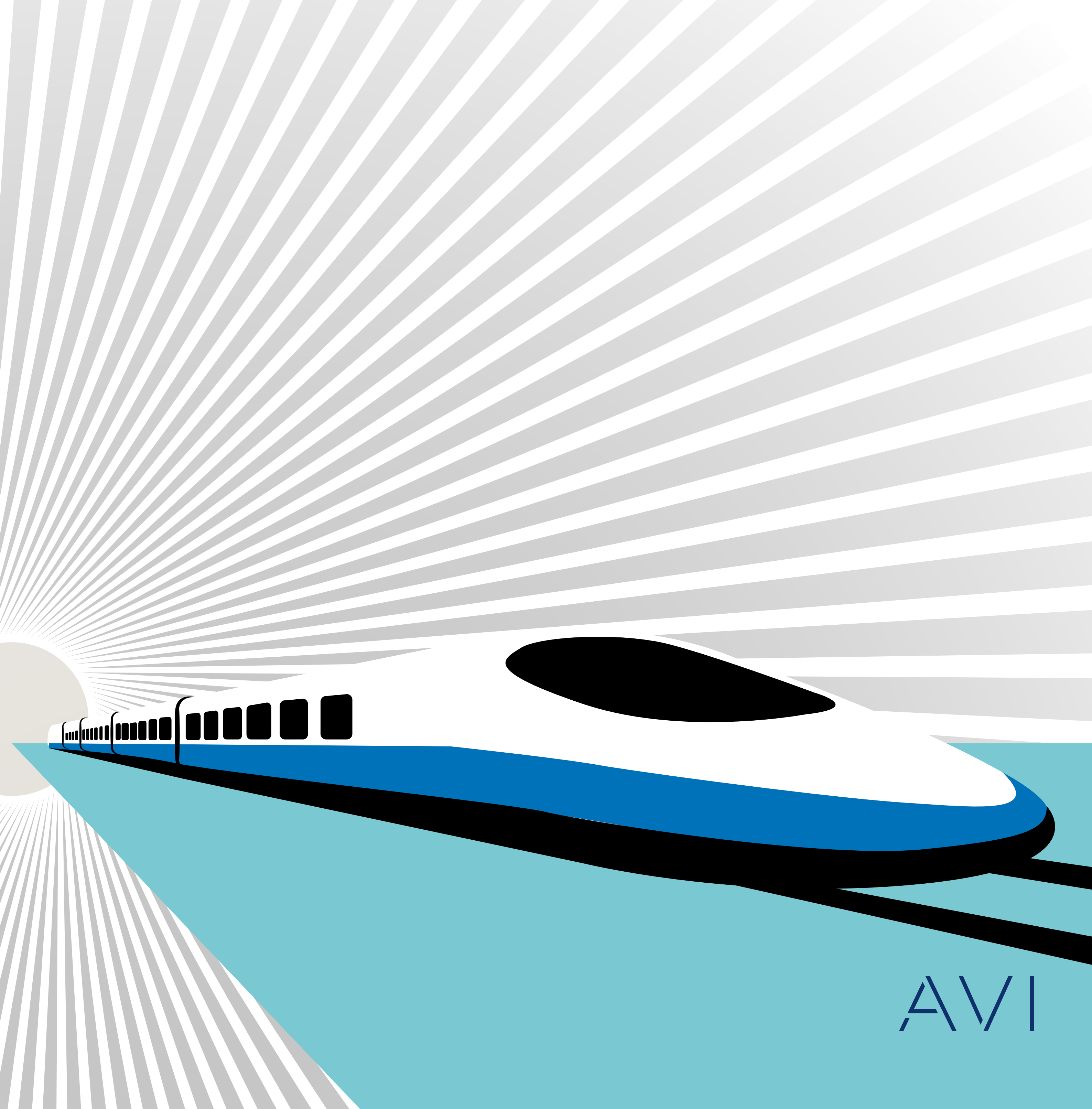
AJOT

AVI Japan Opportunity Trust

Five years of change in Japan



AVI

Welcome to our 2023 Annual Report

AVI Japan Opportunity Trust plc ("AJOT" or "the Company") invests in a focused portfolio of quality small and mid-cap listed companies in Japan that have a large portion of their market capitalisation in cash or realisable assets.

NET ASSETS†

£183 million*

LAUNCH DATE

23 October 2018

ANNUALISED RETURN

6.8%*

ONGOING CHARGES RATIO

1.5%*

† For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 73 and 74.

* As at 31 December 2023.

AN ACTIVE APPROACH TO INVESTING RESPONSIBLY

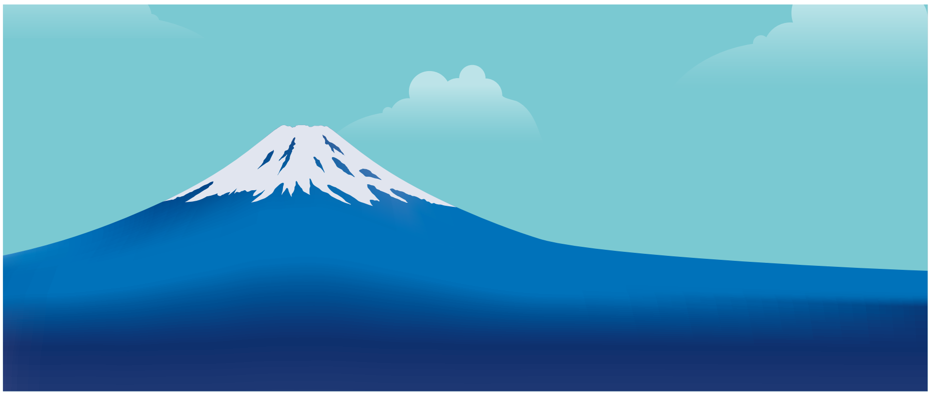
As an active investor, AVI considers all drivers relevant to each company's success, offering suggestions to enhance sustainable corporate value in consideration of all stakeholders and in the best long-term interest of our clients.

We aim to build strong relationships with the boards and management of our portfolio companies. Through constructive engagement, we encourage and expect them to take meaningful action in the context of long-term value creation.

Read more about our ESG Perspective **on pages 32 and 33 of the Annual Report**

KEY STORIES

Five years of change in Japan



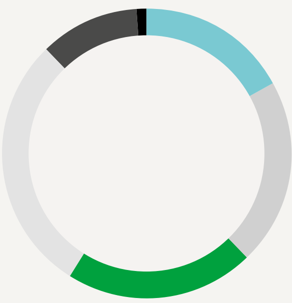
Read more **on pages 08 and 09 of the Annual Report**

Incorporating ESG in our strategy

Read more **on pages 32 to 35 of the Annual Report**

Focus on small and mid-cap business

Portfolio Breakdown by Market Capitalisation



	2023	2022
<£250m	**17%**	26%
£250m - £500m	**21%**	15%
£500m - £750m	**21%**	19%
£750m - £1bn	**29%**	17%
£1bn - £2.5bn	**11%**	23%
>£2.5bn	**1%**	0%

Read more **on pages 10 and 11 of the Annual Report**

CONTENTS

The Company's website **www.ajot.co.uk**, includes useful information on the Company, such as price performance, news, monthly and quarterly reports, as well as previous Annual and Half-Year reports.

@AVIJapan
u/avi-ajot
avi-japan-opportunity-trust

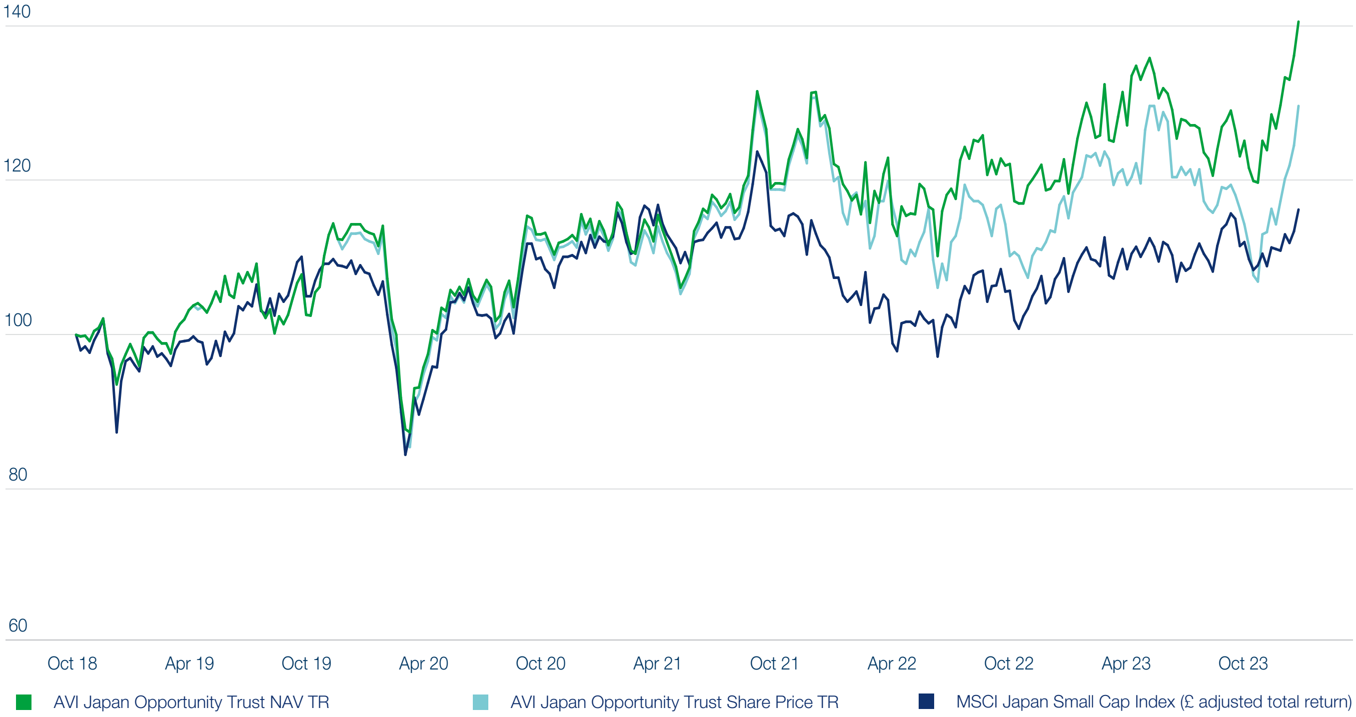
Strategic Report / Company Performance

Performance Summary

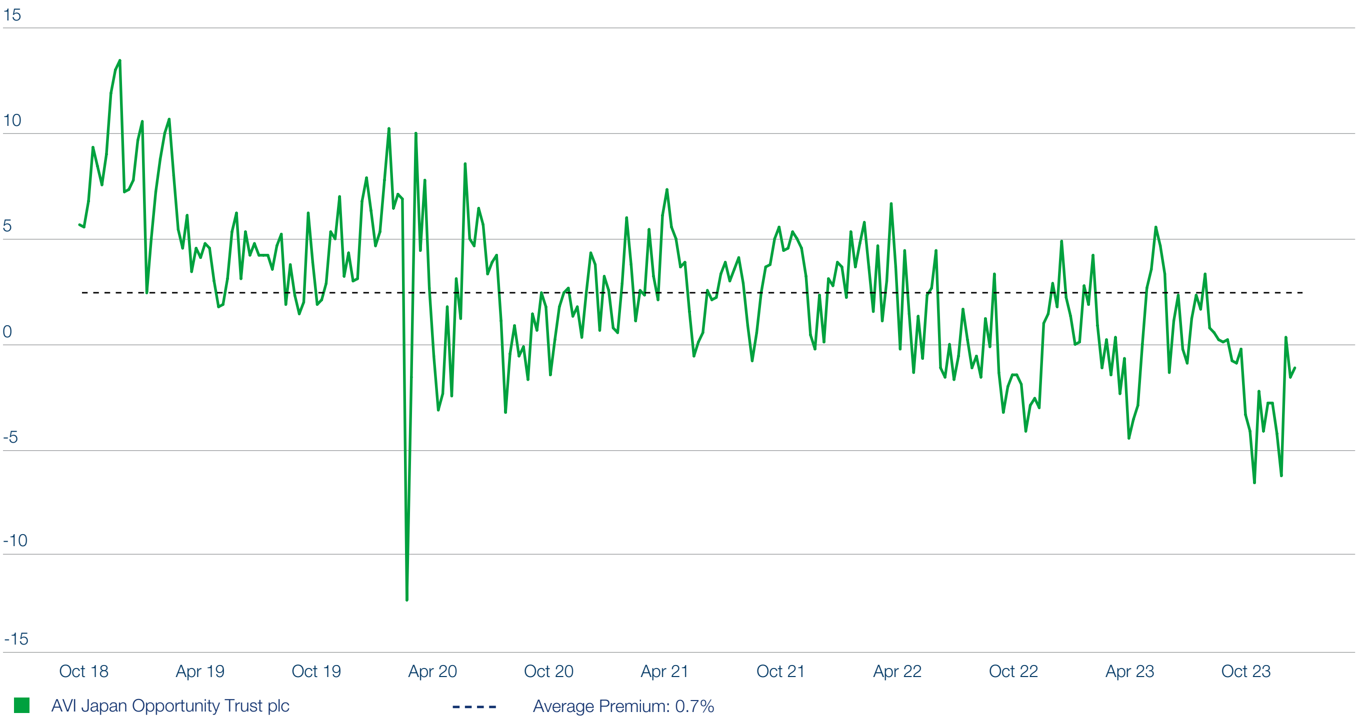
	31 December 2023	31 December 2022
Net Asset Value*	**£182,943,000**	£156,395,000
Net Asset Value per Share (total return) for the year	**15.8%**	-4.3%
Share price total return for the year*	**14.8%**	-4.5%
Comparator Benchmark		
MSCI Japan Small-Cap Index (£ adjusted total return)	**6.9%**	-1.0%
Portfolio Valuation*		
Net Cash as % of Market Cap	**35.8%**	41.9%
Net Financial Value as % of Market Cap	**49.6%**	63.0%
EV/EBIT	**8.7x**	6.0x
FCF Yield	**4.4%**	6.0%
	Year to 31 December 2023	Year to 31 December 2022
Earnings and Dividends		
Profit/(loss) before tax	**£25.2m**	-£6.6m
Investment income	**£4.0m**	£3.7m
Revenue earnings per share	**1.76p**	1.69p
Capital earnings per share	**15.89p**	-6.79p
Total earnings per share	**17.65p**	-5.10p
Ordinary dividends per share	**1.70p**	1.55p
Ongoing Charge		
Management, marketing and other expenses (as a percentage of average Shareholders' funds)	**1.5%**	1.5%
2023 Year's Highs/Lows	**High**	Low
Net asset value per share	**130.3p**	110.1p
	31 December 2023	31 December 2022
Net asset value per share	**130.3p**	114.1p
Share price	**127.0p**	112.3p
Discount (difference between share price and net asset value)	**2.5%**	1.6%

* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 73 and 74.

Net Asset Value, Share Price* and Benchmark



Premium or Discount to Net Asset Value (%)



* For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 73 and 74.

Strategic Report / Company Overview

Finding compelling opportunities in Japan

OUR PURPOSE

Discovering overlooked and under-researched investment opportunities, utilising shareholder engagement to unlock long-term value.

ABOUT ASSET VALUE INVESTORS

The Company has appointed Asset Value Investors Limited ("AVI" or the "Investment Manager") as its Alternative Investment Fund Manager.

Asset Value Investors ("AVI") has been investing in Japan for three decades. AVI focuses on undervalued companies with resilient and growing earnings, that are overlooked by investors due to non-fundamental factors.

By utilising nearly 40 years of capital markets experience, having analysed and met with hundreds of Japanese companies across a wide variety of industries, AVI works with management teams, making suggestions on how to grow long-term corporate value and address share price undervaluation.

AVI's engagement focuses on four main areas of improvement: capital efficiency, ESG, shareholder communication and operational strategy. While AVI seeks to work privately and collaboratively with management teams, if progress is not made, AVI will consider sharing its ideas with other shareholders in a public forum.

Capital Structure
As at 31 December 2023, the Company's issued share capital comprised 140,836,702 Ordinary Shares of 1p each, of which 400,000 were held in treasury and therefore the total voting rights attached to Ordinary Shares in issue were 140,436,702. As at 13 March 2024 it comprised 140,836,702 Ordinary Shares, 400,000 of which were held in treasury, and therefore the total voting rights attached to Ordinary Shares in issue were 140,436,702.

COMPANY OBJECTIVES AND STRATEGY

AJOT aims to provide Shareholders with total returns in excess of the MSCI Japan Small Cap Index in GBP ("MSCI Japan Small Cap"), through the active management of a focused portfolio of equity investments listed or quoted in Japan, which have been identified by Asset Value Investors Limited as undervalued and typically have a significant proportion of their market capitalisation held in cash, listed securities and/or other realisable assets.

AVI seeks to unlock this value through proactive engagement with management and capitalising on the increased focus on corporate governance, balance sheet efficiency, and returns to shareholders in Japan.

The companies in the portfolio are selected for their high quality, whether having strong prospects for profit growth or economically resilient earnings. By investing in companies whose corporate value should grow overtime, AVI can be patient in its engagement to unlock value.

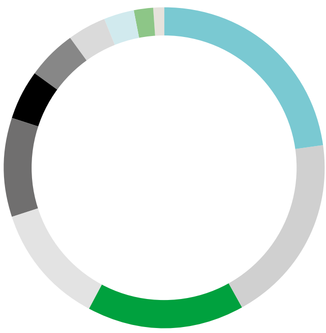
Benchmark
The MSCI Japan Small Cap Index.

The Association of Investment Companies ("The AIC")
The Company is a member of The AIC.

WHAT DO WE INVEST IN?

AJOT aims to achieve long-term capital growth by engaging with its concentrated portfolio of Japanese equities to unlock value.

Sector Breakdown (% of Portfolio)



Materials	23%
Capital Goods	19%
Health Care Equipment and Services	16%
Software and Services	12%
Consumer Durables and Apparel	10%
Technology Hardware and Equipment	5%
Consumer Discretionary Distribution and Retail	5%
Banks	4%
Transportation	3%
Automobiles and Components	2%
Food, Beverage and Tobacco	1%

KEY PERFORMANCE INDICATORS (“KPIs”)

NAV Performance (2023)
1 YEAR

15.8%

Since Inception ("SI")	40.5%
6.8%	SI Annualised

Ongoing Charges (2023)
31 DECEMBER 2023

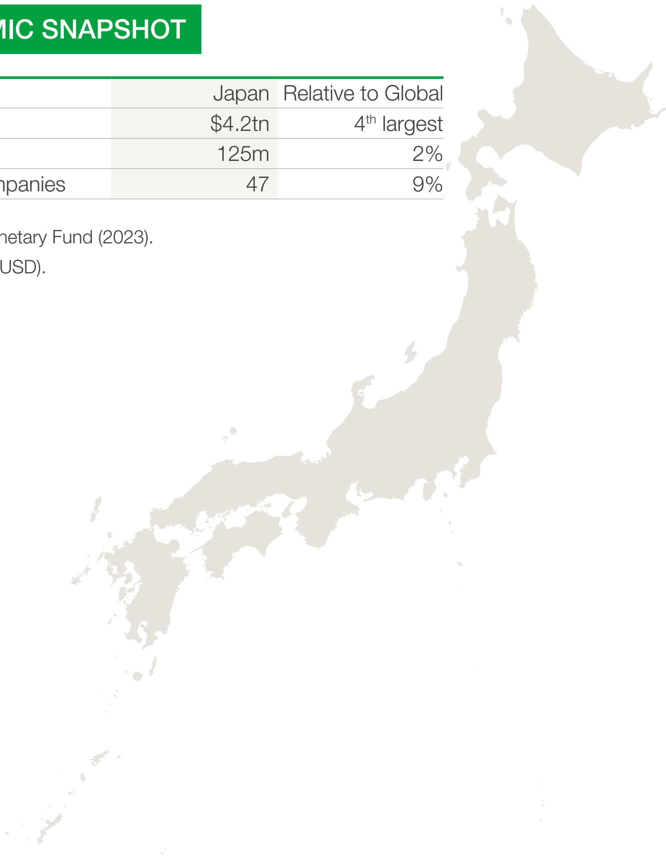
1.5%

2022	1.5%

JAPAN ECONOMIC SNAPSHOT

	Japan	Relative to Global
GDP[1]	$4.2tn	4th largest
Population[2]	125m	2%
Fortune Global 500 Companies	47	9%

1 Source: International Monetary Fund (2023).
2 World Bank Data (2022, USD).

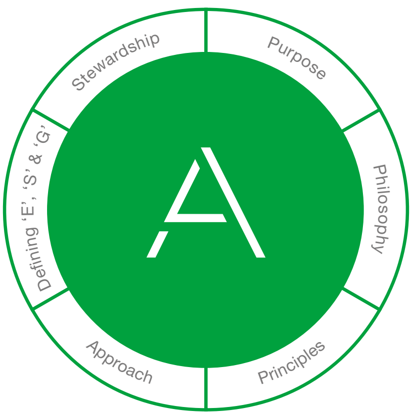


RESPONSIBLE INVESTORS

What do we invest in?

We believe that the integration of ESG and sustainability considerations into our investment strategy is not only integral to comprehensively understanding each investment’s ability to create long-term value, but is also aligned with our values as responsible investors.

Find more about AVI **on page 4 of the Annual Report**



OUR CORE VALUES

Engaged

Building relationships with companies, actively working together to improve shareholder value.

Concentrated

Our portfolio of 15-25 stocks means we devote ample resources to research and engagement for every investment.

Long-term

A five-year horizon aligns our interests with those of management.

Unique

Discovering overlooked and under researched investment opportunities to unlock long-term value.

Experienced

Investing in the Japanese market for over two decades, with a dedicated team in London and Tokyo.

Managed by AVI. Visit the website at: **www.assetvalueinvestors.com**

Annual General Meeting

The Company’s Annual General Meeting (“AGM”) will be held at 11.30am on Wednesday, 1 May 2024 at the offices of the Association of Investment Companies (the “AIC”), 9th Floor, 24 Chiswell Street, London, EC1Y 4YY. Shareholders will be able to submit questions to the Board and AVI ahead of the AGM and answers to these, as well as AVI’s presentation, will be made available on the Company’s website. Please refer to the Notice of AGM for further information and the resolutions which will be proposed at this meeting.

Strategic Report / Chairman's Statement

The portfolio is well positioned with a concentrated, yet diverse, collection of high-quality, lowly valued companies, with multiple levers for re-ratings. As a Board, we are confident that AJOT can build on its successful track record of engagement and will continue to deliver attractive returns for investors.

Norman Crighton
Chair

Overview of the Year

On behalf of the Board of Directors ("the Board") I am pleased to present the Annual Report for 2023 for AVI Japan Opportunity Trust plc. The Company was launched in 2018 to take advantage of the rich opportunity set in Japan, believing that the corporate governance reform agenda first espoused in 2013 had gained critical momentum, and that a sea change was imminent. This was not a consensus view, with Japan considered by most to be a perennially cheap and largely irrelevant market for global investors.

2023 then was a year in which (other) investors' enthusiasm for Japanese equities grew and scepticism waned. The strong economic backdrop, ultra-loose monetary policy, low relative valuations, weak yen, and unabated progress on corporate governance reform drew global attention. Notably, at the start of the year the Tokyo Stock Exchange ("TSE") announced it would require companies to disclose capital efficiency improvement plans, particularly by those trading below 1x book value.

Japanese equity markets were buoyant, with the MSCI Japan returning +28.6% over 2023 (in JPY) and the Nikkei seeing its largest one-year rise since 1989, up +31.0%. This rally, however, was mostly limited to larger cap names, which outperformed their small-cap counterparts by +7.5%.

In this context, it is pleasing to report that your Company ended the year +15.8% in GBP terms, outperforming its official comparator benchmark, the MSCI Japan Small Cap Index, which returned +6.9%. Since its inception, AJOT has delivered returns of +40.5% versus +16.2% for the benchmark. In JPY terms, since inception, returns are significantly higher, at +73.7% vs +43.6% for the benchmark.

Your manager, AVI, has continued constructively engaging with portfolio companies to unlock value. The Board got a first-hand look at their efforts this year, as 2023 marked the first time that we travelled together to Japan. The enthusiastic response from market participants and investee companies alike to our visit was testament to the high regard in which AVI is held and coupled with the unique benefits of the investment trust structure that your Company enjoys, we are more positive than ever on our future prospects. AVI's investment team builds deep relationships with the management of every portfolio company, holding a great number of meetings with senior executives and board directors. This approach has led to numerous shareholder-friendly measures being introduced across multiple companies without requiring public campaigns which has delivered strong results for our investors.

The preferred approach of private engagement has led to notable successes, with detailed letters or presentations sent to nine portfolio companies over the year. Three portfolio companies were the subject of public engagement, including NC Holdings, where three of our shareholder resolutions were successfully adopted.

Dividend

As provided for in the Prospectus at the IPO, the Company intends to distribute substantially all the net revenue arising from the portfolio. The Company paid an interim dividend of 0.85p per share in November 2023 and the Board has elected to propose a final dividend of 0.85p per share, bringing total dividends for the year ended 31 December 2023 to 1.70p per share (2022: 1.55p per share).

Investment Strategy

AJOT listed in October 2018 to take advantage of the highly attractive opportunity to invest in under-valued, over-capitalised Japanese small-cap equities with strong underlying business fundamentals. Active engagement and corporate action are the key to unlocking valuation anomalies and AJOT's track-record has demonstrated the potential absolute and relative returns this approach can deliver.

