be renewed multiple times within each year if necessary. Figures as at 29 August 2018.

Who are AVI?

- International equity boutique founded in 1985
- Based in London, majority-owned by employees and regulated by FCA (UK) and SEC (US)
- £1,125m assets under management with £186m in Japan
- Managed British Empire Trust for 35 years returning 12.1% p.a. against the benchmark's 8.8% return



Joe Bauernfreund CEO & CIO

Joe is the sole manager of AJOT and responsible for all investment decisions across AVI's strategies. He has been the sole manager of British Empire since 2015.

He joined AVI in 2002 and has worked on Japanese investments over his entire tenure. He conducts regular visits to Japan, engaging with prospective and current investments.



Tom Treanor Head of Research

Tom works closely with the analyst team providing support and guidance on prospective and current investments across the portfolio. He has led private engagement with portfolio companies to improve corporate governance and to propose ways in which to maximise shareholder value.

Tom joined AVI in 2011 after nine years as an analyst at Fundamental Data/Morningstar.

He has a degree in Economics from the University of Leicester.



Daniel Lee Investment Analyst

Daniel researches global companies and asset-backed situations. His focus is on analysing Japanese companies and liaising with Japanese advisors with regard to company engagement. Daniel visits Japan 3-4 times per year.

Daniel joined AVI in 2015. He has a degree in Physics from the University of Bristol.

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