

**SHINING A LIGHT ON THE.....  
AVI Japan Opportunity Trust**

**AT A GLANCE**

<b>Investment Objective</b>	
The investment objective of the company is to provide shareholders with capital growth in excess of the MSCI Japan Small Cap Index, through the active management of a focussed 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.	

<b>Inception Date</b>	23 October 2018
<b>Fund Factsheet Link</b>	<a href="http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=F000011E3X%5D2%5D0%5DFCGBR%24%24ALL">http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=F000011E3X%5D2%5D0%5DFCGBR%24%24ALL</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Joe Baurenfreund	23 October 2018
Tom Treanor	23 October 2018
Daniel Lee	23 October 2018
Scott Beveridge	23 October 2018
Darren Gillen	23 October 2018
Wilfrid Craigie	23 October 2018
Jason Bellamy	1 April 2020

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	4.25%
Large	0.00%
Medium	9.64%
Small	70.05%
Micro	16.06%

<b>Top 10 Holdings</b>			
<b>Total number of holdings</b>		26	
<b>Assets in Top 10 Holdings</b>		51.12%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>	
Fujitech Co Ltd	Industrials	7.73%	
SK Kaken Co Ltd	Basic Materials	7.54%	
Teikoku Sen-I Co Ltd	Consumer Cyclical	7.44%	
SECOM Joshinetsu Co Ltd	Industrials	6.08%	
Pasona Group Inc	Industrials	5.88%	
Konishi Co Ltd	Basic Materials	5.78%	
Kato Sangyo Co Ltd	Consumer Defensive	5.36%	
Digital Garage Inc	Technology	5.32%	

# LWM Consultants Ltd

Volatility Measurements	
3-Yr Std Dev (volatility)	-
3-Yr Mean Return (average)	-

## FUND PERFORMANCE

Performance from 23 October 2018 to 31 May 2020:

	2018	2019	2020
AVI Japan Opportunity	-1.48%	14.25%	-9.42%
iShares MSCI AC Far East ex JPN ETF	-7.29%	14.37%	0.08%

Performance over 12 months, and since launch:

	1 year	Since launch
AVI Japan Opportunity	-0.74%	1.95%
iShares MSCI AC Far East ex JPN ETF	9.30%	6.11%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

**These updates have been written at the time of the Coronavirus Pandemic of 2020, which has impacted the global financial markets in a way that has never been seen before.**

The trust was launched in 2018 and looks to invest in smaller Japanese companies. The aim is to invest in cash rich undervalued companies. These will be high quality with resilient earnings and with the ability to help improve corporate governance, the investment team look to unlock the value within those companies.

The fund is tilted towards the domestic story and many would have had little impact from COVID19. Fujitec is an elevator and escalators business, and Teikoku Sen-I Disaster provides prevention equipment.

Holding cash is important for Japanese businesses so they can pay staff, pensioners and not be reliant on the government to help them. What the investment team are looking at is those inefficient balance sheets and the way they look to engage is through the least public means, but they will go public if they have to. Fujitec is an example of a company they have engaged with where it was more about operational inefficiencies and poor capital discipline.

Before investing they look at other shareholders to see if they are likely to support such action. It means they have a concentrated portfolio of about 26 holdings, and these tend to be smaller and less liquid. They have a value slant and the trust has underperformed the broader market. This is because many of the holdings have been missed by the wider market, which they believe will reverse.

## LWM Consultants Ltd

---

25% of the management fee is invested in the trust, and individuals within the company invest in the trust as well.

One concern we have is that the team is based in London and are not Japanese speaking and therefore we are not sure how that helps when engaging with companies where they are actively encouraging change. They have recently added a Japanese speaking assistant to the team and hired a consultant in Japan.

In summary, the fund has lagged the broader market since launch. However, it is invested in good quality companies which can unlock value. The concern remains around where the team are based and the lack of interaction in mainland Japan. Whether this is a genuine dampener to performance only time will tell.

*The source of information in this note has been provided by AVI and is correct as at June 2020. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*