Over five years since launch, your Company has performed well in the face of multiple headwinds: lacklustre performance of small-cap stocks (MSCI Small Cap Japan has underperformed its larger MSCI Japan brethren by almost 16%); a marked depreciation of the Japanese Yen which has detracted -33% from GBP returns, and a turbulent global environment encompassing a pandemic, rapidly rising interest rates and multiple geopolitical events. The Board remains confident that AVI is well placed to continue executing on the strategy and that there are still plenty of mis-priced investment opportunities.

Share Premium and Issuances

As at 31 December 2023, your Company's shares were trading at a discount of -2.5% to NAV per share. The Board monitors the premium/discount and carefully manages it by periodically issuing or buying back shares. During 2023, we employed the Company's authorised block listing facility to increase our shares in issue by 3,375,000 while 985,000 shares were bought back during the period. As of 31 December 2023, 140,436,702 shares were in circulation, a pleasing increase from the 80,000,000 shares at AJOT's launch.

The Directors believe that the performance of the Company since IPO should be attractive to a larger pool of investors and are constantly exploring avenues to grow AJOT.

Debt Structure and Gearing

As described in the Prospectus, the Board supports the use of gearing to enhance portfolio performance. The Company has in place a ¥2.9 billion debt facility, which was renewed on 2 February 2022 and subsequently extended to 5 April 2024 on the same terms while renewal terms are being agreed. As at 31 December 2023, ¥2.93 billion (£16.3 million) of the facility had been drawn and net gearing stood at 1.6%.

Board Trip to Japan

In September the Board travelled to Japan for its first visit. Meeting with a variety of advisors, market participants, lawyers and the Tokyo Stock Exchange, it provided Directors with a deeper understanding of the opportunity set and of how the Company can be best positioned to benefit. The Board had the opportunity to meet with six portfolio companies, including a laboratory tour and tasting experience at T Hasegawa's R&D facilities outside Tokyo. In Osaka, it was a great privilege when Konishi, your Company's 4th largest position, invited the Board to their historic headquarters built in 1903. This was the first time a foreign company had been invited to the site and it was pleasing to see the depth of the ties AVI has built with the company.

The Board left encouraged with the changes underway in Japan and the evident success of AVI's engagement efforts. Overall, it was a highly fruitful visit, which confirmed that this time really is different in Japan.

Outlook

At the end of November, news broke that Toyota Motors – one of Japan's last holdouts to reform its balance sheet – will partially unwind its cross shareholding in parts maker Denso. In December, the TSE announced that it will add further pressure by calling on 1,000 plus companies that have parent-subsidiary relationships or that have listed or equity affiliates to increase disclosure around their rationale for having listed subsidiaries and their efforts to ensure their independence. Just after the end of the year in January, the TSE then released the names of 1,115 companies that disclosed information regarding actions to implement policies conscious of cost of capital and share price, shaming the 2,160 that did not.

The mounting pressure for corporate reform will not subside in 2024. AJOT's focus on finding attractively valued, durable companies and using active engagement to unlock value holds it in good stead to benefit from the changing tide. The portfolio is well positioned with a concentrated, yet diverse, collection of high-quality, lowly valued companies, with multiple levers for re-ratings. As a Board, we are confident that AJOT can build on its successful track record of engagement and will continue to deliver attractive returns for investors. The portfolio as at the year end had 49% of its market cap covered by net cash and investment securities and traded at an 8.7x EV/EBIT multiple.

In the coming weeks I shall be meeting any institutional investors who would like to sit down with me, and I hope to see as many Shareholders as possible at our AGM in May. The Board and I remain available to all our Shareholders – institutional and retail – who may wish to discuss an issue or ask a question. As always, please feel free to reach out to me directly (norman.crighton@ajot.co.uk) or contact our broker, Singer Capital Markets, to arrange a meeting.

Norman Crighton
Chairman

13 March 2024

Strategic Report / Case Study

Five years of change in Japan

WHAT HAS HAPPENED IN FIVE YEARS?

It has been five years since we launched the AVI Japan Opportunity Trust ("AJOT"). In Japan, five years is the blink of an eye, Japanese companies tend to think in decades or generations. However, a lot has happened in five years.

In 2012, Shinzo Abe's economic legacy, known as Abenomics, marked the start of corporate reform in Japan. The first two arrows – monetary policy and increased government spending, were quick to implement while early signs of the third – economic structural reform – were starting to emerge. At AVI, it seemed the right time to seize the opportunity in Japan.

1. Governmental and regulatory bodies pressed ahead with reform measures, encouraging shareholder engagement.

2. Increase in the quantum and success of shareholder activism.

3. Changing corporate governance environment prompted increased interest from private equity investors in Japan.

4. Severe economic shock following COVID-19 highlighted the advantage of investing in resilient companies.

5. Improvement in management awareness of shareholders.

Visit the website at:
www.assetvalueinvestors.com/insight/five-years-of-change-in-japan/

DANIEL LEE

Co-head of Japan Research

Over the past five years, the Japanese environment has become more supportive for our approach, reinforcing our conviction in the strategy. The opportunity within our portfolio to outperform is huge, and we view these developments as a tailwind to our performance.

Q How do you think the shift in favour of shareholder activism in Japan was beneficial to AJOT?

A The changing corporate governance environment meant that private equity companies were quickly opening offices in Japan. The type of companies that AJOT held were ripe for acquisition – they had no debt, copious excess cash, and demonstrated consistent free cash flow generation. For example, AJOT's first takeover target was Nitto FC which was privatised at a 38% premium. Since launch, the strategy has benefited from five privatisation events, at average premiums of +46%.

Q What events in the political and economic landscape drove this shift in perspective?

A The profound economic shock caused by unforeseen events such as COVID-19 underscored the benefits of investing in resilient companies with strong balance sheets. Throughout that period, the message from governmental and regulatory bodies was clear – they would continually escalate guidelines and regulations to ensure the continuity of reform efforts.

By 2021, an updated Corporate Governance Code had been released, with the most salient points of this focused on the appointment of independent directors possessing pertinent skills, as well as the mandate for listed subsidiary companies to oversee conflicts of interest. This scrutiny on listed subsidiaries was beneficial for AJOT, as we had exposure to six listed subsidiaries at that time.

Q What other notable corporate reforms have had a positive impact on the shifting investment landscape in Japan?

A In 2023, the Tokyo Stock Exchange followed through on their announcement calling on companies to address low valuations. This was especially aimed at the 1,800 companies in Japan that trade on a price-to-book ratio of less than 1x. It was an encouraging step, highlighting the regulators' ongoing commitment to utilising their powers to promote reform. Later in the year, the Ministry of Economy, Trade and Industry published its "Guidelines for Corporate Takeover". The guidelines contained encouraging language, prompting us to approach a portfolio company, with the aim of acquiring a minority stake. The option of putting forward tender offers is not suitable for all our holdings, but we believe the environment has evolved in such a way that unsolicited tenders are now a valuable tool to add to our engagement repertoire.

Q Could you elaborate on AJOT's engagement campaigns?

A Over the past five years, while most of our engagement campaigns remained private, we launched nine public campaigns, submitted shareholder proposals to eight portfolio companies, composed over 100 letters to managements and Boards and conducted nearly 500 meetings. Our public campaigns enabled us to deepen the relationships with our portfolio companies. The intent of our campaigns was to raise awareness of issues weighing on the share price, prompt management to address them and encourage other shareholders to exert pressure on management to rectify these issues. The responses, for the most part, have been receptive, and increasingly so.

Q What is your current sentiment to the macro environment?

A We are optimistic about the macro environment in Japan. The weak Yen makes Japan highly cost-competitive, benefiting both tourism and manufacturing. Inflation has continued to creep higher, having returned after a 30-year absence. In combination with wage growth and increased spending, we anticipate a more rational allocation of capital and improved productivity. This bodes well for the companies we invest in. The Bank of Japan's ("BoJ") expansionary monetary policy over the past five years has weighed heavily on the Yen. As a result, on an effective real exchange rate basis, the Yen is currently at its cheapest level since the early 1970s. Even a slight adjustment in monetary policy could potentially strengthen the Yen. Such a shift could serve as a driver for attractive absolute returns.

Q Could you share any closing thoughts?

A A famous Japanese proverb is an apt one: "fall seven times and stand up eight". We may need to write numerous letters and presentations to the management and boards of companies before receiving a positive response, but perseverance ultimately pays off. The environment has become more supportive for our approach, and we remain steadfast in our belief that our strategy is effective. The regulatory improvements over the past five years have led to the opportunity to unlock vast amounts of value trapped in Japanese companies and we see enormous upside potential from shareholder engagement.

Visit the website at:
www.assetvalueinvestors.com

Strategic Report / Our Top 10 Holdings

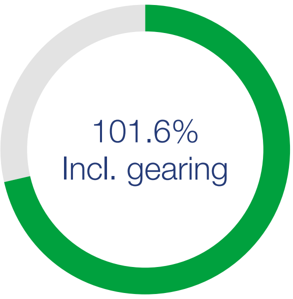
Focus on small and mid-cap businesses

The top ten equity investments make up 72.8% of the net assets*, with operating businesses spread across a range of sectors.

* For definitions, see Glossary on pages 73 and 74.

** % of net assets.

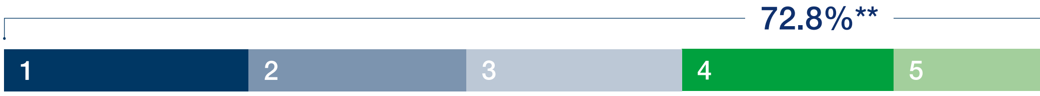
Top 10 Share of Net Assets



% of AJOT net assets

Top 10	72.8%
Other holdings	28.8%
	101.6%

Visit our investment platforms:
www.assetvalueinvestors.com/ajot/how-to-invest/platforms/

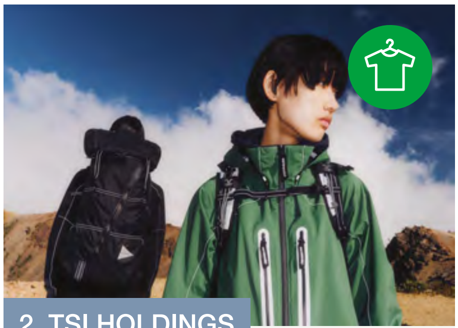


1. NIHON KOHDEN

9.7% of portfolio | 15.3x EV/EBIT

Nihon Kohden is a medical equipment manufacturer. It has compounded sales over the past 20 years at 4.9%, with sales declining in only four of the past 38 years, and has grown its overseas business to just over a third of sales. We expect this growth to continue as the business benefits from increased global healthcare expenditure and a shift to higher value-add digital solutions.

Source / Getty Images



2. TSI HOLDINGS

8.7% of portfolio | 4.9x EV/EBIT

TSI Holdings owns a portfolio of diversified apparel brands. Its unique focus on athleisure and outdoor wear sets it apart from competitors, but it trades at a steep discount due to a bloated balance sheet. Net cash, investment securities and real estate account for 92% of TSI's market cap, obscuring the underlying business. Were TSI to trade in line with peers, there would be a +100% upside to the current share price.

Source / TSI Holdings Co Ltd

6. DTS CORP

7.4% of portfolio | 9.9x EV/EBIT

DTS provides IT-related services to Japanese corporations. Its business is expanding into Digital transformation-related ("DX") fields such as cloud, robotics and IoT ("Internet of Things"). Japanese companies have underinvested in their IT infrastructure, with antiquated processes and complex legacy systems. With encouragement from the Government, we believe companies will dramatically increase their IT expenditure – much to the benefit of DTS.

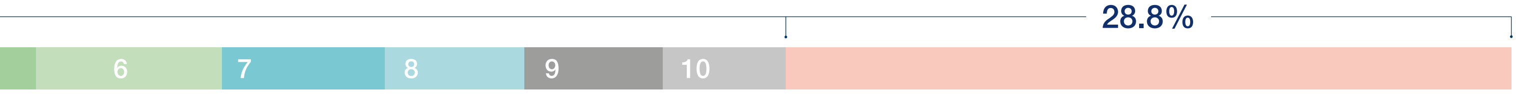
Source / Getty Images

7. EIKEN CHEMICAL

6.5% of portfolio | 7.9x EV/EBIT

Eiken Chemical is a manufacturer of medical diagnostics equipment, operating a high-quality business with a proven track record of growing sales. Eiken Chemical holds a dominant market position in Colon Cancer Screening, with an overwhelming global market share in excess of 70%. Furthermore, Eiken Chemical is set to experience structural growth from the ageing population and is a vulnerable takeover target with an open shareholder register. Our engagement will focus on capital allocation, operational improvement, and shareholder communication.

Source / Eiken Chemical Co Ltd



3. TAKUMA CO

8.6%
of portfolio

6.7x
EV/EBIT

Takuma builds waste treatment plants for municipalities in Japan, and with a labour shortage, there is increasing demand for companies to operate these plants after construction. Our strong conviction lies in Takuma's shifting business model, towards recurring maintenance and operation contracts, which we don't think is reflected in Takuma's 3.9x EV/EBIT multiple at present.

Source / Takuma Co Ltd

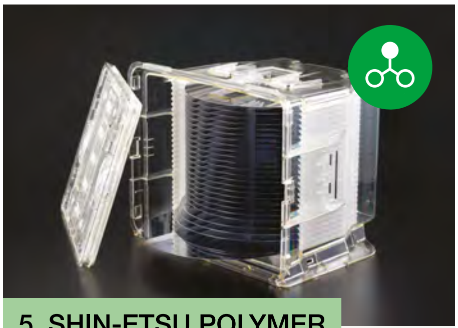
4. KONISHI

8.5%
of portfolio

5.4x
EV/EBIT

Konishi is famed for its household glue brand BOND. It has a dominant market share across the domestic adhesives market and successfully expanded its business into infrastructure repair works. We believe Konishi has potential to grow its adhesive offering into more industrial applications and to establish itself overseas, which is not reflected in the lowly 5.4x EV/EBIT valuation.

Source / Konishi Co Ltd



5. SHIN-ETSU POLYMER

7.4%
of portfolio

7.3x
EV/EBIT

Shin-Etsu Polymer manufactures an assortment of devices, but its main product is a container used to carry semiconductor silicon wafers. It is a listed subsidiary of Shin-Etsu Chemical, and our base case is that Shin-Etsu Polymer is taken over. The companies' business operations are intertwined, and the management of both companies have made indications that they are open to addressing the parent/child listing issue.

Source / Shin-Etsu Polymer Co Ltd

8. WACOM

5.6%
of portfolio

20.0x
EV/EBIT

Wacom is a global leader in digital pen solutions. It is uniquely positioned to benefit from the growing adoption of digital pens. Its dominant market position allows Wacom to be at the forefront of technological innovation, developing solutions that utilise big data, artificial intelligence, and virtual reality. Investors underappreciate the growth potential of Wacom's technology, but under the leadership of the relatively new President and with improved investor communication, we think this will change.

Source / Wacom Co Ltd

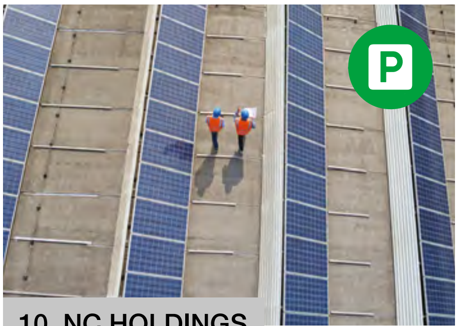
9. JADE GROUP

5.5%
of portfolio

13.1x
EV/EBIT

JADE GROUP (formerly LOCONDO) operates a fast-growing, capital light, fashion e-commerce business. In 2022, JADE GROUP acquired a stake in Reebok Japan which it has flawlessly integrated into its logistics network. There is a long growth runway for e-commerce in Japan and JADE GROUP is well positioned to benefit.

Source / JADE GROUP Co Ltd



10. NC HOLDINGS

4.9%
of portfolio

7.0x
EV/EBIT

NC Holdings owns an eclectic mix of businesses, including solar panel consulting, conveyor belts and – the most attractive – car parking systems. Each standalone business has its merits, but they have no synergies combined. This partly explains why the business trades on 7.0x EV/EBIT vs our fair value of over 10.0x.

Source / iStock

Strategic Report / Investment Manager's Report

Manager's Commentary

JOE BAUERNFREUND

Portfolio Manager

> At the time of writing, we are building positions in five new names, which, on average, trade on an EV/EBIT multiple of 4.0x, with 106% of their market cap covered by cash, securities and rental real estate. In each of these positions, we see an avenue to upsides in the order of 50 - 100% and the potential for us to become large shareholders.

Dear AJOT Shareholders,

During the period from 1 January to 31 December 2023, your Company returned +15.8% in GBP. This compares with a return for the benchmark, the MSCI Japan Small Cap Index, of +6.9%. Over the course of the period, the Yen depreciated by -11.5% against the Pound, which has been a headwind to Sterling-based returns. In Yen, AJOT's NAV has increased by +31.0% over the period and +73.7% since launch.

It was a pleasing end to your Company's fifth anniversary year. In a year that strongly favoured large-cap value stocks, where AJOT has little exposure, the continued outperformance of the portfolio is testament to the strategy of generating idiosyncratic returns from a concentrated portfolio of high-quality, overcapitalised, undervalued companies. Driving returns were TSI Holdings (share price +68% in Yen), Konishi (+65%) and JADE GROUP (+96%). TSI Holdings saw its share price rerate following the disclosure of management initiatives to address the low valuation, while Konishi benefitted from +35% earnings growth over the past 12 months, with JADE GROUP on track to grow its operating profits by +76% this year.

The Japanese Yen weakness was driven by a more cautious approach to moderating Yield Curve Control ("YCC") from Kazuo Ueda, the newly appointed Bank of Japan ("BoJ") governor. With core inflation expected to stabilise around the BoJ's 2% goal, the BoJ are in no rush to adjust loose monetary policy. With the real effective exchange rate of the Yen trading at the cheapest level since the 1970s, on balance, we believe the chances of Yen strength outweigh the risk of further weakness. This, however, is not a prediction, and it doesn't factor into our investment allocation. If the Yen were to strengthen it could be a helpful reversal of the headwind we have faced over the past years.

Setting aside the weak Yen, in local currency terms, it was a remarkable period for the Japanese stock market, as the TOPIX gained +28.3% (JPY). This outpaced the S&P 500's +25.7% gain (USD), the MSCI Europe Index's +15.8% gain (EUR) and the FTSE All Share's +7.9% gain (GBP). Investors appeared buoyed by the Tokyo Stock Exchange ("TSE")'s announcement requiring companies to disclose actions aimed at improving corporate value, particularly those trading at a price-to-book ratio of less than 1x. This marked the first time the TSE had explicitly focused on a valuation metric, which clearly resonated with investors.

Adding further pressure on corporate reform, the Ministry of Economy Trade & Industry ("METI") finalised its guidelines for corporate takeovers. The guidelines contained encouraging wording that we believe might pave the way for more unsolicited takeover approaches. The Financial Services Agency ("FSA") is currently reviewing the tender offer rule and concert party regulation, aiming to simplify current regulation. In December, the TSE announced its intention to call on the over 1,000 companies in parent-subsidiary relationships or that have listed equity-affiliates to enhance disclosure regarding the rationale for having listed subsidiaries. Although not a regulatory change, Toyota Motors, one of Japan's last holdouts to reform its balance sheet, announced in November that it will partially unwind its cross shareholding in Denso.

The direction of travel is clear, with shareholders, regulators and the Government all pushing in the same direction.

In August, we welcomed Shuntaro Shimizu, our newest addition to the Japan team. Shuntaro, joined from Bain & Company's Tokyo office, brings valuable financial experience gained at the Bank of Japan and holds an MBA from Stanford School of Business. He concentrates on applying his consulting expertise to engage with our portfolio companies and research new ideas.

The EV/EBIT of the portfolio increased from 6.0x to 8.7x over the year. This was in part driven by the strong portfolio performance but also from a conscious effort to invest in higher quality companies where we discern greater opportunity for business growth. Due to the concentrated nature of the portfolio, Nihon Kohden and Wacom, trading on EV/EBIT multiples of 15.3x and 20.0x, respectively, had an outsized effect on the aggregate portfolio valuation, with the median EV/EBIT of the portfolio being a more modest 6.9x.

The strong markets have not diminished the opportunity set and there continue to be pockets of deeply mispriced companies. At the time of writing, we are building positions in five new names, which, on average, trade on an EV/EBIT multiple of 4.0x, with 106% of their market cap covered by cash, securities and rental real estate. In each of these positions, we see an avenue to upsides in the order of 50-100% and the potential for us to become large shareholders.

AVI Shareholder Engagement

Shareholder engagement in Japan continues its rise unabated, with one broker noting that Japan is undergoing its third activist investor boom. The number of shareholder proposals from engagement funds grew from just under 60 last year to a record-high 82 this year and more shareholders expressed their disappointment with poor management, with support for incumbent Presidents falling.

We contributed to the 82 shareholder proposals this year by filing shareholder proposals at SK Kaken and NC Holdings. In the case of SK Kaken, this is the third consecutive year in which we have submitted proposals to the AGM. Although we have achieved some success, such as the company disclosing Scope 1 and 2 greenhouse gas emissions, increasing the number of outside directors, and conducting a 5-for-1 stock split, the company has refused to improve shareholder returns. Despite gaining 35% support, which, considering the founding family's nearly 50% control, represents a majority of minorities, SK Kaken persists in maintaining a measly 12% dividend pay-out ratio, resulting in cash accumulating each year. So long as we are shareholders, we will continue to apply pressure on the family to improve the situation.

At NC Holdings ("NCHD"), in a notable first for AVI and a very rare occurrence at Japanese AGMs in general, we had three shareholder proposals successfully passed, with a further three receiving majority shareholder support. Two dividend-related resolutions were approved, including an increase in the dividend pay-out ratio to 70%, and the establishment of a stock-compensation plan tied to achieving a three-year total share price return of over 50% and an average three-year ROIC of over 10%.

While we are pleased with this success, we are disappointed that our shareholder proposals to appoint two highly qualified outside directors did not pass. In addition to largely ignoring shareholder views for the past two years, the board opposed six resolutions that achieved majority shareholder support, engaged in intimidation and baseless threats related to purported concert party issues, targeted our investment team members by name in both their public and private rebuttals, and even attempted, unsuccessfully, to claim that NCHD's business was of national interest to evade scrutiny at the AGM. We will continue to engage with management and seek solutions to improve NCHD's corporate value over the coming year.

Towards the end of the year, after almost five years of private engagement, we released a public statement expressing our opposition to Digital Garage's board of directors and their misguided strategy. Critiquing the ill-fated midterm plan released in May 2023, we announced our intention to vote against all directors at the upcoming AGM. We believe our statement was well received and contributed to raising awareness among other investors about the necessary actions Digital Garage needs to take to address its undervaluation.

Our private engagement accounts for most of our work, and over the period, we sent 8 presentations and 17 letters to portfolio companies. In our private engagements, we cover more topics than shareholder proposals allow, with a strong emphasis on operational improvement, including strategies for margin enhancement and growth. Our engagement is tailored and specific to each company, with our in-depth understanding highly appreciated by management. We perceive ourselves as providing a service akin to investment consultants.

At the heart of our shareholder engagement is a long-term approach, and while improvements might not be reflected straight away, we believe that through our suggestions we are helping management create better businesses, ultimately leading to higher returns for all shareholders. In all cases, a track record demonstrating our readiness to make our concerns public significantly enhances our credibility in interactions with boards and management.

While we can't discuss all the details of our private engagement, it was a busy period, and there are several situations which we see coming to a head in 2024, whether that be shareholder proposals, mid-term plans or potential privatisation events. We believe the potential for alpha generation through engagement has never been higher, and we are excited by the abundant opportunities in the year ahead.

PORTFOLIO TRADING

Buying Activity

The largest purchase over the period was Takuma, the waste treatment plant builder and operator, which entered the portfolio in April. Having observed Takuma from the sidelines for several years, we witnessed the share price boom +150% higher in an ESG-fuelled bubble in 2021, only to decline by -46% to the price at which we started buying. Given its open shareholder register (32% foreign ownership), a structural tailwind, and a shifting business model to more recurring maintenance work (already 50%), we believe that Takuma's lowly 6.7x EV/EBIT valuation multiple is entirely unjustified. Almost half of Takuma's balance sheet assets are held in cash and listed securities, accounting for just over 60% of the market cap. We plan to start engaging with management on solutions to address the undervaluation in advance of next year's mid-term plan.

The second largest purchase was Eiken Chemical, a diagnostics company specialising in the manufacture of medical chemicals that react with body samples to provide a diagnosis for cancer, disease or infection. The market is attractive, with high regulatory barriers to entry, a razor/razor blade style business model and stable growth driven by increased diagnostics healthcare expenditure. Eiken Chemical has produced a number of niche products, with the most exciting being its Colon Cancer screening test, called FIT (Faecal Immunochemical Test), which accounts for around 40% of sales.

While generating low margins from the sale of its analyser, Eiken Chemical earns high-margin recurring income from the subsequent sales of bottles and solutions, providing recurring sticky income. Eiken Chemical's global dominance is driven by its testing accuracy and consistency, proprietary technology in its buffer solution, and the recognition of the OC-Sensor in over 100 journals, enhancing brand recognition and trust with healthcare providers.

The appeal of the diagnostics business is not lost on investors, with a set of peers, both domestic and global, trading on an EV/EBIT of 26x vs Eiken's 8x. We believe the disparity, in part, is driven by a misunderstanding of its niche business model, the roll-off from high margin COVID-related reagents, and a bloated balance sheet (32% of assets in net cash). We see almost +100% upside to the current share price, and if the company achieves its 2030 plan, possible with the successful launch of a DNA based stool test, over +200% upside.

