

January 2021

Investment Objective: 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.

HEADLINES

Aker

Aker Horizons, the diversified renewable energy technology company, conducted a private placement that added 11% to Aker's NAV.

[Read more below](#)

Fondul Proprietatea

Fondul's discount has tightened substantially, reflecting investor excitement around the IPO of Hidroelectrica, which is likely to occur towards the end of 2021.

[Read more below](#)

Japan Special Situations

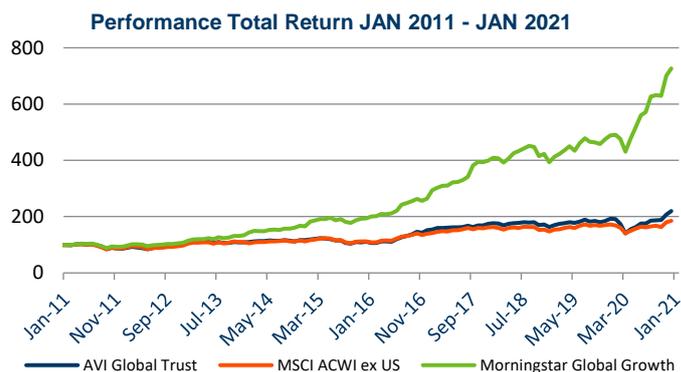
A large proportion of the companies in the basket have reported earnings, with results largely confirming our expectations for a strong earnings recovery.

[Read more below](#)

PERFORMANCE

(Figures to 31 January 2021)

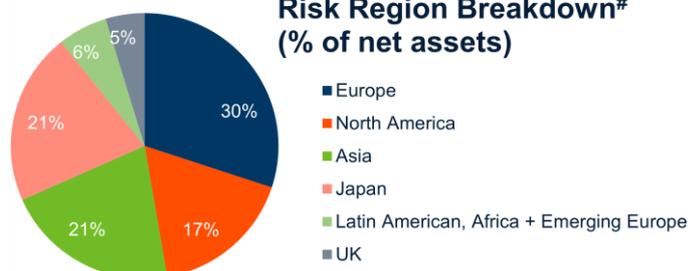
| | |
|----------------------|-------|
| Share Price (pence) | 855.0 |
| NAV (pence) | 946.0 |
| Premium / (Discount) | -9.6% |



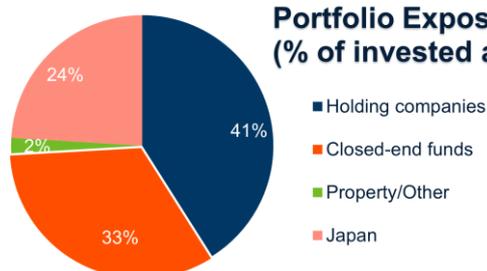
| | Month | Financial Yr* to date | Calendar Yr to date |
|----------------------------------|-------|-----------------------|---------------------|
| AGTNAV ¹ | -0.3% | 17.1% | -0.3% |
| MSCI ACWI ExUS ³ | -0.2% | 10.4% | -0.2% |
| MSCI ACWI ExUSValue ¹ | -0.6% | 13.2% | -0.6% |
| MSCI ACWI ¹ | -0.9% | 7.5% | -0.9% |
| MorningstarGlobal ¹ | 0.0% | 30.6% | 0.0% |

THE FUND

Risk Region Breakdown# (% of net assets)



Portfolio Exposure (% of invested assets)



Top Ten Equity Holdings

| Holding | % |
|----------------------------|-------------|
| Japan Special Situations** | 14.2 |
| Oakley Capital Investments | 7.2 |
| Pershing Square Holdings | 6.2 |
| Sony | 5.3 |
| Fondul Proprietatea | 5.1 |
| Third Point Investors | 5.0 |
| EXOR | 4.8 |
| Naspers | 4.3 |
| VNV Global | 4.6 |
| SoftBank Group | 4.1 |
| TOTAL | 60.8 |

*AVI estimate. Previously, this breakdown was calculated by assigning one region to each portfolio company held by AGT. From the 31-Dec-16 newsletter onwards, this is calculated using the estimated multi-regional exposure for each portfolio company. For listed underlying holdings, the country of listing is used; for unlisted underlying holdings, the exposure is typically assigned according to the country where a majority of sales are made.

MANAGER'S COMMENT

AVI Global Trust (AGT)'s NAV fell -0.3% in January. Underlying NAV growth over the month was moderated by a wider portfolio discount (30% to 32%) and sterling strength. The most significant contributors to returns included Aker, Naspers, Fondul Proprietatea, and Third Point Investors; detractors included the Japan Special Situations basket, EXOR, and VNV Global.