Selling Activity

The largest sale was our long-standing position Fujitec, where we generated a +111% ROI and a +32% IRR over our almost five-year holding period. This tremendous success was driven by shareholder engagement, starting from the release of our public presentation in May 2020, and culminating with the recent overhaul of the board of directors and ousting of the founding family President. When we first invested in Fujitec, it was trading on a 4.7x EV/EBIT multiple, a significant discount compared to its peers trading on 16.8x. Over the life of the investment, that radically changed, and at the time of selling, Fujitec was trading on a 23.3x EV/EBIT multiple, a premium to peers' 20.4x. We took the difficult decision to sell the position based on valuation grounds, believing that the exciting prospects for value creation under the new board were reflected in the higher valuation.

We sold our position in C Uyemura, which we had been reducing for some time, generating an 87% ROI and 21% IRR over the life of our investment. We sold the last of our stake in Teikoku Electric, following a strong appreciation in the share price. Although it was only in the portfolio for a year, we generated a 52% ROI, amounting to a 92% IRR.

As has been the case for a few years, our tolerance for companies with intransigent and entrenched management who refuse to listen to shareholder voices has diminished. This explains our exits from Papyless, Pasona, Tokyo Radiator and NS Solutions, as well as the reduction of our stakes in two other small positions. AVI's approach is one of cooperative rather than confrontational engagement, in contrast to some other activist approaches. There are too many well-run and undervalued companies in Japan, with management teams who want to create value for shareholders, to waste our time with uncooperative companies that show little interest in shareholder concerns.

Strategic Report / Investment Manager's Report continued

Contributors & Detractors

CONTRIBUTORS

TSI Holdings

Contribution (GBP)
3.3%

% of net assets
8.7%

EV/EBIT
4.9x

NFV/Market Cap
82%

TSI Holdings ("TSI"), one of the largest listed apparel companies in Japan, was the leading contributor in 2023, with its 68% share price increase adding 335bps to performance. TSI entered the portfolio in July 2022, and has generated a return on investment of 44%.

TSI's strong performance can be partly attributed to the TSE's initiative to pressure companies to address poor capital efficiency. As a follow-up to the 2022 TSE market classification review, in March 2023, the TSE requested listed companies to raise awareness around their corporate value, particularly if their shares were trading at a price-to-book ratio ("PBR") below 1.0x. TSI holds a large amount of non-core business assets such as cash and deposits, investment securities and rental real estate, and remarkably, its PBR remains at c. 0.5x

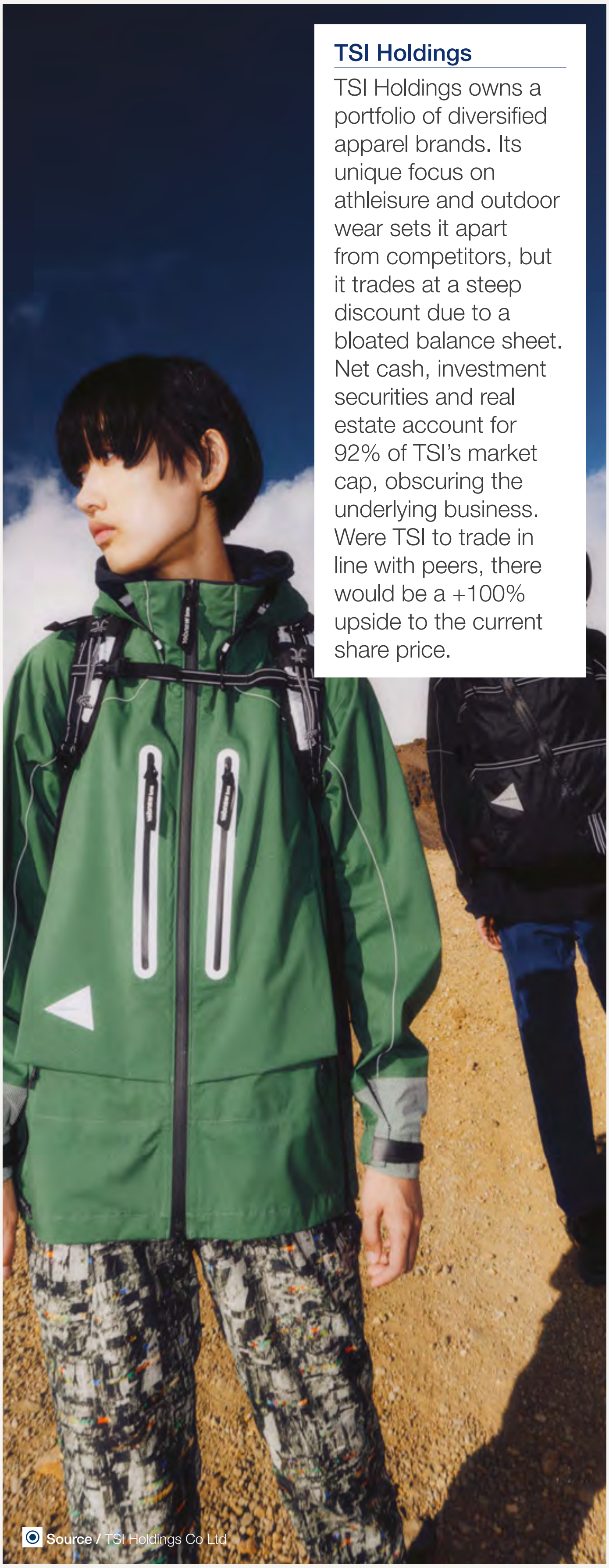
We believe the business side of TSI has also attracted investor interest. TSI, along with other Japanese apparel companies, faced challenges stemming from the impacts of COVID-19. Nevertheless, consumer sentiment recovered strongly in 2023, with the economy further stimulated by inbound demand from surrounding Asian countries acting as a tailwind.

In addition to the supportive macroeconomic trends, TSI is implementing operational changes to improve its efficiency. Specifically, TSI focused on revitalising its historically strong but currently underperforming brands, such as nano universe, through a rebranding initiative and reform that involved strengthening senior frontline members. Consequently, nano universe, whose performance had been on a downward trend over the past few years, began to exhibit signs of recovery in 2023. Furthermore, the company has been working towards delivering higher margins, targeting 4.3% operating margins by 2025 compared to the current lowly 0.9%.

In terms of engagement, we have deepened our constructive dialogue on operational improvement and capital policy. As highlighted earlier, TSI remains significantly undervalued, with a PBR of 0.5x, and we believe there is still substantial upside to be unlocked through our supportive engagement efforts.

Indexed Share Price

Since position in AJOT initiated (July 2022)



TSI Holdings

TSI Holdings owns a portfolio of diversified apparel brands. Its unique focus on athleisure and outdoor wear sets it apart from competitors, but it trades at a steep discount due to a bloated balance sheet. Net cash, investment securities and real estate account for 92% of TSI's market cap, obscuring the underlying business. Were TSI to trade in line with peers, there would be a +100% upside to the current share price.

Source / TSI Holdings Co Ltd

CONTRIBUTORS

Konishi

Contribution (GBP)
3.2%

% of net assets
8.5%

EV/EBIT
5.4x

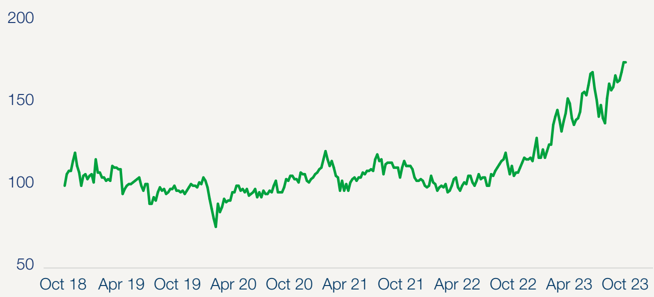
NFV/Market Cap
47%

Konishi, a company engaged in manufacturing of adhesives and civil engineering, achieved a share price return of +65% over the period, adding 320bps to performance. Following intense private engagement with Konishi's senior management, the company released a mid-term plan in May 2023, pledging to either invest or return to shareholders all cash generated over the next three years. The plan also outlined a three-year EBITDA growth target of +35% (of which +19% growth is forecast to be achieved in the first year).

This marked the first time Konishi had disclosed a capital allocation plan and its first commitment to buying back shares. A few weeks after the mid-term plan, Konishi announced an 8.5% share buyback which sent the share price +10% higher, and has been increasing further since. Aside from greater market recognition following the mid-term plan, earnings growth has buoyed the share price. Profits grew +71% over the six-month period to 30 September 2023 (Konishi's interim), driven by price increases coupled with softening raw material prices.

Despite the +65% share price growth, Konishi's EV/EBIT multiple increased only modestly from 4.0x to 5.4x. While Konishi have shown discipline in their capital allocation for the next three years, they have not addressed the current large cash pile, which, including listed securities, accounts for 47% of Konishi's market cap. We will continue to engage with the company on improving capital allocation, amongst other operational measures, and foresee a bright future for the company and its share price.

Indexed Share Price



Since position in AJOT initiated (Oct 2018)

JADE GROUP

Contribution (GBP)
3.1%

% of net assets
5.5%

EV/EBIT
13.1x

NFV/Market Cap
17%

JADE GROUP (formerly LOCONDO) ("JADE"), an apparel ecommerce company, achieved a near doubling of its share price, up +96% and adding 179bps to performance. Full-year profits in February 2023 came in above forecasts (¥991m vs. ¥900m), but it was the company's +33% sales and +76% profit growth forecast for the year ending February 2024 that propelled the share price. By the 9-month mark at the end of December, operating profits had grown +99.9%.

JADE had been heavily investing in logistics infrastructure, leading to ballooning fixed costs weighing on profits and resulting in unutilised warehouse capacity. Last year it won the right to manage the Reebok brand in Japan through a joint venture with Itochu. Having already made the warehouse capacity investments, the company benefited from the power of operating leverage, with Reebok's incremental sales flowing straight to the bottom line. This year's profit guidance is in line with the mid-term plan, and management estimate that with further accretive acquisitions, they can grow profits by another 34% next year.

Alongside these results, JADE announced a 3.6% share buyback, which was well received. CEO Yusuke Tanaka's insightful 14-page shareholder letter detailed the company's history, what management have learned and management's growth strategy. He made a compelling argument as to why JADE justifies a ¥30bn-50bn market cap, much higher than the current ¥23bn market cap. While it will require flawless execution of the plan to achieve the higher end of that range, we do not think it is entirely unrealistic.

Across AVI funds, we are JADE's largest shareholder, owning just under 10% of the shares, and have maintained regular engagement with the company. We are optimistic about the company's growth prospects, which we don't think are being fully reflected in its 13x EV/EBIT multiple.

After the year end in February 2024, JADE announced the acquisition of Magaseek, which will see Gross Merchandise Value ("GMV") double and, although not yet confirmed by the Company, double its profits over the coming years. At the time of writing, JADE's share price is up +29% after the year end.

Indexed Share Price

Since position in AJOT initiated (Nov 2021)

Strategic Report / Investment Manager's Report continued

CONTRIBUTORS

Shin-Etsu Polymer

Contribution (GBP)
2.2%

% of net assets
7.4%

EV/EBIT
7.3x

NFV/Market Cap
37%

Shin-Etsu Polymer, a semiconductor wafer case manufacturing company, saw its share price increase by +53%, adding 220bps to performance. The strong return was propelled by increased scrutiny from the TSE on the archaic practice of listed parent/subsidiary structures. Despite the challenging business environment this year for Shin-Etsu Polymer, with wafer manufacturers adjusting their inventory weighing on the demand for wafer carrier cases, the business performed resiliently and has forecast modest sales and profit growth of +2.5% and +2.0% respectively.

Trading on an EV/EBIT of just 7.6x, with net cash amounting to about 33% of the market cap at the year end, Shin-Etsu Polymer is still undervalued, owing to its parent/subsidiary structure with Shin-Etsu Chemical, who own over 50% of the shares. With Shin-Etsu Chemical being both a customer and supplier of Shin-Etsu Polymer, there are potential conflicts of interest. The absence of a majority independent board, coupled with the presence of former Shin-Etsu Chemical employees as directors, raises governance concerns. While we appreciate that management have made modest improvements, we believe these measures do not adequately address key issues enough to rectify the company's undervaluation.

We have put forward proposals to both Shin-Etsu Polymer and Shin-Etsu Chemical in private, seeking to achieve a majority independent board and to dissolve the listed structure entirely. We hope both companies will recognise the current shortcomings and take further action to grow corporate value and protect shareholders' interests. Pressure from the TSE, shareholders and wider stakeholders to address conflicts from parent/subsidiary structures will not wane.

Indexed Share Price

Since position in AJOT initiated (Dec 2021)

Nihon Kohden

Contribution (GBP)
2.0%

% of net assets
9.7%

EV/EBIT
15.3x

NFV/Market Cap
17%

Nihon Kohden, was the 5th largest contributor, adding 200bps to performance with a +42% share price return. Nihon Kohden is a global leader in medical equipment manufacturing, renowned for launching the world's first AC-powered EEG machine. The company is now diversified across patient monitors, ventilators and defibrillators.

Earnings over the year were respectable, with Nihon Kohden continuing to benefit from overseas growth and increased healthcare expenditure. As management work towards a refreshed strategy with their May 2024 mid-term plan, there has been a distinct absence of market moving announcements from the company. Rather, it was the disclosure from a well-known US activist fund that it had purchased 5% of Nihon Kohden's shares that drove the share price higher. We have admired this fund's engagement with Nihon Kohden's peer, Olympus (a large-cap Japanese company not held in the portfolio) and referenced the success of Olympus' transformation plan in our engagement to Nihon Kohden.

Although Nihon Kohden's discount to peers has narrowed since we initiated our position, currently trading on an EV/EBIT multiple of 15x compared to peers' 20x, we believe this doesn't fully capture the substantial potential we envision for the business. Under the leadership of President Ogino, the Grandson of Nihon Kohden's founder, we see a pathway for the business to improve operating margins from 10% to 15% and transition its focus from lumpy medical equipment sales to recurring digital services. Coupled with 5% projected annual sales growth, we estimate that over the next five years operating profits have the potential to nearly double.

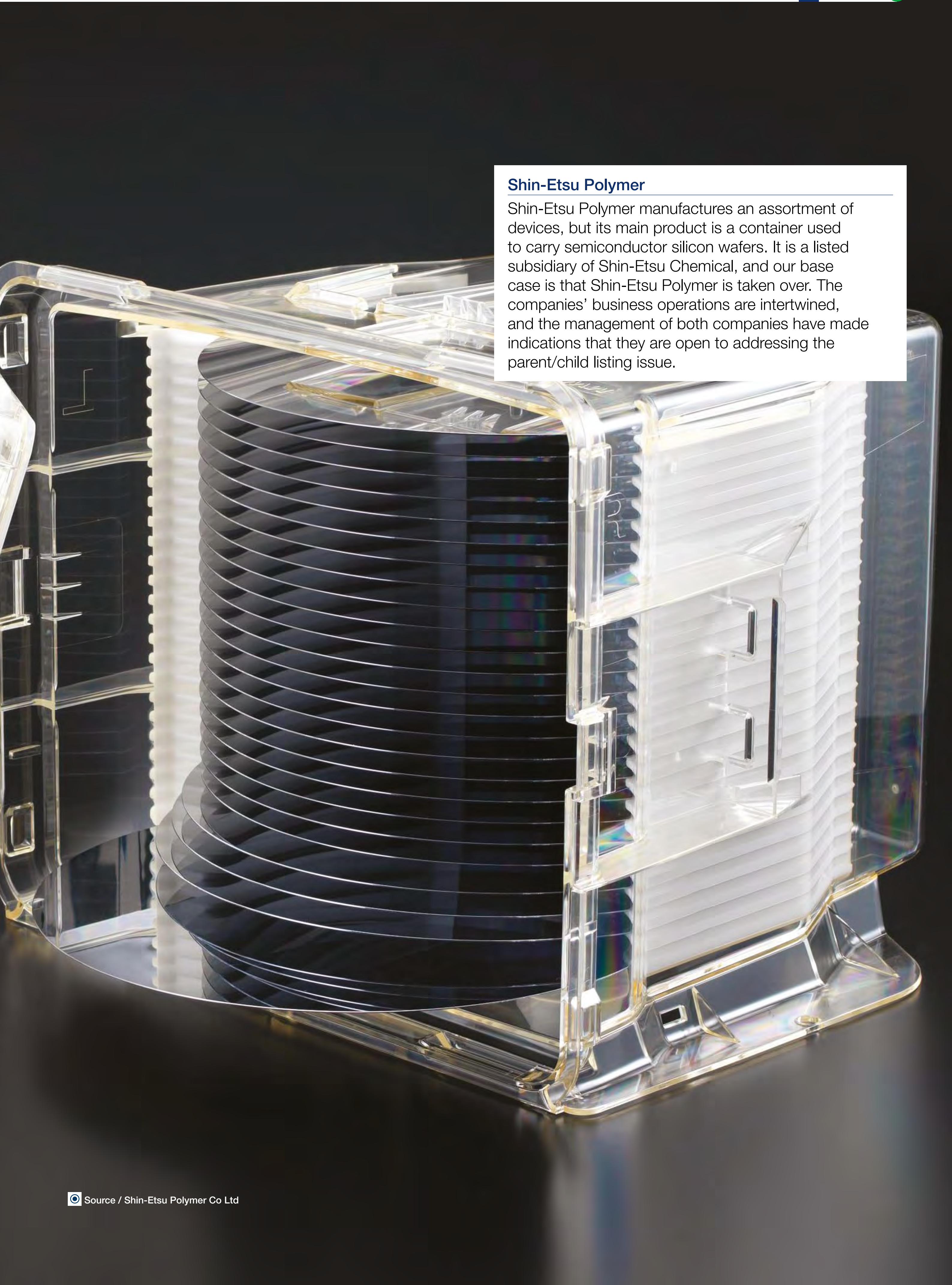
Although the transformation is still in its early stages, we are confident it can be achieved. It is encouraging to see another activist investor recognise the potential, and we look forward to continuing our engagement ahead of the May 2024 mid-term plan. We still see over +100% upside to the prevailing share price.

Indexed Share Price

Since position in AJOT initiated (Sep 2022)

Shin-Etsu Polymer

Shin-Etsu Polymer manufactures an assortment of devices, but its main product is a container used to carry semiconductor silicon wafers. It is a listed subsidiary of Shin-Etsu Chemical, and our base case is that Shin-Etsu Polymer is taken over. The companies' business operations are intertwined, and the management of both companies have made indications that they are open to addressing the parent/child listing issue.



Source / Shin-Etsu Polymer Co Ltd

Strategic Report / Investment Manager's Report continued

DETRACTORS

Digital Garage

Contribution (GBP)	% of net assets
-2.2%	4.5%
EV/EBIT	**NFV/Market Cap**
10.3x	60%

Digital Garage, which operates one of Japan's largest payment settlement businesses, was the leading detractor from performance in 2023, with a -19% fall in its share price reducing performance by 216bps.

The weak share price can be attributed, in no small part, to the release of a profoundly disappointing mid-term plan in May. Leading up to the release of the mid-term plan, AVI had been engaging with Digital Garage extensively, having sent a letter to the Board advocating for all strategic options to be considered. This year, we submitted a 72-page presentation as part of our ongoing engagement, addressing matters such as shareholder communication, group strategy and the inefficient holding structure.

Rather than listening to our concerns, as well as those publicly raised by another shareholder, management persisted with its suboptimal strategy. The mid-term plan fell short of addressing the holding structure and the questionable 20% stake in listed Kakaku.com, nor did it make a convincing case as to how, without change, the performance of the payment business would improve. The negative share price reaction demonstrated that we were not alone in our disappointment.

After careful consideration, in November 2023 we issued a press release aiming to spur management into action. The release conveyed concerns regarding Digital Garage's corporate governance and the credibility of its directors, whilst also announcing our intention to vote against their re-election at the June 2024 AGM.

Unfortunately, at the end of the year, defiant to the trend of reducing cross-shareholdings, Digital Garage issued 5.25% of its treasury shares to Resona HD, with Resona HD committed to purchasing an additional 4.75% in the market. In return, Digital Garage intends to hold discussions regarding the acquisition of shares in a Resona HD subsidiary and setting up a venture fund together. We are perplexed as to what led management to believe that issuing deeply undervalued shares in such a convoluted manner would create value for shareholders. The lack of concrete tie-ups with Resona HD suggests a hastily executed deal, where it appears the primary beneficiaries are the advisors and management focused on protecting themselves from shareholder accountability.

Digital Garage has been in the portfolio since inception, and despite initially being a strong performer, its returns have eroded, leading us with a rather underwhelming return on investment of +6.2% and an IRR of +2.6% over the holding period. Over the past three years, Digital Garage's share price has declined by -1.8%, in contrast to the TOPIX, which has returned +41.1%. Over longer periods the relative performance has fared no better.

With the current leadership and status quo strategy, we would not be surprised if Digital Garage continues to erode shareholder value. Despite our lack of faith in management's ability to drive shareholder value, the shares do trade at a significant undervaluation. Overtime, we anticipate reallocating the position to more attractive opportunities.

Digital Garage

Digital Garage is a holding company with a high-quality payments' platform business, a portfolio of fintech VC investments, and a 20% stake in listed Kakaku.com. The confusing structure obfuscates the strong payment business, with the consolidation of profits from its investment portfolio diminishing its perception by investors.

Source / Getty Images

Indexed Share Price

Since position in AJOT initiated (Jun 2021)

DETRACTORS

NC Holdings

Contribution (GBP)
-1.5%

% of net assets
4.9%

EV/EBIT
7.0x

NFV/Market Cap
65%

NC Holdings was the second largest detractor in 2023, reducing returns by -151 bps. NC Holdings primarily operates multi-storey parking and conveyor belt businesses in Japan. AJOT initiated its position in NC Holdings in June 2021, and has experienced a total return of -3.5% in GBP or +12.7% in Japanese Yen over the period.

During the AGM season in June 2023, we submitted shareholder proposals to NC Holdings regarding the revision of stock-based remuneration and dividends. Notably, three proposals were successfully passed, including a special resolution.

NC Holdings had previously encountered challenges in adequately disclosing the company's mid-long-term management policy for enhancing corporate value. NC Holdings neither conducts financial results briefing meetings nor publishes supplemental IR presentations. However, following the period of our public campaign, NC Holdings announced in June 2023 that it is committed to disclosing information on the management direction that the board of directors intends to pursue in order to improve its enterprise value, including the specific measures that they plan to implement. We await the disclosure with great interest, eager to see how NC Holdings will communicate concrete growth strategies, investment plans, capital efficiency improvement policy and business portfolio strategies in the near future.

In terms of business, we understand that potential growth areas include the expansion of the free line conveyor business, which is the business of conveying earth and sand by conveyor for civil engineering works in general, and the expansion of sales to local municipalities. We have engaged in constructive dialogue with management regarding the implementation of a shift away from dependence on non-growth domains, such as coal-fired power plants. We believe that the company's medium- to long-term commitment to growing these businesses will contribute to a better understanding by the market of the potential value of the company.

We expect to realise the upside through ongoing constructive dialogue, addressing business management, capital policy and investor relations disclosure.

Indexed Share Price

Since position in AJOT initiated (Jun 2021)

SK Kaken

Contribution (GBP)
-0.7%

% of net assets
3.2%

EV/EBIT
<0.0x

NFV/Market Cap
105%

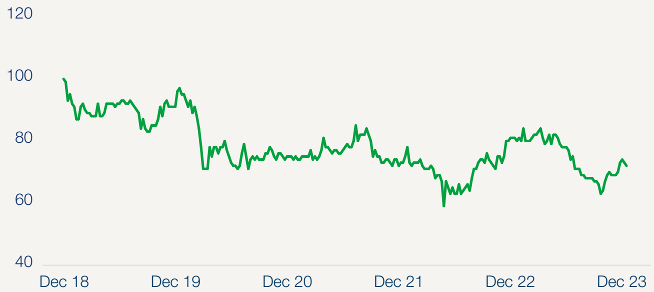
SK Kaken, a manufacturer of construction coating paints, was the third largest detractor, reducing performance by 70bps as its share price drifted -10% lower over the course of the year.

We continued our public engagement initiative, 'Painting a better SK Kaken', and for the third consecutive year we submitted shareholder proposals to SK Kaken's AGM. Our engagement has broadly focused on capital allocation, liquidity enhancement, corporate governance and shareholder communications. At this year's AGM, we campaigned for the return of the excess cash accumulated on the balance sheet to shareholders via dividends, along with the cancellation of treasury shares. While we achieved majority support from minority shareholders, the resolution was not passed, primarily due to the founding family's significant ownership stake.

On a more positive note, despite repeatedly resisting our suggestions for the past four years, management finally took steps in the right direction, as they conducted a 5-for-1 stock split, reduced the director tenure and transitioned to a company with an audit and supervisory committee, greater board independence and improved disclosure of ESG performance and quarterly results. Although we are pleased with the progress on these points, further action is needed to rectify the undervaluation, with SK Kaken currently trading on a negative EV/EBIT multiple, underscored by net cash covering 103% of the market cap.

SK Kaken has been in the portfolio since inception, and despite our engagement efforts has been a poor performer, yielding a return on investment of -18.4%, with an IRR of -4.4%. With a remarkably cheap valuation and stable business, we still see significant upside, albeit the timing of realising this upside is in the hands of the family.

Indexed Share Price



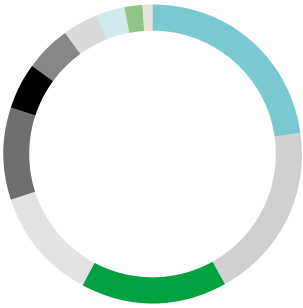
Since position in AJOT initiated (Inception: Oct 2018)

Strategic Report / Portfolio Construction

The objective of AVI's portfolio construction is to create a concentrated position in about 15-25 holdings, facilitating a clear monitoring process of the entire portfolio.

AVI picks stocks that meet our investment criteria and once we decide to invest, a minimum position size of approximately 2% of the portfolio is initiated. In determining position sizes, AVI is mindful of liquidity and the likely timing of any catalysts to unlock value. A key consideration is the make-up of the shareholder register, a proxy for how receptive management might be to our suggestions. The portfolio is diverse in the industries within it, however, we are sector agnostic and select investments based on quality and value.

Portfolio value by sector



	2023	2022
Materials	**23%**	29%
Capital Goods	**19%**	19%
Health Care Equipment and Services	**16%**	7%
Software and Services	**12%**	18%
Consumer Durables and Apparel	**10%**	6%
Technology Hardware and Equipment	**5%**	6%
Consumer Discretionary Distribution and Retail	**5%**	0%
Banks	**4%**	0%
Transportation	**3%**	2%
Automobiles and Components	**2%**	4%
Food, Beverage and Tobacco	**1%**	0%

Equity portfolio value by market capitalisation

	2023	2022
<£250m	**17%**	26%
£250m - £500m	**21%**	15%
£500m - £750m	**21%**	19%
£750m - £1bn	**29%**	17%
£1bn - £2.5bn	**11%**	23%
>£2.5bn	**1%**	0%

Average voting ownership of portfolio companies across all AVI funds

Top 10 Concentration (% of Net Assets)

Strategic Report / Japan Investment Team

OUTLOOK

The cascade of regulatory improvements in 2023 is, in our view, a seminal moment in the long and winding road to unlocking the enormous value trapped in Japanese companies. We see abundant opportunities to exploit mispriced companies in a highly inefficient market. The concentrated nature of our portfolio and large upsides leaves us excited about the potential to generate significant alpha. This was evidenced by Alps Logistics and JADE GROUP, who, at the time of writing have seen their share prices appreciate by +51% and +29% respectively in 2024.

Joe Bauernfreund
Asset Value Investors Limited

13 March 2024

JOE BAUERNFREUND

CEO, Portfolio Manager

DANIEL LEE

Co-Head of Japan Research

* Native Japanese speaker.

KAZ SAKAI

Co-Head of Japan Research*

SHUNTARO SHIMIZU

Senior Investment Analyst*

JASON BELLAMY

Senior Engagement Consultant*

LUKE HUTCHERSON

Junior Investment Analyst

ESME MORTER

ESG Analyst

YUKI NICOLAS

Japan Team Assistant*

Strategic Report / Investment Portfolio
As at 31 December 2023

Company	Stock Exchange Identifier	% of AJOT net assets	Cost £'000*	Market value £'000	% of investee company	NFV/Market capitalisation[1]	EV/EBIT[1]
Nihon Kohden	TSE: 6849	9.7%	14,230	17,735	0.8%	17%	15.3
TSI Holdings	TSE: 3608	8.7%	11,146	15,983	4.5%	82%	4.9
Takuma	TSE: 6013	8.6%	13,281	15,802	1.9%	51%	6.7
Konishi	TSE: 4956	8.5%	11,065	15,600	3.0%	47%	5.4
Shin Etsu Polymer	TSE: 7970	7.4%	10,298	13,555	1.8%	37%	7.3
DTS	TSE: 9682	7.4%	11,452	13,488	1.5%	43%	9.9
Eiken Chemical	TSE: 4549	6.5%	10,755	11,896	3.1%	40%	7.9
Wacom	TSE: 6727	5.6%	13,911	10,254	1.8%	14%	20.0
JADE GROUP	TSE: 3558	5.5%	7,013	10,005	7.4%	17%	13.1
NC Holdings	TSE: 6236	4.9%	8,613	8,998	18.4%	65%	7.0
Top ten investments		**72.8%**	**111,764**	**133,316**			
Digital Garage	TSE: 4819	4.5%	9,982	8,176	0.8%	60%	10.3
T Hasegawa	TSE: 4958	4.4%	6,799	7,942	1.1%	30%	10.5
SK Kaken	TSE: 4628	3.2%	9,445	5,836	0.9%	105%	<0.0
Aichi	TSE: 6345	3.0%	4,728	5,580	1.2%	54%	5.1
A-One Seimitsu	TSE: 6156	2.8%	4,571	5,189	9.1%	70%	15.1
Alps Logistics	TSE: 9055	2.6%	3,067	4,787	1.5%	31%	6.1
Soft99	TSE: 4464	1.8%	2,811	3,249	1.9%	78%	2.2
Kyoto Financial Group	TSE: 5844	1.5%	2,226	2,732	0.1%	85%	2.4
Shiga Bank	TSE: 8366	1.5%	2,410	2,685	0.3%	110%	<0.0
Hachijuni Bank	TSE: 8359	1.4%	2,198	2,567	0.1%	82%	2.2
Top twenty investments		**99.5%**	**160,001**	**182,059**			
Yaizu Suisankagaku Industry	TSE: 2812	1.1%	1,806	1,918	2.5%	70%	17.3
Daidoh	TSE: 3205	1.0%	1,602	1,880	2.3%	185%	<0.0
Total investments		**101.6%**	**163,409**	**185,857**			
Portfolio median						57%	6.9x
Portfolio weighted average						50%	8.7x
Other net assets and liabilities		(1.6%)		(2,914)			
Net assets		100.0%		182,943			

* Please refer to Glossary on pages 73 and 74.

1 Estimates provided by AVI. For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 73 and 74.

Strategic Report / Business Model

Business Model

Company Status

The Company is registered as a public limited company under the Companies Act 2006 and is an investment company under Section 833 of the Companies Act 2006. It is a member of The AIC.

The Company was incorporated on 27 July 2018 and listed on the London Stock Exchange on 23 October 2018.

The Company has been approved as an investment trust under Sections 1158/1159 of the Corporation Tax Act 2010. The Directors are of the opinion, under advice, that the Company continues to conduct its affairs as an Approved Investment Trust under the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company qualifies as an Alternative Investment Fund in accordance with the Alternative Investment Fund Managers Directive ("AIFMD").

Investment Objective

The Company's investment objective is to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index, through the active management of a focused portfolio of equity investments listed or quoted in Japan which have been identified by AVI as undervalued and having a significant proportion of their market capitalisation held in cash, listed securities and/or realisable assets.

Investment Policy

The Company invests in a diversified portfolio of equities listed or quoted in Japan which are considered by the Investment Manager to be undervalued and where cash, listed securities and/or realisable assets make up a significant proportion of the market capitalisation. AVI seeks to unlock this value through proactive engagement with management and taking advantage of the increased focus on corporate governance and returns to shareholders in Japan. The Board has not set any limits on sector weightings or stock selection within the portfolio. Whereas it is not expected that a single holding (including any derivative instrument) will represent more than 10% of the Company's gross assets at the time of investment, the Company has discretion to invest up to 15% of its gross assets in a single holding, if a suitable opportunity arises.

No restrictions are placed on the market capitalisation of investee companies, but the portfolio is weighted towards small and mid-cap companies. The portfolio normally consists of between 15 and 25 holdings although it may contain a lesser or greater number of holdings at any time.

The Company may invest in exchange traded funds, listed anywhere in the world, in order to gain exposure to equities listed or quoted in Japan. On acquisition, no more than 15% of the Company's gross assets will be invested in other UK listed investment companies.

The Company may also use derivatives for gearing and efficient portfolio management purposes.

The Company will not be constrained by any index benchmark in its asset allocation.

HOW WE INVEST

Portfolio Characteristics

1 Undervalued and Surplus Cash

+

2 Small-Cap Focused

+

3 High Quality Businesses

Defining our Universe

c.3,900
Listed Japanese Companies

1	Net Financial Value	>30% market cap[1]
2	Average daily traded value	>£25k
3	EV / EBIT	<10x
4	Industry Focus	Excl. financial sector

c.800
Companies in the AJOT Universe

1 Net Financial Value ("NFV") = investment securities + cash + treasury share value - net debt - net pension liabilities.

How we Generate Returns

1 Value Growth

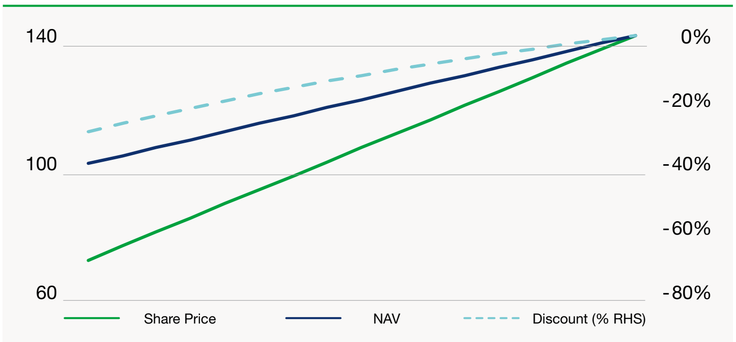
At the core of all AVI's investments are attractive businesses with durable earnings growth.

2 Discount Tightening

Occurs when the share price rises more than the NAV.

3 Compounding Effect

When these two sources of returns occur simultaneously, an attractive compounding effect enhances investment returns.



Theoretical example of how returns are generated in an AJOT investment.

Strategic Report / Business Model continued

Borrowing Policy

The Company may use borrowings for settlement of transactions, to meet ongoing expenses and may be geared through borrowings and/or by entering into long-only contracts for difference or equity swaps that have the effect of gearing the Company's portfolio to seek to enhance performance.

The aggregate of borrowings and long-only contracts for difference and equity swap exposure will not exceed 25% of NAV at the time of drawdown of the relevant borrowings or entering into the relevant transaction, as appropriate. It is expected that any borrowings entered into will principally be denominated in JPY.

Hedging Policy

The Company does not currently intend to enter into any arrangements to hedge its underlying currency exposure to investments denominated in JPY, although the Investment Manager and the Board may review this from time to time.

Material Changes to the Investment Policy

No material change will be made to the Company's investment policy without Shareholder approval. In the event of a breach of the Company's investment policy, the Directors will announce through a Regulatory Information Service the actions which have been taken to rectify the breach.

Management Arrangements

The Company has an independent Board of Directors which has appointed AVI, the Company's Investment Manager, as Alternative Investment Fund Manager ("AIFM") under the terms of an Investment Management Agreement ("IMA") dated 6 September 2018. The IMA is reviewed annually by the Board and may be terminated by one year's notice from either party subject to the provisions for earlier termination as stipulated therein.

The portfolio is managed by Joe Bauernfreund, the Chief Executive Officer and Chief Investment Officer of AVI. He also manages AVI Global Trust PLC, and AVI's open-ended and segregated portfolios across Family Holding Companies and Japan strategies. He conducts regular visits to Japan, engaging with prospective and current investments, which he has done for over 15 years.

Management fees are charged in accordance with the terms of the management agreement, and provided for when due. The Investment Manager is entitled to an annual fee of 1% per annum of the lesser of the Company's NAV or the Company's market capitalisation, invoiced monthly in arrears. The IMA requires AVI to invest not less than 25% of the management fee in shares in the Company. Management fees paid during the year were £1,613,000 and the number of shares held by AVI is set out in note 16.

J.P. Morgan Europe Limited was appointed as Depositary under an agreement with the Company and AVI dated 6 September 2018 (the "Depositary Agreement"). The Depositary Agreement is terminable on 90 calendar days' notice from either party.

JPMorgan Chase Bank, London Branch, has been appointed as the Company's Custodian under an agreement dated 6 September 2018 (the "Custodian Agreement"). The Custodian Agreement is terminable on 90 calendar days' notice from the Company or 180 calendar days' notice from the Custodian.

Link Company Matters Limited was appointed as corporate Company Secretary on 27 July 2018. The current annual fee is £76,000, which is subject to an annual RPI increase. The agreement may be terminated by either party on six months' written notice.

Link Alternative Fund Administrators Limited has been appointed to provide general administrative functions to the Company. The Administrator receives an annual fee of £113,000. The agreement can be terminated by either the Administrator or the Company on six months' written notice, subject to an initial term of one year.

DIRECTORS' DUTIES

Overview

The Directors' overarching duty is to act in good faith and in a way that is the most likely to promote the success of the Company as set out in Section 172 of the Companies Act 2006 ("Section 172"). In doing so, Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make, as well as aim to maintain a reputation for high standards of business conduct and f air treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duty under Section 172 below.

To ensure that the Directors are aware of, and understand, their duties, they are provided with the pertinent information when they first join the Board, as well as receive regular and ongoing updates and training on the relevant matters. They also have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice. The schedule of matters reserved for the Board, as well as the terms of reference of its committees, are reviewed on at least an annual basis and further describe Directors' responsibilities and obligations and include any statutory and regulatory duties. The Audit Committee has the responsibility for the ongoing review of the Company's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company's risk register and are subject to periodic and regular reviews and monitoring.

Decision-making

The importance of stakeholder considerations, in particular in the context of decision-making, is taken into account at every Board meeting. All discussions involve careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. Examples of decisions made by the Board on this basis include the buyback of 985,000 shares in order to control the discount, as the Board believes that this is in the interest of Shareholders as a whole. The Board also decided that it would be beneficial to visit Japan in person, to meet with the Tokyo Stock Exchange, a variety of portfolio companies, market participants, lawyers and advisors and to appoint a Japanese PR firm. This visit deepened the Directors' understanding of the opportunity set and of how the Company can be best positioned to benefit and thereby increased the Directors' ability to fulfill their responsibilities to stakeholders. In addition, in line with increasing stakeholder attention to Environmental, Social and Governance ("ESG") matters, the Board requests regular updates from its main service providers on these topics. Following feedback received from proxy advisers in their reports on the 2022 Annual Report, the Company has included more details on Board effectiveness, succession planning and in the Report from the Audit Committee.

Stakeholders

The Board seeks to understand the needs and priorities of the Company's stakeholders and these are taken into account during all its discussions and as part of its decision-making. The Board has discussed which parties should be considered as stakeholders of the Company.

Following thorough review, it was concluded that, as the Company is an externally managed investment company and does not have any employees or customers, its key stakeholders comprise its Shareholders and service providers. The section on the pages following discusses why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account.

Stakeholder	Importance	Board Engagement
Shareholders	Continued Shareholder support and engagement are critical to the existence of the Company and the delivery of the long-term strategy of the Company.	The Company has over 200 Shareholders, including institutional and retail investors. The Board is committed to maintaining open channels of communication and to engaging with Shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of Shareholders. These include: ✓ Annual General Meeting – The Company welcomes and encourages attendance and participation from Shareholders at the AGM. Shareholders have the opportunity to meet the Directors and Investment Manager and to address questions to them directly. Shareholders who are unable to attend the AGM in person are offered the opportunity to submit questions via email. The Investment Manager attends the AGM and provides a presentation on the Company's performance and the future outlook, which is made available on the Company's website following the meeting. The Company values any feedback and questions it may receive from Shareholders ahead of and during the AGM and will take action or make changes, when and as appropriate; ✓ Publications – The Annual Report and Half-Year results are made available on the Company's website and the Annual Report is circulated to Shareholders. These reports provide Shareholders with a clear understanding of the Company's portfolio and financial position. This information is supplemented by the daily calculation and publication of the NAV per share and a monthly factsheet and quarterly reports which are available on the Company's website and the publication of which is announced via a Regulatory Information Service. Feedback and/or questions the Company receives from the Shareholders help the Company evolve its reporting, aiming to render the reports and updates transparent and understandable; ✓ Shareholder meetings – Unlike trading companies, Shareholder meetings often take the form of meeting with the Investment Manager rather than members of the Board. Shareholders are able to meet with the Investment Manager throughout the year and the Investment Manager provides information on the Company and videos on the Company's website and via various social medial channels. Feedback from all meetings between the Investment Manager and Shareholders is shared with the Board. The Chairman, the Chairman of the Audit Committee or other members of the Board are available to meet with Shareholders to understand their views on governance and the Company's performance where they wish to do so. With assistance from the Investment Manager, the Chairman seeks meetings with Shareholders who might wish to meet with him and Shareholders can contact him through our broker, Singer Capital Markets;

Strategic Report / Business Model continued

Stakeholder	Importance	Board Engagement
Shareholders continued		- Shareholder concerns – in the event Shareholders wish to raise issues or concerns with the Directors, they are welcome to do so at any time by writing to the Chairman at the registered office. Other members of the Board are also available to Shareholders if they have concerns that have not been addressed through the normal channels; - Exit opportunities – the Directors may, at their discretion, offer Shareholders the opportunity to exit the Company at close to NAV every two years. The Board and the Corporate Broker carried out a consultation regarding the potential exit opportunity in 2022 during the summer of 2022, with Shareholders representing a significant majority of the shares in issue. The Company established that Shareholders who expressed an opinion were supportive of the Company forgoing the administrative burden and expense of an exit opportunity in October 2022. A similar consultation will take place in the months leading up to future potential exit opportunities, with the next consultation taking place in 2024; and - Investor Relations updates – at every Board meeting, the Directors receive updates from the Company's broker on the share trading activity, share price performance and any Shareholders' feedback, as well as an update from the Investment Manager on any publications or comments by the press. To gain a deeper understanding of the views of its Shareholders and potential investors, the Investment Manager also undertakes regular Investor Roadshows. Any pertinent feedback is taken into account when Directors discuss the share capital, any possible fundraisings or the dividend policy and actioned as and when appropriate. The willingness of the Shareholders, including the partners and staff of the Investment Manager, to maintain their holdings over the long-term period is another way for the Board to gauge how the Company is meeting its objectives and suggests a presence of a healthy corporate culture.

Stakeholder	Importance	Board Engagement
Service Providers		
The Investment Manager	Holding the Company's shares offers investors an investment vehicle through which they can obtain exposure to AJOT's diversified portfolio of small to mid-cap Japanese equities. The Investment Manager's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index through active management of the portfolio and engagement with portfolio companies.	Maintaining a close and constructive working relationship with the Investment Manager is crucial, as the Board and the Investment Manager both aim to continue to achieve consistent, long-term returns in line with the investment objective. Important components in the collaboration with the Investment Manager, representative of the Company's culture, are: • encouraging open discussion with the Investment Manager, allowing time and space for original and innovative thinking; • the Chairman has frequent conversations with the Investment Manager to talk through any matters discussed by the Board between scheduled meetings, as well as any matters raised by the Investment Manager; • the IMA requires AVI to invest not less than 25% of the management fee in shares in the Company and to hold these for a minimum of two years which ensures that the interests of Shareholders and the Investment Manager are well aligned; • recognising the alignment of interests mentioned above, adopting a tone of constructive challenge, balanced with robust negotiation of the Investment Manager's terms of engagement if those interests should not be fully congruent; • drawing on Board Members' individual experience and knowledge to support the Investment Manager in its monitoring of and engagement with portfolio companies; and • willingness to make the Board Members' experience available to support the Investment Manager in the sound long-term development of its business and resources, recognising that the long-term health of the Investment Manager is in the interests of Shareholders in the Company.
The Administrator, the Company Secretary, the Registrar, the Depositary, the Custodian and the Corporate Broker	In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of reputable advisors for support in meeting all relevant obligations.	The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views are routinely taken into account. The Board formally assesses their performance, fees and continuing appointment at least annually, to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. During the year under review, the Board decided to appoint Equiniti Limited as its Registar, replacing Link Group plc, to achieve a cost saving. Each year, all key service providers are asked to complete a questionnaire regarding the matters discussed above, the results of which are discussed during a formal review of service providers at the March Board meeting. The Audit Committee reviews and evaluates the control environment in place at each service provider and also requests confirmation that key service providers have the relevant policies in place, including those on business continuity, cyber security and fraud prevention.

Strategic Report / Business Model continued

Stakeholder Other Stakeholders	Importance	Board Engagement
Lender	Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	Therefore, the Company aims to demonstrate to lenders that it is a well-managed business, capable of consistently delivering long-term returns.
Proxy Advisors	Where relevant, the evolving practice and support (or lack thereof) of proxy adviser agencies are considered by the Directors, as the Company aims to build a good reputation and maintain high standards of corporate governance, which contribute to the long-term sustainable success of the Company.	When deemed relevant, the Company will engage with proxy advisers regarding resolutions that will be proposed to the Company's Shareholders at AGMs and, based on feedback received, incorporate changes to future Annual Reports to enhance disclosures. This year, the Company has further expanded its disclosures on Board effectiveness, succession planning and the Report from the Audit Committee based on feedback received from proxy advisors in their reports on the 2022 Annual Report.
Regulators	The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its Shareholders.	The Company follows voluntary and best-practice guidance, regularly considers how it meets various regulatory and statutory obligations and how any governance decisions it makes can have an impact on its stakeholders, both in the shorter and in the longer-term.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and are discussed on a regular basis at Board meetings, to ensure that they remain effective.

CULTURE

The Directors agree that establishing and maintaining a healthy corporate culture within the Board and in its interaction with the Investment Manager, Shareholders and other stakeholders, will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Manager.

The Board strives to ensure that its culture is in line with the Company's purpose, values and strategy. The Company has a number of policies and procedures in place to assist with maintaining good corporate governance, including those relating to diversity, Directors' conflicts of interest and Directors' dealings in the Company's shares. The Board assesses and monitors compliance with these policies, as well as the general culture of the Board, regularly through Board meetings and in particular during the annual evaluation process (for more information see the performance evaluation section on page 44).

The Board seeks to appoint the best possible service providers and evaluates their service on a regular basis as described on page 27. The Board considers the culture of the Investment Manager and other service providers, including their policies, practices and behaviour, through regular reporting from these stakeholders and in particular during the annual review of the performance and continuing appointment of all service providers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

As an investment trust without employees, the Company's own direct environmental impact is minimal and as such, the Company is also not required to report against the TCFD framework. The Company has minimal direct greenhouse gas emissions to report from its operations (2022: minimal), nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Li mited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Where a large company does not consume more than 40,000 kWh of energy in a reporting period, it qualifies as a low energy user and is exempt from reporting under these regulations. This exemption applies to the Company.

As the Directors traveled to Japan during the year under review, they considered several schemes available to offset the carbon footprint of their visit. Following an in-depth review of the schemes, the Board concluded that none of the schemes was currently able to offer a solution which could be considered the best use of Shareholder's funds. Accordingly, the Directors undertook to each review individually the best way to offset the carbon footprint of this visit.

The Company's operations are delegated to third-party service providers, and the Company has no employees. The Board seeks assurances, at least annually, from its suppliers that they comply with the provisions of the UK Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

The Directors do not have service contracts. There are four Directors, two male and two female. Further information on the Board's policy on diversity and recruitment of new Directors is contained on page 42.

Both the Board and AVI recognise that social, human rights, community, governance and environmental issues have an effect on its investee companies. The Board supports AVI in its belief that good corporate governance will help to deliver sustainable long-term Shareholder value. AVI is an investment management firm that invests on behalf of its clients and its primary duty is to produce returns for its clients. AVI seeks to exercise the rights and responsibilities attached to owning equity securities in line with its investment strategy. A key component of AVI's investment strategy is to understand and engage with the management of public companies. AVI's Stewardship Policy recognises that Shareholder value can be enhanced and sustained through the good stewardship of executives and boards. It therefore follows that in pursuing Shareholder value AVI will implement its investment strategy through proxy voting and active engagement with management and boards. Further details on AVI's environmental, social and governance policy can be found on pages 32 and 33.
AVI became supporters of the Task Force on Climate-related Financial Disclosures ("TCFD") in May 2021 and a signatory to the UN-supported Principles for Responsible Investment ("PRI") on 9 April 2021. The PRI is the world's leading proponent of responsible investment which entails the following commitments, developed by an international group of institutional investors.

As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, Asset Value Investors Limited commit to the following:

- to incorporate ESG issues into investment analysis and decision-making processes;
- to be an active owner and to incorporate ESG issues into our ownership policies and practices;
- to seek appropriate disclosure on ESG issues by the entities in which we invest;
- to promote acceptance and implementation of the Principles within the investment industry;
- to work with the PRI Secretariat and other signatories, to enhance their effectiveness in implementing the Principles; and
- to report on our activities and progress towards implementing the Principles.

PRI Principles for Responsible Investment

AVI became a signatory to the UN-supported Principles for Responsible Investment (PRI) on 9 April 2021.

Strategic Report / Business Model continued

Key Performance Indicators

The Company's Board meets regularly and at each meeting reviews performance against a number of key measures. In selecting these measures, the Directors considered the key objectives and expectations of typical investors in an investment trust such as the Company. These indicators are alternative performance measures ("APM"s).

NAV Total Return Performance[1]
1 YEAR*

15.8%

Since Inception ("SI")	40.5%
SI Annualised	6.8%

The Directors regard the Company's NAV total return as being the overall measure of value delivered to Shareholders by the Investment Manager over the long term. Total return reflects both the NAV growth of the Company and also dividends paid to Shareholders. Since the launch on 23 October 2018, the Company's NAV has increased by 40.5%, resulting in an annualised return of 6.8%. The Investment Manager's investment style is such that performance is likely to deviate materially from that of any broadly based equity index. The Board considers the most useful comparator to be the MSCI Japan Small Cap Index. Since the launch on 23 October 2018, the benchmark has increased by 16.2%, resulting in an annualised return of 3.0%. For the year ended 31 December 2023, the Company's NAV increased by 15.8%. The MSCI Japan Small Cap Index increased by 6.9%. A full description of performance and the investment portfolio is contained in the Investment Manager's Report, commencing on page 12.