Aker

Aker's NAV rose +13% in January, and the discount tightened from 19% to 13%, giving total shareholder returns of +22%. NAV growth was primarily driven by Aker Horizons, which conducted a private placement and convertible bond issuance which added c. 11% to Aker's NAV. We previously talked about Aker Horizons in our [November newsletter](#). By way of reminder, Aker Horizons was set up in 2020 as the platform through which Aker would invest in clean tech and renewable energy. Initially comprised of listed stakes in Aker Carbon Capture and Aker Offshore wind, in Jan-21 Aker Horizons also acquired a 75% stake in Mainstream Renewable Power, a renewable energy company within the wind and solar energy markets. Combined with a series of other smaller assets, today Aker Horizons is a diverse renewable energy technology company.

Subsequent to the month-end, Aker Horizons also listed on the Euronext Growth Exchange. While the creation of a new listed holding company within Aker could be seen as problematic, with potential discounts-on-discounts leading to an impairment of shareholder value, we believe that on balance the move to list Aker Horizons has merit. Investors have been showing increasing appetite for ESG-related assets in recent years, and as such the listed Aker Horizons will likely achieve a more favourable rating than it would if held within Aker, providing it with a more valuable currency with which to pursue renewable investments.

The establishment of Aker Horizons should be seen in the context of active management across the Aker portfolio, with 2020 also being the year in which Aker Biomarine was listed and Cognite received a minority investment from Accel. The development of these businesses has helped reduce Aker's exposure to cyclical energy markets, and increased the exposure to long-term global trends with higher growth rates. In our view, this sort of transformational activity is one of the key benefits of aligning our capital with a family shareholder who thinks in terms of generations rather than quarters.

Naspers

Naspers performed strongly over the month, with its NAV increasing +11% and discount tightening from 31% to 29%. Naspers' key holding is Prosus (100% of NAV), which itself is a holding company, 88% of whose NAV is a 31% stake in Tencent, the Chinese technology conglomerate. Tencent returned +21% over the month, as the stock rallied following announcements from US regulators that a "banned" list of Chinese stocks did not include Tencent.

We initiated a position in the Naspers-Prosus complex in early 2020, as we were excited by the opportunity to gain exposure at a discount to one of the most attractive tech companies in the world at a time when digital adoption was accelerating in the face of lock-downs. Tencent, whose assets included WeChat (China's largest social media app), high-quality video game publishing (Fortnite, League of Legends), streaming content and e-commerce, still has a long growth runway ahead of it.

Towards the end of 2020, we switched AGT's exposure entirely to Naspers as the discount "spread" between the two holding companies widened significantly. Switching into a holding in Naspers leaves AGT exposed to Tencent, while also benefitting more directly from what we believe are likely near-term moves from Naspers to implement structural solutions to its wide discount. These may include an in-specie distribution of part of its stake in Prosus, which would be an additional measure on top of the existing buyback programme. Naspers currently trades on a 29% discount, or a 56% discount when Prosus is valued at NAV rather than market price. At these levels, with prospects for strong NAV growth and discount tightening, we remain convinced that Naspers is an attractive opportunity.

Fondul Proprietatea

Returns for Fondul Proprietatea (FP) in January were driven by a combination of NAV growth (+5%) and discount tightening (16% to 14%). To refresh readers' memories, FP is a Bucharest-listed investment fund that offers exposure to some of Romania's most interesting infrastructure/energy assets, including Hidroelectrica (50% of NAV) and Bucharest Airports (6%), amongst others.

The recent Romanian elections saw a pro-business coalition come to power, which we believe will clear the way for the restart of a privatisation programme that should first see Hidroelectrica and then Bucharest Airports IPO'd in the near- to medium-term. We view Hidroelectrica's carrying valuation within FP's NAV to be extremely conservative even when allowing for a state-owned-entity valuation discount upon listing, while the company's status as the world's only pure-play hydropower company is likely to translate to considerable investor demand for its IPO given its ESG credentials and the demand for infrastructure assets globally. Excitement around Hidroelectrica's IPO (likely to occur Q4-21/Q1-22) has seen FP's discount continue to narrow, with a further 5% tightening after month-end.

MANAGER'S COMMENT

Japan Special Situations

A large proportion of the companies in the basket have now reported earnings for the quarter ending 31-Dec, with the results largely confirming our expectation for a strong earnings recovery. Despite the robust bounce-back in profits, the share price reaction of the companies in the basket has been muted, with the net result being even more undemanding earnings multiples and greater cash/market cap cover.

In governance news, Japan's Financial Services Agency held a meeting in January to discuss the upcoming revisions to the Corporate Governance Code. The key points discussed were parent-subsidary listings, cross-shareholdings and capital efficiency, serving to highlight ongoing regulatory pressure on companies to improve corporate governance.

The Tokyo Stock Exchange has, for the past year, been reviewing and restructuring its markets in order to improve structure and governance. One of its innovations has been to raise the minimum market cap required for a company to be listed on the new "Prime" or "Standard" market. In December 2020, it announced that shares held by insurance companies, banks or other businesses will not be included in the free-float calculation used to determine market caps - effectively meaning that companies with high levels of allegiant shareholders will be punished by having a lower market cap, thus reducing the odds of being allowed to maintain a listing on the more desirable Prime or Standard markets.