Discount/Premium[1]
DISCOUNT, 31 DECEMBER 2023

-2.5%

Premium, High for the period	3.5%
Discount, Low for the period	-7.4%

The Board believes that an important driver of an investment trust's discount or premium over the long term is investment performance. However, there can be volatility in the discount or premium. Therefore, the Board seeks Shareholder approval each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium. During the period under review, 3,375,000 new shares were issued under the authorisation granted at the AGM, using the Company's Block Listing Facility (as well as 985,000 previously bought back shares issued from treasury). During the year, 985,000 shares were bought back into treasury under the authorisation granted at the AGM.

As at 13 March 2024, the Company had 140,836,702 shares in issue.

The Company has a successful discount control policy whereby if, under normal market conditions, the four-month average share price discount to NAV is greater than -5%, the Company will buy back shares with the intention of reducing the discount to a level no greater than -5%. Since IPO, the Company has bought back shares on seven occasions under this policy.

Peer Group NAV Performance Total Return AIC Japanese Smaller Companies Sector*
AVI JAPAN OPPORTUNITY TRUST

15.8%

Average AIC peer group	6.0%
JP Morgan Japan Smaller Companies	4.6%
Baillie Gifford Shin Nippon	-9.8%
Nippon Active Value	23.1%

The Board is aware of other investment trusts in The AIC Japanese Smaller Companies Sector. Each investment trust has its own focus and strategy which will differ from the one implemented by AVI. The Company's activist approach is concurrent with the focus on corporate governance reform taking place in Japan.

Ongoing Charges[1]
31 DECEMBER 2023

1.5%

31 December 2022	1.5%

The Board continues to be conscious of expenses and aims to maintain a sensible balance between good service and costs. In reviewing charges, the Board reviews in detail each year the costs incurred and ongoing commercial arrangements with each of the Company's key suppliers. The majority of the ongoing charges ratio is the cost of the fees paid to the Investment Manager. This fee is reviewed annually and the Board believes that the cost is reasonable, given the Investment Manager's activist approach to fund management and the resources required to provide the level of service. The Company adheres to The AIC guidance in calculating its ongoing charges ratio.

Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern based on detailed profit and loss and cash flow forecasts, covering the period up to and including 31 December 2025. These forecasts have been 'stressed' for inflation, as well as a severe and sudden downturn in market conditions under which it is assumed that the investment portfolio will lose 45% of its value. Even under this extreme 'stress' scenario, the Company has adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date these financial statements were approved). The Directors also regularly assess the resilience of key third-party service providers, most notably the Investment Manager and Fund Administrator. The Directors do not have any concerns about the financial viability of the Company's third-party service providers.

* Returns are for the year to 31 December 2023.

1 For all Alternative Performance Measures, please refer to the definitions in the Glossary on pages 73 and 74.

Going Concern continued

Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, having taken into account liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance) and the potential exit opportunity in October 2024 as discussed in the viability statement below. Therefore, the financial statements have been prepared on a going concern basis.

Viability

The Directors consider viability as part of their continuing programme of monitoring risk. The Directors believe five years to be a reasonable time horizon to consider the continuing viability of the Company, reflecting a balance between a longer-term investment horizon and the inherent shorter-term uncertainties within equity. The Company is an investment trust whose portfolio is invested in readily realisable listed securities and with some short-term cash deposits.

The five-year time horizon takes into account that the Directors may offer Shareholders a potential opportunity to exit the Company at close to NAV in October 2024 and every two years thereafter. The Board, together with its advisers, will canvass opinion from Shareholders in the months leading up to October 2024 when making the decision in respect of any potential Exit Opportunity. Such a consultation previously took place during the year to 31 December 2022. Following consultation with Shareholders representing a significant majority of the shares in issue during the summer of 2022, the Company established that Shareholders who expressed an opinion were supportive of the Company forgoing the administrative burden and expense of an exit opportunity in October 2022. The Directors have reviewed the Shareholders of the Company, Shareholder feedback, the current market position and performance. Considering this, no significant uptake by Shareholders of any potential exit opportunity in 2024 is expected. The investment strategy remains robust.

The following facts support the Directors' view of the viability of the Company:

- in the year under review, expenses (including finance costs and taxation) were adequately covered by investment income and there is no expectation that these expenses would significantly increase over the next five years. In addition, cash flow forecasts have been prepared and stress tested to simulate: a) inflation at 20% and b) a 45% fall in the value of the investment portfolio. These forecasts illustrate that the Company would continue to hold sufficient cash even under the most severe stress scenarios;
- the Company's investment portfolio is made up of listed equities;
- the Company has short-term debt of ¥2.9 billion (£16.3 million) via an unsecured revolving credit facility (extended for two years to February 2024 during February 2022 and subsequently extended to 5 April 2024 on the same terms). The facility is to be extended for a further two years. In the unlikely event that the facility could not be extended, the Board has reviewed detailed liquidity analysis and is comfortable that the debt could be repaid from available cash and liquid investments, should this be necessary. This debt was covered over 12 times as at the end of December 2023 by the Company's total assets. The Directors are of the view that, subject to unforeseen circumstances, the Company will have sufficient resources to meet the costs of annual interest and eventual repayment of principal on this debt; and
- the Company has a large margin of safety over the covenants on its debt.

The Company's viability depends on the Japanese and the global economy and markets continuing to function. The Directors also consider the possibility of a wide-ranging collapse in corporate earnings and/or the market value of listed securities. To the latter point, it should be borne in mind that a significant proportion of the Company's expenses are investment management fees, which would reduce if the market value of the Company's assets were to fall. In arriving at its conclusion, the Board has taken account of the potential effects of another global event (e.g. similar to the COVID-19 pandemic or the invasion of Ukraine) on the value of the Company's assets, income from those assets and the ability of the Company's key suppliers to maintain effective and efficient operations.

In order to maintain viability, the Company has a robust risk control framework which follows the FRC guidelines and has the objectives of reducing the likelihood and impact of: poor judgement in decision-making, risk-taking that exceeds the levels agreed by the Board, human error or control processes being deliberately circumvented.

Taking the above into account, and the potential impact of the principal risks as set out on pages 36 and 37, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of five years from the date of approval of this Annual Report.

Strategic Report / ESG Policy

ESG Perspective

ABOUT ASSET VALUE INVESTORS

It is our view that a responsible approach to the environment, society and governance is key to long-term sustainable businesses. This guiding principle is embedded not only in our investment philosophy but in how we manage Asset Value Investors as a company.

Our primary goal is to reduce emissions, however we are also researching appropriate methods to offset unavoidable emissions.

AVI'S 2023 EMISSIONS FROM COMMUTING AND BUSINESS TRAVEL

86 tonnes CO_2e*

* Calculated in accordance with GHG Protocol Standards (distance-based method).

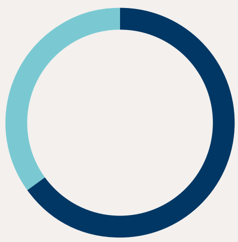
We believe that shareholders and stakeholders need not be in conflict.

EMPLOYEES WITH EQUITY OWNERSHIP IN AVI

39%

People are the most important asset at AVI. We recognise that our industry has traditionally been skewed towards a less diverse workforce. We are actively challenging this.

DIVERSITY OF WORKFORCE*



	2023 Number	2023 %
Male	16	70
Female	7	30

* Data as at 31 December 2023.

OUR PURPOSE

Helping our clients to make the most of their financial future.

The people at Asset Value Investors ("AVI") are committed to leveraging our long heritage, stewardship, and expertise to make investing responsible, accessible, and profitable for everyone – individuals, families, institutions, private companies, and listed companies. Financial returns matter but we are in a unique position to influence positive change by questioning the practices of the companies we invest in for a more sustainable future.

OUR PHILOSOPHY

We are fundamentally committed to supporting long-term sustainable businesses that will grow and participate in the prosperity of the economy, with a responsible approach to the environment, society, and governance.

We believe that the integration of ESG and sustainability considerations into our investment strategy is not only integral to comprehensively understanding each investment's ability to create long-term value, but aligned with our values as responsible investors.

OUR PRINCIPLES

We are aligned with the PRI's belief that an economically efficient, sustainable global financial system is a necessity for long-term value creation.

Such a system will reward long-term responsible investment and better align investors with the broader objectives of society. AVI became a signatory to the UN-supported Principles for Responsible Investment ("PRI") on 9 April 2021. In doing so, we have confirmed our belief in our duty to act in the best long-term interests of our beneficiaries.

OUR APPROACH

As research-driven value investors, we seek to truly understand each company in our portfolio and the context within which it operates on a case-by-case basis.

AVI has built ESG factors into its proprietary database and implemented a number of processes to support the integration of ESG considerations into each stage of the investment process.

DEFINING 'E', 'S' & 'G'

Drawing on the World Economic Forum's '21 core metrics', AVI has identified the factors that we believe are the most material and relevant to our investments and developed a bespoke ESG monitoring system to track the performance and progress of our portfolio companies against defined ESG metrics.

E

We define Environmental sustainability within the context of:

- Environmental Impact
- Tackling Climate Change
- Sustainable Management

We believe that there is a collective duty to take urgent and meaningful action in tackling climate change, and corporate transparency and accountability is integral to this.

Our metrics enable us to track a company's environmental impact and assess the extent to which strategies to reduce negative impacts and manage climate-related risks and opportunities are integrated into business strategy.

These metrics are key to highlighting unsustainable business strategy and assessing vulnerability in the context of limited resources, increasingly stringent environmental regulations, and a responsibility to embed environmentally sustainable business practices.

S

Our Social focus is divided into:

- Dignity and Equality
- Wellbeing and Development
- Community Engagement

We believe that long-term value is most effectively created by serving the interests of all stakeholders.

Promoting dignity and equality and investing in the wellbeing and development of employees not only positively impacts society but the sustainability of a company.

Our metrics assess the measures that our investee companies have in place to foster a work environment that is inclusive, safe and rewarding. Moreover, we track the company's approach to community engagement and the steps taken to ensure responsible conduct throughout their supply chain.

G

Our approach to Governance includes:

- Quality of Governing Body
- Corporate Strategy
- Ethical Behaviour

We believe that the dynamism and knowledge necessary for strong governance is supported by the presence of diverse perspectives and skills.

Our metrics in this section examine the composition, representation and independence of the governing body, its integration of sustainability, and the policies and procedures in place to ensure corporate integrity, as well as the mechanisms available to ensure misconduct can be reported and remedied.

Pre-Investment

Exclusionary screening is not our guiding framework, however there are certain exceptions to this.

AVI will not invest in a company with direct involvement* in:

- Tobacco
- Controversial Weapons
- Pornography

Or companies that engage in child labour or human exploitation as defined by the relevant ILO conventions.

Assess company's **exposure to ESG risks and opportunities**, including climate-related risks and opportunities.

Identify whether the company is involved in any actual or potential violations of international norms and standards supported by **ISS^ Norms-based Research**.

* whereby more than 5% of that company's NAV is derived from these activities.

^ Institutional Shareholders Services group of companies.

Investment Period

ESG monitoring system built into our proprietary database to ensure ESG factors are considered alongside financial analysis.

Ongoing ESG assessments of portfolio companies' performance against defined ESG metrics. A scoring system is used to assess trends and highlight potential areas for engagement.

Tailored questionnaires sent to all companies based on our assessments to request additional ESG information and promote improved sustainability disclosure.

Ongoing controversy monitoring following a clear engagement pathway if companies are flagged.

Constructive engagement with boards and management to help sustainably increase corporate value by building resilience to ESG risks and promoting responsible business practices.

PRI Principles for Responsible Investment

AVI became a signatory to the UN-supported Principles for Responsible Investment ("PRI") on 9 April 2021.

Strategic Report / Our Approach to ESG

Incorporating ESG in our strategy

OUR STEWARDSHIP

Good stewardship should be viewed as a continuous practice and is essential to preserving and enhancing long-term value.

Active engagement is at the core of our investment strategy and our ESG monitoring system plays an important role in helping us to identify potential areas of engagement. As long-term investors, our aim is to build constructive relationships with the boards and management of the companies in which we invest, addressing issues and offering suggestions to sustainably improve corporate value in consideration of all stakeholders and in the best long-term interest of our clients.

Controversy Monitoring
Supported by ISS Norms Based Research, we also closely monitor any controversies and potential violations of international norms and standards associated with our universe. Whilst our hope is that controversies do not occur, they can be a marker of how well a company's policies are integrated into business operations and culture, highlighting vulnerabilities or structural problems and indicating where improvements can be made.

We believe that a responsible approach to the environment, society and governance is key to the long-term sustainability of our companies.

We are committed to actively engaging with our portfolio companies to help build resilience to long-term financially relevant ESG risks, and to promote sustainable attitudes.

During 2023:

- We conducted ESG assessments on 100% of portfolio companies, helping us to identify and address ESG-related issues with our portfolio companies.
- We sent tailored questionnaires to our portfolio companies helping us to better understand their progress and approach to ESG issues. This has proven to be a useful starting point in engaging with our companies on sustainability themes.

BESPOKE ENGAGEMENT

Our engagement is highly bespoke and takes a holistic approach, covering a wide range of topics including ESG themes.

We identify ESG engagement topics on a case-by-case basis and avoid generic guidance, instead carefully analysing issues within the company's particular context and offering detailed analysis and specific suggestions.

During 2023, we engaged a total of 124 times with 23 portfolio companies. Each engagement may address multiple topics at once.

E

We engaged on **environmental** themes with 5 companies a total of 17 times.

S

We engaged on **social** themes with 7 companies a total of 23 times.

G

We engaged on **governance** themes with 20 companies a total of 78 times.

No two engagements are the same; we do not believe that a 'one-size-fits-all approach is the optimal way to achieve results. We do not have a prescriptive escalation process, however there is a natural evolution to our engagement. The majority of our engagement takes place behind the scenes. However, if necessary, we will take our concerns public to raise awareness and compel change.

In 2022 we submitted shareholder resolutions at SK Kaken's AGM, one of which addressed its failure to transparently report and address its environmental impact. This resulted in SK Kaken publicly disclosing its annual emissions for the first time in 2023. We continue to engage with the company and in 2023 submitted further shareholder proposals addressing other matters.

PROXY VOTING

As responsible, active stewards of capital, we vote carefully and thoughtfully at every AGM.

AJOT 2023 Proxy Voting Record

TOTAL VOTED
100%
100%

AGAINST MANAGEMENT
45%
45%

WITH MANAGEMENT
55%
55%

AGAINST ISS*
26%
26%

WITH ISS*
74%
74%

* ISS (Institutional Shareholder Services) is an organisation that provides proxy advisory services. While AVI utilises ISS' research, it has different voting policies and is not bound to vote in line with ISS guidance where it feels the guidance is not in shareholders' best interests.

TSI HOLDINGS

We are encouraged by TSI Holdings' progress in weaving sustainable practices into the fabric of the company.

AVI first invested in TSI Holdings, which owns a collection of diversified apparel brands including PEARLY GATES, Margaret Howell, HUF and Stüssy, in July 2022 and we are now the largest shareholder with c. 8% stake across all AVI funds. We have built a strong relationship and constructive dialogue with the company, holding 16 meetings, visiting its HQ in Japan, and sending a 43-page presentation, offering detailed suggestions to address its undervaluation and build sustainable corporate value.

Our approach to engagement is highly bespoke, looking at the company as a whole and considering all drivers relevant to its long-term success. Companies operating in the apparel sector are exposed to heightened environmental and social risks. As part of wider analysis on both financial and operational enhancements, our presentation identified a number of ESG-related improvements regarding the visualisation and management of GHG emissions, responsible supply chain management, diversity, employee training and development, and sustainability performance linked pay.

TSI Holdings recognises that the majority of its impact on the environment and society occurs in its value chain and is demonstrating its commitment to managing this. The company has partnered with Boost Technologies to develop a centralised mapping and managing tool, covering all of the company's more than 50 apparel brands, to monitor emissions and drive decarbonisation across the entire supply chain. This commitment is bolstered by TSI Holdings having its emission reduction targets approved by the Science Based Targets initiative ("SBTi") in October 2023.

The board and management continue to be receptive to our suggestions and we are encouraged by their proactive mindset. TSI Holdings' share price has increased by 126% since we initiated our investment*. We continue to engage with the company on a wide range of themes, and we see significant opportunities to unlock further value.

* Including dividends on JPY term gross of fees, as at the end of 2023.

THREE PUBLIC CAMPAIGNS IN 2023

Nine Public campaigns since our strategy launch in 2018

Company	Campaign Name	AVI Engagement
NC Holdings	Enhancing the Common Interests of NCHD's Shareholders	Shareholder proposals
Digital Garage	Voicing Concerns over Digital Garage's Corporate Governance	Public statement
SK Kaken[1]	Painting a Better SK Kaken	Shareholder proposals

1 Public campaign started in 2021. New shareholder proposals were submitted in 2022 and 2023, along with further public engagement.

HIGHLIGHTS FROM 2023

Increasing transparency and stakeholder understanding.

1.

AVI reported through the PRI for the first time.

We scored comfortably above the median PRI score throughout, receiving a four- or five-star rating in each module.

2.

AVI published its Stewardship and Voting Policy.

This outlines our approach and process as actively engaged investors as well as defining our ESG voting guidelines.

3.

AVI published its first ESG Report.

This includes further insights into our approach and quantitative details of ESG matters in AJOT companies.

All policies and reports can be found on our website: **www.assetvalueinvestors.com/responsible-investing/esg-reporting/**

Source / TSI Holdings Co Ltd

Strategic Report / Principal Risks and Uncertainties

The Board has a robust ongoing process for identifying, evaluating and managing the emerging and principal risks and uncertainties faced by the Company, including those that could threaten its business model, future performance, solvency or liquidity.

The Board considers the following as the principal risks faced by the Company and the following controls are in place to manage or mitigate these risks:

▲ Increased ▼ Decreased ◀▶ No change

Risk Area	Controls and Mitigation	
Investment Objective The Company may be unsuccessful in achieving its investment objective, leading to a potential loss of demand for its shares.	The Company has a clearly defined strategy and investment remit. The portfolio is managed by a highly experienced Investment Manager backed by a strong team. The Board relies on the Investment Manager's skills and judgement to make investment decisions based on research and analysis of individual stocks and sectors. The Board reviews the performance of the portfolio against the Company's Benchmark Index, that of its competitors and the outlook of the markets on a regular basis. The Board ensures that there is regular dialogue with major investors, primarily through the Company's broker and the Investment Manager; it follows up on any concerns and regularly reviews the discount control policy.	◀▶
Investment opportunities matching the criteria encapsulated in the investment objective may become less available in the future.	The Board monitors the portfolio's composition, performance and development. Should appropriate opportunities diminish, the Board will consider the future of the Company and may recommend that the Company's investments are sold, it is wound up and cash returned to Shareholders.	◀▶
Gearing The use of borrowings by the Company has the effect of amplifying the gains or losses the Company experiences. A significant fall in portfolio value could cause gearing levels to exceed pre-set limits, requiring the Company to sell investments at short notice.	The Board and the Investment Manager regularly review gearing, as well as the effect of interest rate movements on the Company's finances and the Company's ongoing compliance with the loan covenants. Aggregate borrowings may not exceed 25% of net assets. The Company has in place a two-year ¥2.9 billion (£16.3 million) unsecured revolving facility agreement which was renewed in February 2022 and extended to 5 April 2024 on the same terms while renewal terms are being agreed. As at 31 December 2024, ¥2.9 billion (£16.3 million) of the facility had been drawn. Interest is payable at a rate equal to TONAR plus 1.15%. As at 31 December 2023, gearing stood at 1.6%.	◀▶
Reliance on the Investment Manager and Other Service Providers The Company has no employees and relies on a number of third-party service providers, principally the Investment Manager, Registrar, Administrator and Custodian / Depositary. It is dependent on the effective operation of its service providers' control systems with regard to the security of the Company's assets, dealing procedures, accounting records and the maintenance of regulatory and legal requirements.	The Board carries out regular reviews of the delegated services to ensure their continued competitiveness and effectiveness, which include assessment of the providers' control systems, whistleblowing, anti-bribery and corruption policies and business continuity plans. The likelihood of this risk occurring has reduced during the year as the relationships with service providers have been proven over the years since launch and the monitoring processes utilised by the Board are well established.	▼
The Company is heavily reliant on the Investment Manager's processes, both in terms of making investment decisions and compliance with the investment policy.	The Investment Manager has an established investment process which has proven to be successful within the AVI Global Trust plc portfolio. The Board evaluates the investment process and compliance with investment limits and restrictions in conjunction with its portfolio review at every Board meeting.	◀▶

Risk Area	Controls and Mitigation	
Cyber Security The Company has limited direct exposure to cyber risk. However, the Company's operations or reputation could be affected if any of its service providers suffered a major cyber security breach.	The Board monitors the preparedness of its service providers in general and requests and reviews updates from key service providers on cyber security and other matters. Following this review, the Board remained satisfied that the risk is given due priority.	◀▶
Portfolio Liquidity The market for smaller Japanese stocks can be illiquid. The Company is exposed to the risk that it will not be able to sell its investments at the current market value or on a timely basis, when the Investment Manager chooses or is required to do so to meet financial liabilities.	The Investment Manager monitors trading volumes and prices, and looks to ensure that a proportion of the portfolio is invested in readily realisable assets. The Board also receives updates on the liquidity of the portfolio and the current level of liquidity of the Company on a regular basis. Following review of the liquidity analysis, the Board considered that this risk has reduced during the year.	▼
Foreign Exchange The functional and presentation currency of the Company is Pounds Sterling. All investments held and income derived from these investments are denominated in Japanese Yen. Certain costs of the Company are impacted by the underlying value of the investments denominated in Japanese Yen and converted to Pounds Sterling. The Company is subject to currency risk on exchange rate movements between Pounds Sterling and Japanese Yen.	It is the Company's current policy not to hedge against currency risk, however the Investment Manager and the Board continuously monitor currency movements and exposure. The revolving credit facility is denominated in Yen and therefore the effect of Yen exchange rate movements on the drawn down facility will be offset against the assets.	◀▶
Global/Climate/Systemic Unforeseen global disruption, such as a pandemic, climate and nature change-related event, geopolitical conflict or systemic technology failure, could lead to dramatically increased market and Company share price volatility. Fraud and cyber security vulnerability could increase for key service providers.	The Board continuously monitors global developments and their potential impact on the Company; it scrutinises the performance of the Investment Manager and is aware of emerging risks and has a robust process for addressing them. All key service providers are asked to provide updates on business continuity, anti-bribery and corruption, and information security processes on an annual basis.	◀▶
Concentrated Share Register A substantial portion (around 36%) of the Company's shares are held by two major Shareholders, City of London Investment Management and Finda Oy. A concentrated share register can potentially present issues with regards to voting or liquidity.	The Investment Manager, the Corporate Broker and the Board have a good understanding of the investor base and have good lines of communication with investors in general and a direct communication channel with the major Shareholders in particular.	◀▶

Approval of Strategic Report
The Strategic Report has been approved by the Board and is signed on its behalf by:

Norman Crighton
Chairman

13 March 2024

Governance / Directors

Your Board

NORMAN CRIGHTON

Chairman, Non-Executive Director

Date of Appointment:
27 July 2018

External Appointments:
RM Infrastructure Income plc and Harmony Energy Income Trust plc.

Experience and Contribution:
Norman Crighton is an experienced public company director, having served on the boards of nine closed-end funds and one operating company. Presently, Norman is also non-executive chair of RM Infrastructure Income plc and Harmony Energy Income Trust plc.

Norman has extensive fund experience, having previously been Head of Closed-end Funds at Jefferies International and Investment Manager at Metage Capital Limited, leveraging his 32 years of experience in investment trusts. His career in investment banking covered research, sales, market making and proprietary trading, servicing major international institutional clients over 15 years. His work in many countries included restructuring closed-end funds, as well as several IPOs. As a fund manager, Norman managed portfolios of closed-end funds on a hedged and unhedged basis covering developed and emerging markets.

Following on from his long-term promotion of best corporate governance practice, Norman has more recently been focusing on expanding his work into Environmental and Social issues. His work in the investment trust industry is backed up with a master's degree from the University of Exeter in Finance and Investment. Norman is British and resident in the United Kingdom.

EKATERINA THOMSON

Chairperson of the Audit Committee, Non-Executive Director

Date of Appointment:
5 September 2018

External Appointments:
Allianz Technology Trust PLC and Henderson EuroTrust plc.

Experience and Contribution:
Katya is Chairperson of the Audit Committee. She is a corporate finance, strategy and business development professional, with over 25 years of experience with UK and European blue-chip companies. Katya is a non-executive director and audit committee chairman of Allianz Technology Trust PLC and Henderson EuroTrust plc. She is a member of the Institute of Chartered Accountants in England and Wales. Katya is British and resident in the United Kingdom.

YOSHI NISHIO

Non-Executive Director

Date of Appointment:
27 July 2018

External Appointments:
–

Experience and Contribution:
Yoshi began his career at Goldman Sachs International, where he had overall responsibility for the trading of Japanese equities and equity derivative products. Since then, he has combined his twin specialisations of finance and media as an investor, advisor and consultant. Much of his work has had a Japanese focus, with clients ranging from family offices to the office of the chairman of Columbia Pictures in Hollywood in the period following the studio's acquisition by the Sony Corporation, to the Ministry of Finance of the Russian Federation. Yoshi is fluent in Japanese and in English. He was born in Japan but now holds dual British/American citizenship and lives in the United States of America.

MARGARET STEPHENS

Chairperson of the Nomination and Remuneration Committee, Non-Executive Director

Date of Appointment:
5 September 2018

External Appointments:
VH Global Sustainable Energy Opportunities plc and Sequoia Economic Infrastructure Income Fund Limited.

Experience and Contribution:
Margaret is a non-executive board member and chair of the audit and risk committee of VH Global Sustainable Energy Opportunities plc and a non-executive director of Sequoia Economic Infrastructure Income Fund Limited. She was a partner of KPMG until 2016, having qualified as a Chartered Accountant in 1988. From 2007, she played a key role in building KPMG's Global Infrastructure Practice, also leading UK and international due diligence and structuring services on major merger and acquisition transactions and public private partnerships. Margaret was a trustee director of the Nuclear Liabilities Fund and chair of the audit committee until January 2024, non-executive board member and chair of the audit and risk assurance committee of the Department for Exiting the European Union and was also a board trustee of the London School of Architecture. Margaret is British and resident in the United Kingdom.

The Directors present their report and the audited financial statements for the year ended 31 December 2023.

The Investment Portfolio on page 22, the Corporate Governance Statement on pages 41 to 45, Report from the Audit Committee on pages 50 and 51 and the Shareholder Information on pages 72 to 76 form part of the Report of the Directors.

Directors

The Directors of the Company are listed on page 38. All served throughout the year under review. The Directors will retire at the forthcoming AGM and offer themselves for re-election.

As set out on page 44, the Board carries out an annual review of each Director and of the Board as a whole. The Board considers that all Directors contribute effectively, possess the necessary skills and experience, and continue to demonstrate commitment to their roles as non-executive Directors of the Company. Following the performance review, it was agreed that all Directors should stand for re-election, and the re-election of each of the Directors is recommended by the Board.

The Company has provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The beneficial interests of the current Directors and their connected persons in the securities of the Company as at 31 December 2023 are set out in the Directors' Remuneration Report on page 48.

Share Capital

The Company's share capital comprises Ordinary Shares with a nominal value of 1p each. The voting rights of the shares on a poll are one vote for each share held. There are no restrictions on the transfer of the Company's Ordinary Shares or voting rights, no shares which carry specific rights with regard to the control of the Company and no agreement which the Company is party to that affects its control following a takeover bid. To the extent that they exist, the revenue profits of the Company (including accumulated revenue reserves) are available for distribution by way of dividends to the holders of the Ordinary Shares. Upon a winding-up, after meeting the liabilities of the Company, the surplus assets would be distributed to the Shareholders pro rata to their holding of Ordinary Shares.

At 31 December 2023, there were 140,836,702 Ordinary Shares of 1p each in issue, of which 400,000 were held in treasury, and therefore the total voting rights attaching to Ordinary Shares in issue were 140,436,702. In the period from 1 January 2024 to 13 March 2024 there were no changes to the number of issued shares or shares held in treasury and therefore the voting rights attaching to Ordinary Shares as at 13 March 2024 were 140,436,702.

The Directors intend to seek annual authority from Shareholders to allot new Ordinary Shares, to disapply pre-emption rights of existing Shareholders and to buy back Ordinary Shares for cancellation or to be held in treasury.

Issues of Shares

At the AGM held on 2 May 2023, the Company was granted authority to allot up to 28,072,300 Ordinary Shares on a non-pre-emptive basis. This authority is due to expire at the Company's forthcoming AGM on 1 May 2024. As at 31 December 2023, the remaining authority to allot Ordinary Shares under the authority granted at the AGM held on 2 May 2023 was 27,012,300 Shares and this remained the same as at 13 March 2024.

The Company has a block listing of Ordinary Shares to be listed to the premium segment of the Official List of the FCA and admitted to trading on the premium segment of the LSE's main market. During the year, the Company issued 3,375,000 shares utilising the block listing, details of which are provided in the schedule below. As at 31 December 2023, the remaining authority under the block listing facility was 18,008,140 Ordinary Shares and this remained the same as at 13 March 2024.

Including issuance of shares from treasury, 4,360,000 Ordinary Shares were issued during the year to 31 December 2023, with an aggregate nominal value of 43,600 and a total net consideration of £5,258,000 was received for these allotments.

Shares issued during the year

Date	No of shares	Price paid per share	Mid-market price
16/02/2023	650,000*	£1.2200	£1.2175
17/02/2023	1,900,000	£1.2200	£1.2200
21/02/2023	750,000	£1.2200	£1.2100
23/05/2023	250,000**	£1.2775	£1.2700
30/05/2023	335,000***	£1.2475	£1.2400
31/05/2023	475,000	£1.2525	£1.2400
Total	**4,360,000**		

* This issue is comprised of 400,000 treasury shares and 250,000 shares under the block listing.

** This issue is comprised of 250,000 treasury shares.

*** This issue is comprised of 335,000 treasury shares.

Purchase of Shares

At the general meeting held on 2 May 2023, the Company was granted authority to purchase up to 14.99% of the Company's Ordinary Shares in issue as at the close of business on 10 March 2023, such authority to expire on conclusion of the 2024 AGM. During the year, 985,000 Ordinary Shares were bought back for an aggregate amount of £1,134,000 (nominal value £9,850, representing 0.7% of the called up share capital as at the start of the period) under this authority in order to control the discount. As at 31 December 2023, authority to buy back a further 20,640,219 Ordinary Shares remained.

Governance / Directors' Report continued

Sale of Shares from Treasury
At the AGM held on 2 May 2023, the Company was authorised to waive pre-emption rights in respect of treasury shares, such authority to expire on conclusion of the 2024 AGM. At the start of the year, 400,000 Ordinary Shares were held in treasury, which were sold on 16 February 2023 for an aggregate amount of £488,000. Following share buybacks carried out in April 2023, the Company held 585,000 shares in treasury, which were subsequently sold on 23 and 30 May 2023 (250,000 and 335,000 shares respectively). The Company then carried out further share buybacks, resulting in 400,000 shares being held in treasury as at 31 December 2023 and as at the date of this report.

Related Party Transactions
The Company's related parties in the year were its Directors, the Investment Manager and City of London Investment Management and Finda Oy as the Company's largest Shareholders.

There have been no material transactions between the Company and its Directors during the year and the only amounts paid to them were in respect of expenses and remuneration for which there were no outstanding amounts payable. Directors' shareholdings are disclosed on page 48.

In relation to the provision of services by the Investment Manager, other than fees payable by the Company in the ordinary course of business and the facilitation of marketing activities with third parties, there have been no material transactions with the Investment Manager affecting the financial position of the Company during the year under review. More details on transactions with the Investment Manager, including amounts outstanding at 31 December 2023 and shares held by AVI, are given in note 16 on page 71.

Finda Oy and City of London Investment Management Company Limited ("City of London"), significant Shareholders of the Company, are deemed to be related parties of the Company for the purposes of the Listing Rules by virtue of their holding in the Company's issued share capital. During the year under review, no transactions took place between the Company and Finda Oy or City of London.

Interests in Share Capital
At 31 December 2023, the following holdings representing more than 3% of the Company's voting rights had been reported to the Company in accordance with the Disclosure Guidance and Transparency Rules. This information was correct at the date of notification, however it should be noted that these holdings may have changed since notified to the Company and may not therefore be wholly accurate statements of actual holdings as at 31 December 2023. However, notification of any change is not required until the next applicable threshold is crossed. For the sake of completeness, other holdings which exceed 3% but where no notification has been received, are also included.

	Number of Ordinary Shares	Percentage of voting rights
Finda Telecoms Oy*	30,000,000	21.36
City of London Investment Management Company Limited	21,008,661	14.96
Hargreaves Lansdown	7,502,344	5.34
Investec Wealth & Investment Limited	4,320,570	3.08
Charles Stanley	4,863,419	3.46
Interactive Investor	4,805,455	3.42

* During the year, Finda Oy notified the Company that its holding had been transferred to Finda Telecoms Oy, a subsidiary of Finda Oy.

During the period between 31 December 2023 and 13 March 2024, no further notifications have been received.

As at 31 December 2023, AVI Ltd & AVI employees owned 2.7m shares.

Dividends
The Directors are proposing a final dividend of 0.85p per Share for the year to 31 December 2023. Subject to the approval of Shareholders at the forthcoming AGM, the proposed final ordinary dividend will be payable on 24 May 2024 to Shareholders on the register at the close of business on 26 April 2024. The ex-dividend date will be 25 April 2024.

Financial Instruments
The Company utilises financial instruments, which comprise equity investments, cash balances, receivables, payables and borrowings. The risks identified arising from the financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk and credit and counterparty risk. The Company may also enter into derivative transactions to manage risk. The Board and Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed in note 15.

Annual General Meeting ("AGM")
The AGM will be held on Wednesday 1 May 2024 at the offices of the Association of Investment Companies (the "AIC"), 9th Floor, 24 Chiswell Street, London, EC1Y 4YY. The Notice of Meeting and details of the resolutions to be put to the AGM are contained in the circular sent to Shareholders with this report.

Directors' Statement as to Disclosure of Information to Auditor
Each of the Directors, who were all members of the Board at the date of approval of this Report, confirms that to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Annual Report of which the Company's Auditors are unaware and he or she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditors are aware of that information.

Listing Rule 9.8.4
Listing Rule 9.8.4 requires the Company to include certain information in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The information required under Listing Rule 9.8.4(7) in relation to Shares issued by the Company is set out on page 39.

Other Information
Information on future developments and financial risks is detailed in the Strategic Report. There are no post balance sheet events to report.

By order of the Board

For and on behalf of Link Company Matters Limited
Company Secretary

13 March 2024

Governance / Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

Applicable Corporate Governance Codes

The Company is committed to high standards of corporate governance. This statement, together with the Statement of Directors' Responsibilities on page 49, indicates how the Company has applied the principles of recommended governance of the Financial Reporting Council's ("FRC") 2018 UK Corporate Governance Code (the "UK Code") and The AIC's Code of Corporate Governance issued in 2019, (the "AIC Code"), which complements the UK Code and provides a framework of best practice for investment trusts.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the FRC, provides more relevant information to Shareholders and that by reporting against the AIC Code the Company has met its obligations in relation to the UK Code and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The UK Code is available on the FRC website (**www.frc.org.uk**). The AIC Code is available on the AIC website (**www.theaic.co.uk**) and includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Statement of Compliance

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration;
- management performance;
- remuneration and succession planning;
- workforce policies (including remuneration) and practices; and
- the need for an internal audit function.

For the reasons explained in the AIC Code, the Board considers that these provisions are not relevant to the Company, being an externally managed investment company with no employees. The Company has therefore not reported further in respect of these provisions. The Board is responsible for ensuring the appropriate level of corporate governance and considers that the Company has complied with the principles and provisions of the AIC Code during the year under review except as disclosed below:

- provision 14: No senior independent director has been appointed. All the Directors have different qualities and areas of expertise on which they lead, and concerns can be conveyed to another Director if Shareholders do not wish to raise concerns with the Chairman or the Chairman of the Audit Committee. Any other Director will chair the Board or Nomination and Remuneration Committee meeting when the annual evaluation of the Chairman's performance, his re-election, or the recruitment of his successor, is discussed;
- provision 17: As all of the Directors are independent of the Investment Manager, the Board is of the view that there is no requirement for a separate management engagement committee. The Board as a whole will review the terms of appointment and performance of the Investment Manager and the Company's other third-party service providers (other than the Auditor who is reviewed by the Audit Committee);
- provision 23: Directors are not appointed for a specified term, as all Directors are non-executive and the Board believes that a Director's performance and their continued contribution to the running of the Company is of greater importance and relevance to Shareholders than the length of time for which they have served as a Director of the Company. Each Director is subject to the election and re-election provisions set out in the Articles, which provide that a Director appointed during the year is required to retire and seek election by Shareholders at the next AGM following their appointment. Thereafter the Directors intend to offer themselves for re-election annually but, under the Articles, are only required to submit themselves for re-election at least once every three years. Directors who have served for more than nine years will be subject to annual re-election, provided that the Nomination and Remuneration Committee and the Board remain satisfied that the relevant Director's independence is not impaired by their length of service.

Role of the Board

A management agreement between the Company and the Investment Manager sets out the matters over which the Investment Manager has authority. This includes management of the Company's assets and some marketing services. The Board is collectively responsible for the success of the Company and a formal schedule of matters reserved to the Board for decision has been approved, which is available on the Company's website: **www.ajot.co.uk**. This includes strategy and management, Board and committee membership and other appointments, appointment and oversight of delegates, corporate structure and share capital, remuneration, financial reporting and controls, company contracts, internal controls, corporate governance and policies.

The Board is responsible for the approval of annual and half-year results and other public documents and for ensuring that such documents provide a fair, balanced and understandable assessment of the Company's position and prospects.

The Board's role is to provide leadership within a framework of prudent and effective controls that enable risk to be assessed and managed. It is responsible for setting the Company's standards and values and for ensuring that its obligations to its Shareholders and other stakeholders are understood and met. The Board sets the Company's strategic aims (subject to the Company's Articles of Association, and to such approval of the Shareholders in General Meeting as may be required from time to time) and ensures that the necessary resources are in place to enable the Company's objectives to be met. The Articles of Association may only be amended by way of a special resolution of shareholders.

The Board meets formally at least four times a year, with additional ad hoc Board or Committee meetings arranged when required. The Directors have regular contact with the Investment Manager and Company Secretary between formal meetings. Full and timely information is provided to the Board to enable it to function effectively and to allow Directors to discharge their responsibilities.

At each meeting the Directors follow a formal agenda, which includes a review of the Company's NAV, share price, premium, financial position, gearing levels, peer group performance, investment performance, asset allocation and transactions and any other relevant business matters to ensure that control is maintained over the affairs of the Company. The Board monitors compliance with the investment restrictions required by the FCA and s1158 of the Corporation Tax Act 2010, the Company's objective, investment, borrowing and hedging policies and reviews the investment strategy. The Board regularly receives reports from the Investment Manager on marketing and investor relations. The proceedings at all Board and Committee meetings are fully recorded through a process that allows any Director's concerns to be recorded in the minutes.

Governance / Corporate Governance Statement continued

There is an agreed procedure for Directors to take independent professional advice if necessary and at the Company's expense. This is in addition to the access that every Director has to the advice and services of the Company Secretary, Link Company Matters Limited, which is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with.

Board Composition

The Board is chaired by Norman Crighton, and consists of four non-executive Directors who have all served throughout the year. All of the Board are regarded as independent of the Company's Investment Manager, including the Chairman. The Directors have a breadth of investment, financial and professional experience relevant to the Company's business and brief biographical details of each Director are set out on page 38.

A review of Board composition and balance is included as part of the annual performance evaluation of the Board, details of which may be found below.

The Directors acknowledge the benefits of Board diversity and continual review of the Board's and individual Directors' effectiveness, while seeking to retain a balance of knowledge of the Company, diversity and continuity in the relationship with the Investment Manager. The Board has adopted a Diversity Policy in line with its commitment to ensuring that the Company's Directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives to the Board. The Board does not feel that it would be appropriate to set targets as all appointments must be made on merit. However, diversity generally will be taken into consideration when evaluating the skills, knowledge and experience desirable to fill each Board vacancy. The Board has established the following objectives for achieving diversity on the Board:

- all Board appointments will be made on merit, in the context of the skills, background, knowledge and experience that are needed for the Board to be effective; and
- long lists of potential non-executive directors should include diverse candidates of appropriate merit.

The terms and conditions of Directors' appointments are set out in formal letters of appointment, copies of which are available for inspection on request at the Company's registered office during normal business hours and at the Company's AGM.

The Board notes the FCA's rules on diversity and inclusion on company boards included in Listing Rule 9.8.6 (9-11), namely that from accounting periods commencing on or after 1 April 2022:

- At least 40% of individuals on the Board to be women;
- At least one senior Board position to be held by a woman; and
- At least one individual on the Board to be from a minority ethnic background.

In accordance with Listing Rule 9 Annex 2.1, the below tables, in prescribed format, show the gender and ethnic background of the Directors at the year end, demonstrating that the Company has met the targets set in Listing Rule 9.8.6 (9-11).

Gender identity or sex	Number of Board members	Percentage on the Board	Number of senior positions on the Board*
Men	2	50%	1
Women	2	50%	1
Not specified/ prefer not to say	–	–	–

Ethnic background	Number of Board members	Percentage on the Board	Number of senior positions on the Board*
White British or other White (including minority white groups)	3	75%	2
Mixed/Multiple Ethnic Groups	–	–	–
Asian/Asian British	1	25%	–
Black/African/Caribbean/ Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/ prefer not to say	–	–	–

* Listing Rule 9.8.6(9) includes only the positions of chair, chief executive, senior independent director and chief financial officer in this category. Other than the Chairman of the Board, the Company does not have these roles, as it is an externally managed investment trust without employees and therefore this target is not applicable. The Company has chosen to report against this target by including the position of Audit Committee Chairperson as a senior position.

The data in the above tables was collected through self-reporting by the Directors, who were asked to indicate which of the categories specified in the prescribed tables were most applicable to them.

Responsibilities of the Chairman, the Board and its Committees

The Chairman leads the Board and is responsible for its overall effectiveness in directing the affairs of the Company. The Company has adopted a document setting out the responsibilities of the Chairman, which is available on the website: **www.ajot.co.uk**.

Tenure

Directors are generally initially appointed by the Board, until the following AGM when, as required by the Company's Articles of Association, they will stand for re-election by Shareholders. Thereafter, a Director's appointment is subject to an annual performance evaluation and the approval of Shareholders at each AGM, in accordance with corporate governance best practice.

Under the Articles of Association, Shareholders may remove a Director before the end of his or her term by passing a special resolution at a meeting, and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place. A special resolution is passed if more than 75% and an ordinary resolution if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

In accordance with the above and the AIC Code, all Directors will stand for re-election at the 2024 AGM. The contribution and performance of the Directors seeking re-election was reviewed by the Nomination and Remuneration Committee at its meeting in March 2024, which recommended to the Board their continuing appointment.

Tenure continued
The Board has adopted a formal tenure policy for Directors based on a continual review of performance. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board takes into account the ongoing requirements of the UK Corporate Governance Code, including the need to refresh the Board and its Committees. It is not anticipated that any of the Directors would normally serve in excess of nine years. In exceptional circumstances, which would be fully explained to Shareholders at the time, a one or two-year extension might be appropriate.

Similarly, it is not anticipated that the Chairman will normally serve in excess of nine years. However, in exceptional circumstances, which would be fully explained at the time, a one- or two-year extension might be appropriate, given the entirely non-executive nature of the Board and in particular where the Chairman has not been appointed in his position for the entire duration of his tenure as a Director. As with all Directors, the continuing appointment of the Chairman is subject to ongoing review of performance, including a satisfactory annual evaluation, annual re-election by Shareholders and may be further subject to the particular circumstances of the Company at the time he or she intends to retire from the Board.

Board Independence
All Directors are non-executive, have a range of other interests and are not dependent on the Company itself. At the Nomination and Remuneration Committee meeting in March 2024, the Directors reviewed their independence and confirmed that all Directors remain wholly independent of the Investment Manager. During the year there was a two-week period during which Katya Thomson was a director of two companies managed by the same investment manager, as AVI was appointed as the manager of MIGO Opportunities Trust plc with effect from 15 December 2023. Katya stood down from her position as director of MIGO Opportunities Trust plc with effect from 29 December 2023. Due to the brevity of the period during which Katya served on the board of two companies managed by the same investment manager, the Board continues to consider her independent. The Board has determined that all Directors are independent in character and judgement and that their individual skills, broad business experience and knowledge and understanding of the Company are of great benefit to Shareholders.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a contract of service with the Company and there are no agreements between the Company and its Directors concerning compensation for loss of office.

Directors' Conflicts of Interest
The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company ("situational conflicts").

A schedule of interests for each Director is maintained by the Company and reviewed at every Board meeting. The Board has a formal system in place, in line with the Articles of Association for Directors, to declare any new situational conflicts to be considered for authorisation by those Directors who have no interest in the matter being considered. In deciding whether to authorise a situational conflict, the non-conflicted Directors act honestly and in good faith with a view to the best interests of the Company and they may impose limits or conditions when giving the authorisation, or subsequently, if they think this is appropriate. Any situational conflicts considered, and any authorisations given, are recorded in the relevant meetings' minutes and the register of interests. The prescribed procedures have been followed in deciding whether, and on what terms, to authorise situational conflicts, and the Board believes that the system it has in place for reporting and considering situational conflicts continues to operate effectively. The Chairman has had no relationship that may have created a conflict between his interests and those of the Company's Shareholders.

Induction and Training
On appointment, the Company Secretary provides all Directors with induction training. The training covers the Company's investment strategy, policies and practices. The Directors are also given regular briefings on changes in law and regulatory requirements that affect the Company and the Directors. It is the Chairman's responsibility to ensure that the Directors have sufficient knowledge to fulfil their role and Directors are encouraged to attend industry and other seminars covering issues and developments relevant to investment trust companies. Regular reviews of Directors' training needs are carried out by the Chairman by means of the evaluation process described below.

The Directors have access to the advice and services of the Company Secretary through its appointed representative, who is responsible for general secretarial functions and for assisting the Company with compliance with its continuing obligations as a company listed on the premium segment of the Official List. The Company Secretary is also responsible for ensuring good information flows between all parties.

Directors' Insurance and Indemnification
Directors' and Officers' liability insurance cover was in place throughout the year and remains in place at the date of this report. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. The Company has granted indemnity to Directors to the extent permitted by law in respect of liabilities that may attach to them in their capacity as Directors of the Company.

Board Committees
The Board delegates certain responsibilities and functions to the Audit Committee and the Nomination and Remuneration Committee. Both Committees comprise all Directors. The terms of reference for these Committees are available on the website **www.ajot.co.uk** or via the Company Secretary.

A separate Management Engagement Committee has not been established as the Board consists of only independent non-executive Directors. The investment management agreement and performance of the Investment Manager is reviewed by the Board as a whole on a regular basis, ensuring that the terms are fair and reasonable and that its continuance, given the Company's performance over both short and longer terms, is in the best interests of the Company and its Shareholders. The Board as a whole also reviews the terms of appointment and performance of the Company's other service providers.

Governance / Corporate Governance Statement continued

Audit Committee

The Audit Committee comprises all Directors and is chaired by Katya Thomson, who is a Chartered Accountant. The other Audit Committee members have a combination of financial, investment and other experience gained throughout their careers and the Board is satisfied that at least one of the Audit Committee's members has recent and relevant financial experience. The Audit Committee as a whole is considered to have competence relevant to the sector. All members of the Audit Committee are independent. The Chairman of the Board is a member of the Audit Committee but, in line with the AIC Code, does not chair it and was considered independent on appointment. The Chairman's membership of the Audit Committee is considered appropriate given his extensive knowledge of the Investment Trust sector.

The Report of the Audit Committee, which forms part of this Corporate Governance Statement, can be found on pages 50 and 51.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, consisting of all of the Directors and chaired by Margaret Stephens, meets at least annually. The Nomination and Remuneration Committee is responsible for setting Directors' fees in line with the Remuneration Policy set out on page 46, which is subject to periodic Shareholder approval. The Nomination and Remuneration Committee is also responsible for ensuring that the Board has an appropriate balance of skills and experience to carry out its duties, to select and propose suitable candidates for appointment when necessary and for making recommendations regarding the re-election of existing Directors.

When considering succession planning and tenure policy, the Nomination and Remuneration Committee bears in mind the balance of skills, knowledge, experience, gender and diversity of Directors, the achievement of the Company's investment objective and compliance with the Company's Articles of Association and the AIC Code. The Nomination and Remuneration Committee keeps the Company's needs under continual review and will make recommendations when the recruitment of additional non-executive Directors is required. Once a decision is made to recruit additional Directors to the Board, a formal job description is drawn up, based on a review of the skills required to complement those of the remaining Directors. The Company may use external agencies as and when recruitment becomes necessary.

The Nomination and Remuneration Committee also reviews and recommends to the Board the Directors seeking re-election. Recommendation is not automatic and will follow an annual performance evaluation of the Board, its Committees and individual Directors and consideration of the Director's independence. The evaluation of individual Directors takes into account whether they have devoted sufficient time and contributed adequately to the work of the Board and its Committees. The evaluation of the Board and its Committees considers the balance of experience, skills, independence, corporate knowledge, its diversity, including gender, and how it works together.

The Nomination and Remuneration Committee met in March 2024 to carry out its annual review of the Board, its composition and size and its Committees, the results of which are detailed in the Performance Evaluation paragraph on this page. Notwithstanding the fact that all of the current Directors have now served for five years and in order to ensure an orderly transition, the Nomination and Remuneration Committee has considered succession planning and agreed that a staggered approach will be taken to replace the current Directors in due course and refresh the Board.

The current intention is for recruitment for the first two new Directors to commence in 2025, with appointments to follow in 2026. Further changes will then take place in the following years to refresh the entire Board. The Nomination and Remuneration Committee has scheduled these Board changes in a manner which will at times result in the Board consisting of five Directors, to ensure an orderly handover of in particular the functions of the Chairman of the Audit Committee and the Chairman of the Board. Further information on succession planning and recruitment will be provided in future Annual Reports, as and when appropriate.

Board and Committee Meeting Attendance

The table details the number of scheduled Board and Committee meetings held during the year under review and the number of meetings attended by each Director.

	Board	Audit Committee	Nomination and Remuneration Committee
Norman Crighton	4(4)	2(2)	2(2)
Yoshi Nishio	4(4)	2(2)	2(2)
Margaret Stephens	4(4)	2(2)	2(2)
Katya Thomson	4(4)	2(2)	2(2)

The number in brackets denotes the number of meetings each Director was entitled to attend.

The Directors also met on an ad hoc basis during the year to undertake business, such as to review portfolio developments with the Investment Manager.