This restructuring gave us the opportunity to engage with several companies in the basket who will be affected, including SK Kaken (doesn't meet the minimum number of shareholders to list on the Standard market) and NS Solutions (free float of less than 35%). A variety of actions are open to these companies in order to avoid being caught by the stricter criteria, up to and including the option of privatisation.

The Japan Special Situations basket continues to be an extraordinarily attractive opportunity in our view, as reflected by the 14% weight in NAV. With the majority of the companies posting strong earnings growth, low valuation multiples, and a tailwind from regulatory pressures to improve governance, it is fair to say that the probability of strong returns from here is as good as it has been at any point since inception of the basket over three years ago.

Trading activity was relatively limited over the month. Gearing at the end of January was modestly lower at 5% of NAV.

STATISTICS

Contributors / Detractors (in GBP)

| Largest Contributors | 1-month contribution bps | Percent of NAV |
|-----------------------|--------------------------|----------------|
| Aker | 62 | 3.5 |
| Naspers | 46 | 4.3 |
| Fondul Proprietatea | 36 | 5.1 |
| Third Point Investors | 25 | 5.0 |
| Swire Pacific 'B' | 17 | 2.3 |

| Largest Detractors | 1-month contribution bps | Percent of NAV |
|----------------------------|--------------------------|----------------|
| Japan Special Situations** | -60 | 14.2 |
| EXOR | -44 | 4.8 |
| VNV Global | -40 | 4.6 |
| Pershing Square Holdings | -30 | 6.2 |
| Christian Dior | -22 | 3.4 |

| | Value | % 1 mo | % 1 yr | % 3 yr | % 5 yr |
|---|-------|--------|--------|--------|--------|
| Share Price (pence) TR ² | 855.0 | -3.1 | 14.5 | 23.9 | 117.5 |
| Net Asset Value TR ¹ | 946.0 | -0.3 | 14.7 | 23.1 | 104.7 |
| MSCI ACWI ex US TR ³ | | -0.2 | 9.4 | 13.4 | 70.3 |
| MSCI ACWI ex US Value ¹ | | -0.6 | -0.5 | -3.6 | 47.1 |
| MSCI ACWI TR ¹ | | -0.9 | 12.3 | 30.1 | 95.1 |
| Morningstar Global Growth TR ³ | | 0.0 | 42.0 | 55.2 | 129.9 |
| Fiscal Yr Net Returns (%) | | | | | |
| | 2020 | 2019 | 2018 | 2017 | 2016 |
| Price ¹ | 2.0 | -0.4 | 12.0 | 18.7 | 34.3 |
| Net Asset Value ¹ | 0.0 | 2.1 | 10.0 | 18.8 | 31.0 |
| MSCI ACWI ex US (£) ³ | -1.8 | 4.5 | 4.7 | 15.8 | 27.4 |
| MSCI ACWI ex US Value ¹ | -15.0 | 1.1 | 3.3 | 17.7 | 24.7 |
| MSCI ACWI ¹ | 5.3 | 7.3 | 12.9 | 14.9 | 30.6 |
| Morningstar Global Growth ³ | 7.3 | 2.9 | 13.8 | 20.1 | 22.9 |

Capital Structure

| | |
|--|----------------|
| Ordinary Shares | 116,003,133 |
| Shares held in Treasury | 10,854,751 |
| 4.184% Series A Sterling Unsecured Note 2036 | £30,000,000 |
| 3.249% Series B Euro Unsecured Note 2036 | €30,000,000 |
| 2.930% Unsecured Note 2037 | €20,000,000 |
| 0.992%# JPY Revolving Credit Facility | ¥4,000,000,000 |

Gross Assets/Gearing

| | |
|----------------------------|----------|
| Gross Assets | £1.1bn. |
| Debt at fair value (gross) | £121.4m. |
| Gearing (net) ⁴ | 4.6% |

1 Source: Morningstar. All NAV figures are cum-fair values.

2 Source: Morningstar. Share price total return is on a mid-to-mid basis, with net income re-invested.

3 From 1st October 2013 the lead benchmark was changed to the MSCI ACWI ex US (£) Index. The investment management fee was changed to 0.7% of net assets and the performance related fee eliminated.

4 Fair value of net debt divided by net assets at fair value.

* AVI Global Trust financial year commences on the 1st October. All figures published before the fiscal results announcement are AVI estimates and subject to change.

** A basket of 13 stocks: Daiwa Industries, Fujitec, Kato Sangyo, Konishi, NS Solutions, Pasona Group, Sekisui Jushi, SK Kaken, Teikoku Sen-I, Toagosei, Digital Garage, DTS Corp, Bank of Kyoto.

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The share price can be found in The Times.

Information may be found on the following websites:

www.aviglobal.co.uk

www.assetvalueinvestors.com

IMPORTANT INFORMATION

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