Performance Evaluation

In February 2024, the Nomination and Remuneration Committee conducted a review of the Board's performance, together with that of its Committees, the Chairman and each individual Director, as well as their independence. This was conducted by way of individual discussions between the Nomination and Remuneration Committee Chairman and, separately, Chairman of the Board, with each Director, as well as a discussion between the Chairman of the Board and the Nomination and Remuneration Committee Chairman. A summary of the findings was then discussed at the Nomination and Remuneration Committee meeting held in March 2024. It was concluded that the performance of the Board, its Committees, the Chairman and each individual Director was satisfactory, and the Board has a good balance of skills, knowledge and experience, and includes individuals from different social, geographical and ethnic backgrounds. It is considered that each of the Directors remains independent of the Investment Manager, makes a significant contribution and devotes sufficient time to the affairs of the Company, the Chairman continues to display effective leadership and all Directors seeking re-election at the Company's AGM merit re-election by Shareholders.

Internal Control

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness. The Audit Committee supports the Board in the continuous monitoring of the internal control and risk management framework. The Board has established an ongoing process for identifying, evaluating and managing the principal and new or emerging risks faced by the Company. The process accords with the FRC's guidance on Risk Management, Internal Control and Related Business and Financial Reporting published in September 2014.

Internal Control continued

The risk management process and system of internal control was in operation throughout the year and up to the date of this report. The system is designed to meet the specific risks faced by the Company and takes account of the nature of the Company's reliance on its service providers and their internal controls. The system therefore manages rather than eliminates the risk of failure to achieve the Company's business objectives and provides reasonable, but not absolute assurance against material misstatement or loss.

In arriving at its judgement of what risks the Company faces, the Board, through the Audit Committee, has considered the Company's operations in light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the extent to which third parties operate the relevant controls.

The Company maintains a risk matrix which identifies key risks faced by the Company and has controls in place to mitigate those risks. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate against them. This risk matrix is reviewed twice a year by the Audit Committee and at other times as necessary.

The Directors confirm that they have carried out a robust assessment of the Company's emerging and principal risks as identified by the Board, which are set out on pages 36 and 37, as well as the controls in place to manage or mitigate those risks.

The Board reviews financial information produced by the Investment Manager and the Administrator on a regular basis. Most functions for the day-to-day management of the Company are subcontracted, and the Directors therefore obtain assurances and information, including internal control reports, from key third-party suppliers regarding the internal systems and controls operated in their respective organisations. During the year under review, the Board also requested and reviewed updates from key service providers on business continuity, cyber security and fraud prevention.

By the means of the procedures set out above, the Board confirms that it has reviewed, and is satisfied with, the effectiveness of the Company's system of internal control for the year ended 31 December 2023, and to the date of approval of this Annual Report and Financial Statements.

During the course of its review of the system of internal control, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant. Therefore, a confirmation in respect of necessary actions has not been considered appropriate.

Internal Audit Function

As the Company is an externally managed investment company with day-to-day management and administrative functions being outsourced to third parties, and as the Company does not have executive Directors, employees or internal operations, the Board does not consider it necessary to establish an internal audit function, as it believes the existing system of monitoring and reporting by the third parties to be appropriate and sufficient.

Accountability and Relationship with AVI

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 49, the Independent Auditors' Report on pages 52 to 55 and the Viability Statement on page 31.

The Board has delegated contractually to external third parties, including the Investment Manager, the management of the investment portfolio, the custodial services (including the safeguarding of the assets), the day-to-day accounting and cash management, company secretarial and administration requirements and registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. Further information on management arrangements can be found on page 24.

The Board receives and considers regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required. The Investment Manager takes decisions as to the purchase and sale of individual investments. The Investment Manager also ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

Representatives of AVI attend Board meetings, enabling the Directors to probe further on matters of concern. The Board and the Investment Manager operate in a supportive, co-operative and open environment.

Continued Appointment of the Investment Manager

The Board considers the arrangements for the provision of investment management and other services to the Company on an ongoing basis. In addition to the monitoring of investment performance at each Board meeting, an annual review of the Company's investment performance over both the short and longer terms is undertaken.

Following an annual review, it is the Directors' opinion that the continuing appointment of AVI, the Investment Manager, on the existing terms, is in the best interests of the Company and its Shareholders as a whole.

By order of the Board

For and on behalf of Link Company Matters Limited

Company Secretary
13 March 2024

Governance / Directors' Remuneration Report

Directors' Remuneration Policy

The Remuneration Policy provides details of the remuneration policy for the Directors of the Company. The Remuneration Policy was approved by Shareholders at the AGM of the Company held on 3 May 2022. Remuneration Policy Provisions apply until they are next put to Shareholders for approval at intervals of not more than three years, or if the Remuneration Policy is varied, in which event Shareholder approval for the new Remuneration Policy will be sought. The Remuneration Policy is provided below, which remains as approved at the 2022 AGM.

The Company follows the recommendation of the AIC Code of Corporate Governance that non-executive Directors' remuneration should reflect the time commitment and responsibilities of the role. The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole and be determined from time to time at the Board's discretion with reference to comparable organisations and appointments.

All Directors are non-executive, appointed under the terms of letters of appointment. There are no service contracts in place. The Company has no employees. In line with the majority of investment trusts and the AIC Code, there are no performance conditions attached to the remuneration of the Directors as the Board does not consider such arrangements or benefits necessary or appropriate for non-executive Directors.

The Board has set three levels of fees: one for a Director and additional fees for the Chairman of the Audit Committee and the Chairman of the Board. Fees are reviewed annually in accordance with the above policy. Annual fees are pro-rated where a change takes place during a financial year. The fee for any new Director appointed to the Board will be determined on the same basis.

In addition to the annual fee, under the Company's Articles of Association, any Director who is requested to perform services which, in the opinion of the Board, go beyond the ordinary duties of a director, may be paid such extra remuneration as the Board may in its discretion decide in addition to or in substitution for any other remuneration that they may be entitled to receive. Should any extra remuneration be paid during the year, details of the events, duties and responsibilities that gave rise to the additional Directors' fees would be disclosed in the Annual Report. Directors are also entitled to reimbursement of reasonable fees and expenses incurred by them in the performance of their duties.

The approval of Shareholders would be required to increase the aggregate annual Directors' Remuneration limit of £250,000, as set out in the Company's Articles of Association.

None of the Directors has any entitlement to pensions or pension related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance-related payments. No Director is entitled to any other monetary payment or any assets of the Company, except in their capacity (where applicable) as Shareholders of the Company. Directors' Letters of Appointment expressly prohibit any entitlement to payment on loss of office.

Directors' and Officers' liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors. The Company has also provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

The Company is committed to ongoing Shareholder dialogue and any views expressed by Shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing the Directors' Remuneration Policy and in the annual review of Directors' fees.

Report on Implementation

This Report is prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2008 as amended in August 2013. The report also meets the relevant requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the FCA and describes how the Board has applied the principles relating to Directors' remuneration. The Company's Auditors are required to report on certain information contained within this report; where information set out below has been audited it is indicated as such.

All Directors are non-executive, and the Company has no chief executive officer or employees; as such some of the reporting requirements contained in the Regulations are not applicable and have not been reported on, including the requirement for a future policy table and an illustrative representation of the level of remuneration that could be received by each individual Director. It is believed that all relevant information is disclosed within this report in an appropriate format.

The Board may amend the level of remuneration paid to individual Directors within the parameters of the Remuneration Policy.

Statement from the Chairman of the Nomination and Remuneration Committee

Directors' remuneration is determined by the Nomination and Remuneration Committee, at its discretion, within an aggregate set amount per annum. This aggregate ceiling had been set at £250,000 in the Company's Articles of Association and in the Remuneration Policy as approved on 2 May 2022.

The Nomination and Remuneration Committee comprises all Directors and is chaired by Margaret Stephenson. Each Director abstains from voting on their own individual remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration.

During the year the Board carried out a review of the level of Directors' fees in accordance with the Remuneration Policy. As part of this review, the Board considered the Company's performance, the demands placed on Directors' time and the level of fees being paid to non-executive directors in the Company's peer group. Taking these matters into consideration, the review concluded that the fees being paid to the Company's Directors were below the average. As a result, with effect from 1 January 2024, fees were increased to £45,000 (previously £40,500) per annum for the Chairman, £41,000 (previously £37,800) per annum for the Chairperson of the Audit Committee and £38,000 (previously £35,100) per annum for other Directors. The Board is satisfied that the changes to the remuneration of the Directors are compliant with the Directors' Remuneration Policy.

There have been no other major decisions on Directors' remuneration or any other changes to the remuneration paid to each individual Director in the year under review.

Directors' Emoluments (audited information)

Directors are only entitled to fixed fees at such rates as are determined by the Board from time to time and in accordance with the Directors' Remuneration Policy as approved by the Shareholders.

None of the Directors has any entitlement to pensions or pension-related benefits, medical or life insurance schemes, share options, long-term incentive plans, or performance-related payments. No Director is entitled to any other monetary payment or any assets of the Company. Accordingly, the Single Total Figure table below does not include columns for any of these items or their monetary equivalents. Directors' & Officers' liability insurance is maintained and paid for by the Company on behalf of the Directors.

Directors' Emoluments (audited information) continued

In line with market practice, the Company has agreed to indemnify the Directors in respect of costs, charges, losses, liabilities, damages and expenses, arising out of any claims or proposed claims made for negligence, default, breach of duty, breach of trust or otherwise, or relating to any application under Section 1157 of the Companies Act 2006, in connection with the performance of their duties as Directors of the Company. The indemnities would also provide financial support from the Company should the level of cover provided by the Directors' & Officers' liability insurance maintained by the Company be exhausted.

The Directors who served during the year received the following emoluments:

Single Total Figure Table (audited information)

	Fees paid*		Taxable benefits		Total				
Name of Director	2023	2022	2023	2022	2023	2022	% change 2022-2023	% change 2021-2022	% change 2020-2021
Norman Crighton	**40,500**	37,500	**–**	–	**40,500**	37,500	8.0%	5.3%	1.8%
Yoshi Nishio	**35,100**	32,500	**–**	–	**35,100**	32,500	8.0%	6.1%	2.1%
Margaret Stephens	**35,100**	32,500	**–**	–	**35,100**	32,500	8.0%	6.1%	2.1%
Katya Thomson	**37,800**	35,000	**–**	–	**37,800**	35,000	8.0%	5.7%	1.9%
	148,500	137,500	**–**	–	**148,500**	137,500	8.0%	5.8%	2.0%

* Excluding Employer's National Insurance Contribution.

Sums Paid to Third Parties (audited information)

None of the fees referred to in the above table were paid to any third party in respect of the services provided by any of the Directors.

Other Benefits

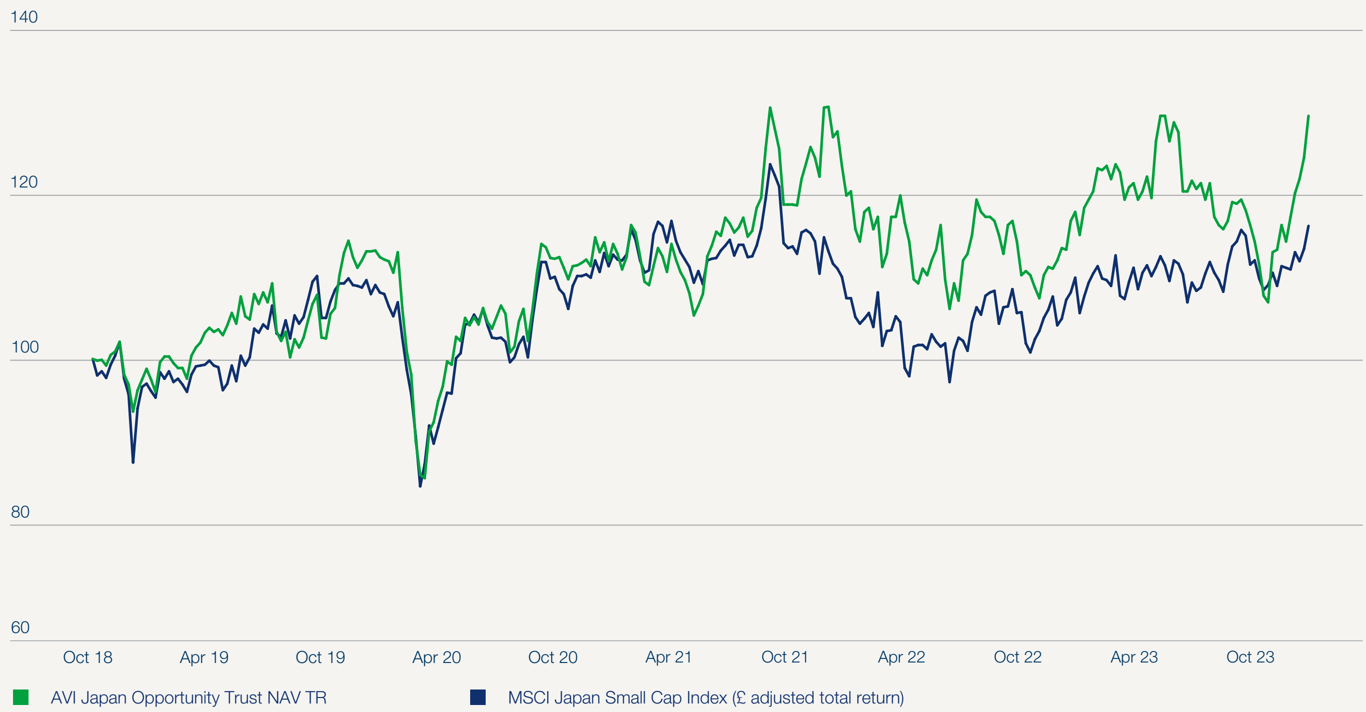
Taxable benefits – Article 105 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings or any other meeting which they, as Directors, are entitled to attend.

Pensions related benefits – Article 106 permits the Company to provide gratuities or pensions or similar benefits for Directors of the Company. However, no pension schemes or other similar arrangements have been established and no Director is entitled to any pension or similar benefits.

Performance

The chart below illustrates the total Shareholder return for a holding in the Company's shares, as compared to the MSCI Japan Small Cap (£ adjusted total return), which the Board has adopted as the measure for both the Company's performance and that of the Investment Manager for the year, over the period since inception of the Company.

Total Shareholder Return vs MSCI Japan Small Cap



Governance / Directors' Remuneration Report continued

Relative Importance of Spend on Pay

The table below shows the proportion of the Company's income spent on pay.

	2023 £'000	2022 £'000	Difference £'000
Spend on Directors' fees*	**149**	138	11
Distribution to Shareholders	**2,391**	2,146	245
Management fee and other expenses**	**2,508**	2,322	186

* As the Company has no employees the total spend on remuneration comprises only the Directors' fees.

** Note: the items listed in the table above are as required by the Large and Medium sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 s.20, with the exception of the management fee and other expenses, which has been included because the Directors believe it will help Shareholders' understanding of the relative importance of the spend on pay. The figures for this measure are the same as those shown in note 3 to the financial statements.

Statement of Directors' Shareholding and Share Interests (audited information)

Neither the Company's Articles of Association nor the Directors' Letters of Appointment require a Director to own shares in the Company. The interests of the Directors and their connected persons in the equity and debt securities of the Company at 31 December 2023 are shown in the table below:

Name of Director	Ordinary Shares
Norman Crighton	26,575
Yoshi Nishio	–
Margaret Stephens	10,000
Katya Thomson	10,000
Total	46,575

There have been no changes to Directors' interests between 31 December 2023 and the date of this Report.

Statement of Voting at AGM

At the 2023 AGM, 45,178,017 votes (99.73%) were received voting for the resolution seeking approval of the Directors' Remuneration Report, 122,511 (0.27%) were against, none were at the Chairman's discretion and 3,500 were withheld; the percentages of votes excludes votes withheld. In relation to the approval of the Remuneration Policy which was most recently approved at the 2022 AGM, 42,292,385 (99.33%) votes were received for the resolution, 98,679 (0.23%) were against, 187,917 (0.44%) were at the Chairman's discretion and 4,500 were withheld. The percentages of votes excludes votes withheld.

Annual Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Implementation summarises, as applicable, for the year to 31 December 2023:

(a) the major decisions on Directors' remuneration;

(b) any discretion which has been exercised in the award of Directors' remuneration;

(c) any substantial changes relating to Directors' remuneration made during the year; and

(d) the context in which the changes occurred and decisions have been taken.

A resolution to approve this Directors' Remuneration Report will be proposed at the AGM to be held on 1 May 2024.

Margaret Stephens
Chairman of the Nomination and Remuneration Committee
13 March 2024

Governance / Statement of Directors' Responsibilities in Relation to the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the financial statements and have elected to prepare the company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' report, a strategic report and Directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Website Publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities Pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Financial Statements have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

In the opinion of the Board, the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's position and performance, business model and strategy.

Directors Statement as to the Disclosure of Information to Auditor

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

For and on behalf of the Board

Norman Crighton
Chairman
13 March 2024

Governance / Report from the Audit Committee

I am pleased to present the Audit Committee Report for the year ended 31 December 2023.

The Audit Committee (the "Committee") met twice during the year under review and once following the year end. The Company's Auditors are invited to attend meetings as necessary. Representatives of the Investment Manager may also be invited.

Details of the composition of the Committee are set out in the Corporate Governance Statement on page 44.

Responsibilities of the Committee

The Committee's responsibilities are set out in formal terms of reference which are available on the Company's website and are reviewed at least annually. The Committee's primary responsibilities are set as follows:

- to monitor the integrity of the financial statements of the Company, including its Annual and Half-Yearly reports and any other formal announcements of the Company relating to its financial performance, and to review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the Auditor;
- to review the Half-Yearly and Annual Reports;
- to review the Company's internal financial controls and the internal control and risk management systems of the Company and its third-party service providers;
- to make recommendations to the Board in relation to the appointment of the external auditor and their remuneration;
- to review the scope, results, cost effectiveness, independence and objectivity of the external auditor;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services and consider relevant guidance regarding the provision of non-audit services by the external audit firm; and
- to review circulars issued in respect of major non-routine and corporate transactions.

Activities in the Year

During the year, the Committee has:

- conducted a detailed review of the internal controls and risk management systems of the Company and its third-party service providers;
- reviewed the service levels provided by the Company's Custodian and Depositary;
- considered the emerging and principal risks facing the Company and the mitigating controls in place;
- carried out a detailed review of the external Auditor's performance during the 2022 audit;
- agreed the audit plan and fees with the Auditor in respect of the Annual Report for the year ended 31 December 2023, including the principal areas of focus;
- reviewed the Company's Half-Yearly Report and financial statements, discussed the appropriateness of the accounting policies adopted and recommended these to the Board for approval;
- assessed whether it was appropriate to prepare the Company's financial statements on a going concern basis and made recommendations to the Board. This review included challenging the assumptions on viability of the Company and reviewing stress tests focused on its ability to continue to meet its liabilities;
- considered the appropriate level of dividend to be paid by the Company for recommendation to the Board; and
- examined in detail the methodology and assumptions applied in valuing the assets of the Company.

Following the year end, the Committee has received and discussed with the Auditor their report on the results of the audit and reviewed this Annual Report and Financial Statements, discussed the appropriateness of the accounting policies adopted and recommended these to the Board for approval.

Significant Issues

The Committee considered the following key issues in relation to the Company's financial statements during the year. A more detailed explanation of the consideration of the issues set out below, and the steps taken to manage them, is set out in the principal risks and uncertainties on pages 36 and 37.

Valuation of Investments

The Committee considered the valuation of the investment portfolio. The Company's portfolio currently consists of quoted investments, which are valued by reference to their bid prices on the relevant exchange. Any future unquoted or illiquid investments will be valued by the Directors based on recommendations from the Investment Manager's pricing committee.

Maintaining Internal Controls

The Committee has considered carefully the internal control systems. As the Company relies heavily on third-party suppliers, the Committee monitors the services and control levels of all of its suppliers on an ongoing basis, as explained below.

Going Concern and Long-term Viability of the Company

The Committee considered the Company's financial requirements for the next 12 months and concluded that it has sufficient resources to meet its commitments. Consequently, the financial statements have been prepared on a going concern basis. The Committee also considered the longer-term viability statement within the Annual Report for the year ended 31 December 2023, covering a five-year period, and the underlying factors and assumptions which contributed to the Committee deciding that this was an appropriate length of time to consider the Company's long-term viability. The Company's viability statement can be found on page 31.

Internal Controls

The Committee carefully considers the internal control systems by continually monitoring the services and controls of its third-party service providers.

The Committee reviewed the risk matrix at both of its meetings held during the year under review and where appropriate it was updated. The results of this ongoing process, as well as the principal risks identified, and controls put in place to manage or mitigate these risks are detailed on pages 36 and 37 of this Report. The Committee received a report on internal control and compliance from the Investment Manager and the Company's other service providers and no significant matters of concern were identified.

The Company does not have an internal audit function. During the year, the Committee reviewed whether an internal audit function would be of value and concluded that this would provide minimal additional comfort at considerable extra cost to the Company. While the Committee believes that the existing systems of monitoring and reporting by third parties remain appropriate and adequate, it will continue, on an annual basis, to actively consider possible areas within the Company's controls environment which may need to be reviewed in detail.

External Auditor

BDO LLP has been the Auditor to the Company since launch in 2018. No tender for the audit of the Company has been undertaken. In accordance with the Competitions and Markets Authority Order, a competitive audit tender must be carried out at least every ten years. The Company is therefore required to carry out a tender no later than in respect of the financial year ending 31 December 2029. The Committee reviews the continuing appointment of the Auditor on an annual basis and gives regular consideration to the Auditor's fees and independence, along with matters raised during each audit.

The Audit Partner is due to rotate every five years. This is the third year the current Audit Partner is in place.

The Audit Committee specifically considered and discussed with the Auditor the tax treatment of foreign exchange gains/losses on the revolving credit facility and the presentation of the revolving loan facility in the 2022 Annual Report, as well as the disclosures regarding the renewal of the facility in this report. The Committee further discussed the disclosures in this report around the potential exit opportunity in 2024 and made some changes to these at the Auditor's recommendation. Key audit matters raised by the Auditor are detailed in their report on pages 52 to 55, as well as the materiality threshold.

Audit fees and Non-audit Services provided by the Auditor

In accordance with the Company's non-audit services policy, the Audit Committee reviews the scope and nature of all proposed non-audit services before engagement, to ensure that auditor independence and objectivity are safeguarded. The policy includes a list of non-audit services which may be provided by the Auditor provided there is no apparent threat to independence, as well as a list of services which are prohibited. Non-audit services are capped at 70.0% of the average of the statutory audit fees for the preceding three years.

Information on the fees paid to the Auditor is set out in note 3 to the Financial Statements on page 63.

Effectiveness of the External Audit

The Audit Committee monitors and reviews the effectiveness of the external audit carried out by the Auditor, including a detailed review of the audit plan and the audit results report, and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor. This review takes into account the experience and tenure of the audit partner and team, the nature and level of services provided, and confirmation that the Auditor has complied with independence standards. During the year to 31 December 2023, the Committee carried out a detailed review of the quality and effectiveness of the 2022 audit. The review was based on feedback requested from the Investment Manager, the Administrator and the Company Secretary and discussions with the Auditor. No issues were identified with regards to the effectiveness of the external audit. Any concerns with effectiveness of the external audit process would be reported to the Board.

Independence and Objectivity of the Auditor

The Committee has considered the independence and objectivity of the Auditor. £nil non-audit fees were paid to BDO LLP during the year to 31 December 2023 (2022: £nil). The Committee is satisfied that the Auditor has fulfilled its obligations to the Company and its Shareholders and remains independent and objective.

Appointment of the Auditor

Following consideration of the performance of the Auditor, the services provided during the year and a review of its independence and objectivity, the Committee has recommended to the Board the reappointment of BDO LLP as Auditor to the Company.

Ekaterina Thomson
Chairperson of the Audit Committee
13 March 2024

Governance / Independent Auditor's Report to the Members of AVI Japan Opportunities Trust plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards.

We have audited the financial statements of AVI Japan Opportunity Trust plc (the 'Company') for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on on 8 October 2018 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is five years, covering the years ended 31 December 2019 to 31 December 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of the Directors' method of assessing the going concern in light of economic and market conditions by reviewing the information used by the Directors in completing their assessment;
- Assessing the appropriateness of the Directors' assumptions and judgements made by comparing the prior year forecasted costs to the actual costs incurred to check that the projected costs are reasonable; Reviewing loan arrangements with the bank for covenants in place, recalculating the year end covenant compliance and assessing future covenant compliance and headroom under market downturn scenarios;
- Assessing the appropriateness of the Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of the available cash resources relative to forecast expenditure and committments; and
- Challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview			
Key audit matters		2023	2022
	Valuation and ownership of quoted investments		
Materiality	Company financial statements as a whole £1.8m based on 1% of net assets (£1.5m based on 1% of net assets)		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of quoted investments (Note 8 on page 66)	The investment portfolio at the year-end comprised of quoted equity investments held at fair value through profit or loss. We considered the valuation and ownership of investments to be a significant audit area as investments represent the most significant balance in the financial statements and underpins the principal activity of the Company. Given the nature of the portfolio is such that it comprises solely of level 1 investments, we do not consider the use of bid price to be subject to significant estimation uncertainty. However, there is a risk that the bid price used as a proxy for fair value of investments held at the reporting date is inappropriate. There is also a risk of error in the recognition of investment holdings such that those recognised do not appropriately reflect the ownership of the Company. For these reasons and the materiality to the financial statements as a whole, they are considered to be a key area of our overall audit strategy and allocation of our resources and hence a Key Audit Matter.	We responded to this matter by testing the valuation and ownership of the entire portfolio of investments. We performed the following procedures: • Confirmed the year-end bid price was used by agreeing to externally quoted prices; • Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; • Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share; and • Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the balance sheet date. **Key observations:** Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the quoted equity investments was not appropriate.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2023	2022
Materiality	£1,820,000	£1,500,000
Basis for determining materiality	1% of Net assets	
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	
Performance materiality	£1,360,000	£1,120,00
Basis for determining performance materiality	75% of materiality	
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £36,000 (2022: £30,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Governance / Independent Auditor's Report continued
to the Members of AVI Japan Opportunities Trust plc

Other information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 49; and • The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 49.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 49; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 36 and 37; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 44 and 45; and • The section describing the work of the audit committee set out on page 44.

Other Companies Act 2006 reporting
Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' Report.
Directors' remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with the Investment Manager and Administrator and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and the Company's qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- Enquiry with the Investment Manager, the Administrator and those charged with governance regarding any known or suspected instances of fraud;
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud; and
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to be management override of controls.

Our procedures in respect of the above included:

- In addressing the risk of management override of control, we:
  - Performed a review of estimates and judgements applied by management in the financial statements to assess their appropriateness and the existence of any systematic bias;
  - Considered the opportunity and incentive to manipulate accounting entries and tested relevant adjustments made in the period end financial reporting process;
  - To include an element of unpredictability we tested a sample of low value items;
  - Considered if there were any significant transactions outside the normal course of business and found none; and
  - Performed a review of unadjusted audit differences, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Meyrick (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London

13 March 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements / Statement of Comprehensive Income
For the year ended 31 December 2023

	Notes	**For the year ended 31 December 2023**			For the year ended 31 December 2022		
		Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Income							
Investment income	2	**3,956**	**–**	**3,956**	3,667	–	3,667
Gains/(losses) on investments held at fair value	8	**–**	**23,115**	**23,115**	–	(7,657)	(7,657)
Exchange (losses)/gains on currency balances		**–**	**(1,158)**	**(1,158)**	–	950	950
		3,956	**21,957**	**25,913**	3,667	(6,707)	(3,040)
Expenses							
Investment management fee	3	**(162)**	**(1,460)**	**(1,622)**	(152)	(1,364)	(1,516)
Other expenses	3	**(886)**	**–**	**(886)**	(806)	–	(806)
Profit/(loss) before finance costs and tax		**2,908**	**20,497**	**23,405**	2,709	(8,071)	(5,362)
Finance costs	4	**(18)**	**(163)**	**(181)**	(21)	(187)	(208)
Exchange gains/(losses) on revolving credit facility	4	**–**	**1,933**	**1,933**	–	(1,044)	(1,044)
Profit/(loss) before taxation		**2,890**	**22,267**	**25,157**	2,688	(9,302)	(6,614)
Taxation	5	**(418)**	**–**	**(418)**	(377)	–	(377)
Profit/(loss) for the year		**2,472**	**22,267**	**24,739**	2,311	(9,302)	(6,991)
Earnings per Ordinary Share – basic and diluted (pence)	7	**1.76**	**15.89**	**17.65**	1.69	(6.79)	(5.10)

The total column of this statement is the Income Statement of the Company prepared in accordance with UK-adopted international accounting standards. The supplementary revenue and capital columns are presented in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies ("AIC SORP").

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued during the year.

There is no other comprehensive income, and therefore the profit for the year after tax is also the total comprehensive income.

The accompanying notes are an integral part of these financial statements.

Financial Statements / Statement of Changes in Equity

For the year ended 31 December 2023

	Ordinary Share capital £'000	Share premium £'000	Special reserve* £'000	Capital reserve* £'000	Revenue reserve** £'000	Total £'000
For the year ended 31 December 2023						
Balance as at 31 December 2022	**1,375**	**60,155**	**77,153**	**15,928**	**1,784**	**156,395**
Issue of Ordinary Shares	**33**	**4,099**	**–**	**–**	**–**	**4,132**
Expenses of share issues	**–**	**(76)**	**–**	**–**	**–**	**(76)**
Ordinary Shares issued from treasury	**–**	**77**	**1,125**	**–**	**–**	**1,202**
Ordinary Shares bought back and held in treasury	**–**	**–**	**(1,134)**	**–**	**–**	**(1,134)**
Total comprehensive income for the year	**–**	**–**	**–**	**22,267**	**2,472**	**24,739**
Ordinary dividends paid	**–**	**–**	**–**	**–**	**(2,315)**	**(2,315)**
Balance as at 31 December 2023	**1,408**	**64,255**	**77,144**	**38,195**	**1,941**	**182,943**
For the year ended 31 December 2022						
Balance as at 31 December 2021	1,332	55,374	77,324	25,230	1,461	160,721
Issue of Ordinary Shares	43	4,849	–	–	–	4,892
Expenses of share issues	–	(93)	(6)	–	–	(99)
Ordinary Shares issued from treasury	–	25	270	–	–	295
Ordinary Shares bought back and held in treasury	–	–	(435)	–	–	(435)
Total comprehensive income for the year	–	–	–	(9,302)	2,311	(6,991)
Ordinary dividends paid	–	–	–	–	(1,988)	(1,988)
Balance as at 31 December 2022	1,375	60,155	77,153	15,928	1,784	156,395

* Distributable reserves. Within the balance of the capital reserve, £15,452,000 (31 December 2022: £12,705,000) relates to realised gains which is distributable. The remaining £22,743,000 (31 December 2022: £3,223,000) relates to unrealised gains on investments and is non-distributable.

** Revenue reserve is fully distributable.

The accompanying notes are an integral part of these financial statements.

Financial Statements / Balance Sheet

For the year ended 31 December 2023

	Notes	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Non-current assets			
Investments held at fair value through profit or loss	8	**185,857**	164,323
		185,857	164,323
Current assets			
Receivables	9	**388**	196
Cash and cash equivalents		**13,430**	7,792
		13,818	7,988
Total assets		**199,675**	172,311
Current liabilities			
Revolving credit facility	11	**(16,301)**	–
Payables	10	**(431)**	(384)
		(16,732)	(384)
Total assets less current liabilities		**182,943**	171,927
Non-current liabilities			
Revolving credit facility	12	**–**	(15,532)
Net assets		**182,943**	156,395
Equity attributable to equity Shareholders			
Ordinary Share capital	13	**1,408**	1,375
Share premium		**64,255**	60,155
Special reserve		**77,144**	77,153
Capital reserve		**38,195**	15,928
Revenue reserve		**1,941**	1,784
Total equity		**182,943**	156,395
Net asset value per Ordinary Share – basic and diluted	14	**130.27p**	114.11p
Number of shares in issue excluding treasury	13	**140,436,702**	137,061,702

These financial statements were approved and authorised for issue by the Board of AVI Japan Opportunity Trust plc on 13 March 2024 and were signed on its behalf by:

Norman Crighton

The accompanying notes are an integral part of these financial statements.

Registered in England & Wales No. 11487703

Financial Statements / Statement of Cash Flows

For the year ended 31 December 2023

	31 December 2023 £'000	31 December 2022 £'000
Reconciliation of profit/(loss) before taxation to net cash inflow from operating activities		
Profit/(loss) before taxation	**25,157**	(6,614)
(Gains)/losses on investments held at fair value through profit or loss	**(23,115)**	7,657
Decrease in other receivables	**132**	71
Exchange (gains)/losses on revolving credit facility	**(1,933)**	1,044
Exchange losses/(gains) on currency balances	**1,162**	(737)
Interest paid	**200**	190
(Decrease)/increase in other payables	**(30)**	74
Taxation paid	**(418)**	(377)
Net cash inflow from operating activities	**1,155**	1,308
Investing activities		
Purchases of investments	**(55,633)**	(55,223)
Sales of investments	**56,966**	54,628
Net cash inflow/(outflow) from investing activities	**1,333**	(595)
Financing activities		
Dividends paid	**(2,315)**	(1,988)
Issue of shares	**4,132**	4,923
Issue of Ordinary Shares from treasury	**1,202**	264
Cost of share issues	**(76)**	(99)
Payments for Ordinary Shares bought back and held in treasury	**(1,134)**	(435)
Drawdown of revolving credit facility	**2,703**	5,999
Repayment of revolving credit facility	**–**	(9,013)
Interest paid	**(200)**	(190)
Cash inflow/(outflow) from financing activities	**4,312**	(539)
Increase in cash and cash equivalents	**6,800**	174
Reconciliation of net cash flow movement		
Cash and cash equivalents at beginning of year	**7,792**	8,165
Exchange losses on currency balances	**(1,162)**	(547)
Increase in cash and cash equivalents	**6,800**	174
Cash and cash equivalents at end of year	**13,430**	7,792

The accompanying notes are an integral part of these financial statements.

Financial Statements / Notes to the Financial Statements
For the year ended 31 December 2023

1. General Information and Accounting Policies

AVI Japan Opportunity Trust plc is a public limited company incorporated on 27 July 2018 and registered in England and Wales. The principal activity of the Company is that of an investment trust company within the meaning of Sections 1158/1159 of the Corporation Tax Act 2010 and its investment approach is detailed in the Strategic Report.

The Company commenced trading and was listed on the London Stock Exchange on 23 October 2018.

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards and the AIC SORP.

Basis of Preparation

The financial statements of the Company have been prepared for the year ended 31 December 2023.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by The AIC, supplementary information which analyses the Statement of Comprehensive Income between items of revenue and a capital nature has been prepared alongside the Statement of Comprehensive Income.

The Company invests in Japan with subsequent cash flows (dividend receipts and interest payments) being received in Japanese Yen, however the Directors consider the Company's functional currency to be Pounds Sterling as the Shares of the Company are listed on the London Stock Exchange, it is regulated in the United Kingdom, principally having its Shareholder base in the United Kingdom, and pays dividend and expenses in Pounds Sterling. The Directors have chosen to present the financial statements in Pounds Sterling rounded to the nearest thousand, except where otherwise indicated.

Going concern

The financial statements have been prepared on a going concern basis and on the basis that approval as an investment trust company will continue to be met. The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when these financial statements were approved.

In making the assessment, the Directors of the Company have considered the likely impacts of international and economic uncertainties on the Company, operations and the investment portfolio. The Directors also regularly assess the resilience of key third-party service providers, most notably the Investment Manager and Fund Administrator. In making their assessment, the Directors have considered the likely impacts of international and economic uncertainties on the Company, operations and the investment portfolio. These include, but are not limited to, geopolitical events, the war in Ukraine, the ongoing Israel/Palestine conflict, political and economic instability in the UK, and inflationary pressures.

The Directors noted that the Company, with the current cash balance and holding a portfolio of listed investments, is able to meet the obligations of the Company as they fall due. The surplus cash enables the Company to meet any funding requirements and finance future additional investments. The revolving credit facility (extended to 5 April 2024) is fully utilised at year end and the facility is to be extended for a further two years. The Company is able to repay the facility at its own discretion from available cash and liquid investments. The Investment Manager assesses the exposure to risk when making each investment decision, monitors cash flows and the performance of the portfolio on a daily basis. The Company is a closed-ended fund, where assets are not required to be liquidated to meet day-to-day redemptions.

The Directors have completed stress tests assessing the impact of changes in market value, inflation and income with associated cash flows. In making this assessment, they have considered severe but plausible downside scenarios and simulated a 50% reduction in NAV during April 2024, the impact on future cash flows as a result of this through to December 2028. The conclusion was that in a severe but plausible downside scenario the Company could continue to meet its liabilities. Whilst the economic future is uncertain, and the Directors believe that it is possible the Company could experience further reductions in income and/or market value, and changes in expenses, the opinion of the Directors is that this should not be to a level which would threaten the Company's ability to continue as a going concern.

The Company's IPO Prospectus stated that the Directors may, at their discretion, deliver a full or a partial exit opportunity to Shareholders every two years, from October 2022 onwards. The mechanism would be dependent on various factors including the number of Shareholders seeking to participate in the exit opportunity, the liquidity of the underlying market and/or the demand for Shares from other investors.
In 2022, the Company consulted with Shareholders representing a significant majority of the shares in issue and, in line with the opinion expressed by the consulted Shareholders, the Company did not offer an exit opportunity at that time. The Company intends to follow a similar consultation process ahead of October 2024. The Directors have reviewed the Shareholders of the Company, Shareholder feedback, the current market position and performance. It is anticipated there will be no significant uptake by Shareholders of any potential exit opportunity in 2024 and the Company will continue as a going concern.

The Directors are not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern, having taken into account the liquidity of the Company's investment portfolio and the Company's financial position in respect of its cash flows, borrowing facilities and investment commitments (of which there are none of significance). Therefore, the financial statements have been prepared on the going concern basis.

Segmental Reporting

The Directors are of the opinion that the Company is engaged in a single segment of business, being investment business.

The Company invests in companies listed in Japan on recognised exchanges.

1. General Information and Accounting Policies continued

Accounting Developments

New and amended IAS Standards that are effective for the current year.

In the current year, the Company has applied a number of amendments to UK-adopted international standards that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the accounts reported in these financial statements. In accordance with an amendment to IAS1, Presentation of Financial Statements, the Company now discloses its material accounting policy information instead of significant accounting policies. The updates incorporated:

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Definition of Accounting Estimates – Amendments to IAS 8;
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12; and
- IFRS 17 Insurance Contracts.

There are amendments to IAS/IFRS that will apply from 1 January 2024 as follows:

- Classification of liabilities as current or non-current – Amendments to IAS 1;
- Non-current liabilities with Covenants – Amendments to IAS 1; and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

The Directors do not anticipate the adoption of these will have a material impact on the financial statements.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements in conformity with UK-adopted international accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts in the Balance Sheet, the Statement of Comprehensive Income and the disclosure of contingent assets at the date of the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The areas requiring judgement and estimation in the preparation of the financial statements are: recognising and classifying unusual or special dividends received as either revenue or capital in nature; allocation of expenses between capital and income, and setting of the level of dividends paid and proposed.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods. There are no further significant judgements or estimates in these financial statements.

Investments

The investment objective of the Company is to provide Shareholders with a total return in excess of the MSCI Japan Small Cap Index in GBP, through the active management of a focused 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.

The investments held by the Company are measured 'at fair value through profit or loss'. All gains and losses are allocated to the capital return within the Statement of Comprehensive Income as 'Gains or losses on investments held through profit or loss'. Also included within this heading are transaction costs in relation to the purchase or sale of investments. When a purchase or sale is made under a contract, the terms of which require delivery within the timeframe of the relevant market, the investments concerned are recognised or derecognised on the trade date.

All investments are designated upon initial recognition as held at fair value through profit or loss, and are measured at subsequent reporting dates at fair value, which is the bid price. The Company derecognises a financial asset only when the contractual right to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable, and the cumulative gain or loss that had been accumulated is recognised in profit or loss.

All investments for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy in note 15.

Foreign currency

Transactions denominated in currencies other than Pounds Sterling are recorded at the rates of exchange prevailing on the date of transaction. Items which are denominated in foreign currencies are translated at the rates prevailing on the Balance Sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as exchange gain or loss in the capital reserve or revenue reserve depending on whether the gain or loss is capital or revenue in nature.

Cash and Cash Equivalents

Cash comprises cash in hand and balances held in interest bearing accounts revalued for exchange rate movements.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial Statements / Notes to the Financial Statements continued
For the year ended 31 December 2023

1. General Information and Accounting Policies continued

Revolving Credit Facility
The revolving credit facility is shown at amortised cost and revalued for exchange rate movements. Any gain or loss arising from changes in exchange rates is included in the capital reserve and shown in the capital column of the Statement of Comprehensive Income.

Income
Dividends receivable on quoted equity shares are taken to revenue on an ex-dividend basis. Dividends receivable on equity shares where no ex-dividend date is quoted are brought into account when the Company's right to receive payment is established. Dividends from overseas companies are shown gross of any withholding taxes. Irrecoverable withholding taxes are disclosed within taxation in the Statement of Comprehensive Income.

Special dividends are taken to the revenue or capital account depending on their nature. In deciding whether a dividend should be regarded as a capital or revenue receipt, the Board reviews all relevant information as to the reasons for the sources of the dividend on a case-by-case basis.

When the Company has elected to receive scrip dividends in the form of additional shares, rather than cash, the amount of the cash dividend forgone is recognised as income. Any excess in the value of the cash dividend is recognised in the capital column.

All other income is accounted for on a time-apportioned accruals basis and is recognised in the Statement of Comprehensive Income.

Expenses and Finance Costs
Expenses incurred directly in relation to arranging debt finance are amortised over the term of the finance. All expenses and finance costs are accounted for on an accruals basis. On the basis of the Board's expected long-term split of total returns the Company charges 90% of its management fee and finance costs to capital.

Taxation
The charge for taxation is based on the net revenue for the year and takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes.

The tax charge consists of overseas tax not recoverable.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets are only recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of timing differences can be deducted. In line with the recommendations of the SORP, the allocation method used to calculate the tax relief on expenses charged to capital is the 'marginal' basis. Under this basis, if taxable income is capable of being offset entirely by expenses charged through the revenue account, then no tax relief is transferred to the capital account.

Dividends Payable to Shareholders
Dividends to shareholders are recognised as a liability in the period in which they are paid or approved in general meetings and are taken to the Statement of Changes in Equity. Dividends declared and approved by the Company after the Balance Sheet date have not been recognised as a liability of the Company at the Balance Sheet date.

Share Premium
The share premium account represents the accumulated premium paid for shares issued above their nominal value less issue expenses. This is a reserve forming part of the non-distributable reserves. The following items are taken to this reserve:

- costs associated with the issue of equity; and
- premium on the issue of shares.

Special Reserve
The special reserve was created by the cancellation of the share premium account by order of the court and forms part of the distributable reserves. The following items are taken to this reserve:

- costs of share buybacks; and
- crediting the cost of share buybacks for shares reissued.

Capital Reserve
The following are taken to the capital reserve through the capital column in the Statement of Comprehensive Income:

Capital reserve – other, forming part of the distributable reserves:

- gains and losses on the disposal of investments;
- issue expenses on revolving credit facility;
- exchange differences of a capital nature; and
- expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies.

Capital reserve – investment holding gains, not distributable:

- increase and decrease in the valuation of investments held at the year end.

Revenue Reserve
The revenue reserve represents the surplus of accumulated profits and is distributable by way of dividends.

2. Income

	31 December 2023 £'000	31 December 2022 £'000
Income from investments		
Overseas dividends	**4,179**	3,772
Bank and deposit interest	**(16)**	(24)
Exchange losses on receipt of income*	**(207)**	(81)
Total income	**3,956**	3,667

* Exchange movements arise from ex-dividend date to payment date.

3. Investment Management Fee and Other Expenses

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Management fee	**162**	**1,460**	**1,622**	152	1,364	1,516
Other expenses:						
Directors' emoluments – fees	**149**	**–**	**149**	138	–	138
Directors' insurances and other expenses	**18**	**–**	**18**	12	–	12
Directors' National Insurance Contributions	**16**	**–**	**16**	15	–	15
Auditor's remuneration – audit services	**51**	**–**	**51**	47	–	47
Marketing	**190**	**–**	**190**	212	–	212
Printing and postage costs	**32**	**–**	**32**	27	–	27
Registrar fees	**28**	**–**	**28**	18	–	18
Custodian fees	**22**	**–**	**22**	28	–	28
Depositary fees	**33**	**–**	**33**	32	–	32
Advisory and professional fees	**296**	**–**	**296**	240	–	240
Regulatory fees	**33**	**–**	**33**	29	–	29
Irrecoverable VAT	**(11)**	**–**	**(11)**	8	–	8
Sundry expenses	**29**	**–**	**29**	–	–	–
Total other expenses	**886**	**–**	**886**	806	–	806

The management fee of 1% per annum is calculated on the lesser of the Company's NAV or Market Capitalisation at each quarter end. The Investment Manager will invest 25% of the management fee it receives in shares of the Company (through open market purchases) and will hold these for a minimum of two years.

At AVI's request, the Board agreed in September 2023 to temporarily reduce the investment to 10% of the management fee, to bolster AVI's cash reserves for an acquisition on the basis that the Investment Manager would increase the reinvestment level subsequently, in order to ensure that 25% of the management fees were reinvested by 31 December 2024.

4. Finance Costs

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue return £'000	Capital return £'000	Total £'000	Revenue return £'000	Capital return £'000	Total £'000
JPY revolving credit facility	**(18)**	**(163)**	**(181)**	(21)	(187)	(208)
Exchange gain/(loss) on JPY revolving credit facility*	**–**	**1,933**	**1,933**	–	(1,044)	(1,044)

* Revaluation of revolving credit facility.

Details of the revolving credit facility are set out in notes 10, 11 and 12.

Financial Statements / Notes to the Financial Statements continued

For the year ended 31 December 2023

5. Taxation

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Analysis of charge for the year						
Overseas tax not recoverable*	**418**	**–**	**418**	377	–	377
Tax charge for the year	**418**	**–**	**418**	377	–	377

* Tax deducted on payment of overseas dividends by local tax authorities.

The tax assessed for the year is the standard rate of corporation tax in the United Kingdom of 19%. The differences are explained below:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue return £'000	**Capital return £'000**	**Total £'000**	Revenue return £'000	Capital return £'000	Total £'000
Return on ordinary activities after interest payable but before appropriations	**2,890**	**22,267**	**25,157**	2,688	(9,302)	(6,614)
Profit/(loss) before taxation multiplied by the standard rate of corporation tax of 23.5% (2022: 19%)	**549**	**4,231**	**4,780**	511	(1,767)	(1,256)
Effects of:						
– Tax – exempt overseas investment income	**(794)**	**–**	**(794)**	(717)	–	(717)
– Foreign exchange (gains)/losses not taxable	**39**	**(147)**	**(108)**	15	18	33
– (Losses)/gains on investments and exchange losses on capital items	**–**	**(4,392)**	**(4,392)**	–	1,455	1,455
– Excess management expenses carried forward	**203**	**277**	**480**	182	259	441
– Movement in non-trading loan relationship deficit not utilised	**3**	**31**	**34**	9	35	44
– Overseas tax not recoverable	**418**	**–**	**418**	377	–	377
Tax charge for the year	**418**	**–**	**418**	377	–	377

At 31 December 2023, the Company had unrelieved tax losses of £11,463,000 (31 December 2022: £8,758,000) that are available to offset future taxable revenue. A deferred tax asset of £2,866,000 (31 December 2022: £2,189,000), which has been calculated using a corporation tax rate of 25% (2022: 25%), has not been recognised because the Company is not expected to generate sufficient taxable income in future periods to utilise these tax losses.

Deferred tax is not provided on capital gains and losses arising on the revaluation or disposal of investments because the Company meets (and intends to continue for the foreseeable future to meet) the conditions for approval as an investment trust company.

6. Dividends

	31 December 2023 £'000	31 December 2022 £'000
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2022 of 0.80p (2021: 0.70p) per Ordinary Share	**1,118**	960
Interim dividend for the year ended 31 December 2023 of 0.85p (2022: 0.75p) per Ordinary Share	**1,197**	1,028
	2,315	1,988

6. Dividends continued

Set out below are the interim and final dividends paid or proposed on Ordinary Shares in respect of the financial year, which is the basis on which the requirements of Section 1159 of the Corporation Tax Act 2010 are considered:

	31 December 2023 £'000	31 December 2022 £'000
Interim dividend for the year ended 31 December 2023: 0.85p (2022: 0.75p) per Ordinary Share	**1,197**	1,028
Proposed final dividend for the year ended 31 December 2023 of 0.85p (2022: 0.80p) per Ordinary Share	**1,194***	1,118
	2,391	2,146

* Based on shares in circulation on 13 March 2024.

7. Earnings per Ordinary Share – basic and diluted

The earnings per Ordinary Share is based on the Company's net profit after tax of £24,739,000 (year ended 31 December 2022: loss of £6,991,000) and on 140,094,621 (year ended 31 December 2022: 136,908,472) Ordinary Shares, being the weighted average number of Ordinary Shares in issue during the year.

The earnings per Ordinary Share detailed above can be further analysed between revenue and capital as follows:

	Year ended 31 December 2023			Year ended 31 December 2022		
	Revenue	**Capital**	**Total**	Revenue	Capital	Total
Net profit/(loss) (£'000)	**2,472**	**22,267**	**24,739**	2,311	(9,302)	(6,991)
Weighted average number of Ordinary Shares			**140,094,621**			136,908,472
Earnings per Ordinary Share – basic and diluted (pence)	**1.76**	**15.89**	**17.65**	1.69	(6.79)	(5.10)

There are no dilutive instruments issued by the Company.

8. Investments Held at Fair Value Through Profit or Loss

	31 December 2023 £'000	31 December 2022 £'000
Financial assets held at fair value		
Opening book cost	**160,623**	152,677
Opening investment holding gains	**3,700**	18,572
Opening fair value	**164,323**	171,249
Movement in the year:		
Purchases at cost: Equities	**55,710**	55,224
Sales proceeds: Equities	**(57,291)**	(54,493)
– realised gains on equity sales	**4,367**	7,215
Increase/(decrease) in investment holding gains	**18,748**	(14,872)
Closing fair value	**185,857**	164,323
Closing book cost	**163,409**	160,623
Closing investment holding gains	**22,448**	3,700
Closing fair value	**185,857**	164,323

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8. Investments Held at Fair Value Through Profit or Loss continued

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Transaction costs		
Cost on acquisition	**32**	32
Cost on disposals	**33**	30
	65	62
Analysis of capital gains		
Gains on sales of financial assets based on historical cost	**4,367**	7,215
Movement in investment holding gains/(losses) for the year	**18,748**	(14,872)
Net gains/(losses) on investments held at fair value	**23,115**	(7,657)

The Company received £57,291,000 (year ended 31 December 2022: £54,493,000) from investments sold in the year. The book cost of these investments when they were purchased was £52,924,000 (year ended 31 December 2022: £47,278,000). These investments have been revalued over time and until they were sold any unrealised gains or losses were included in the fair value of the investments.

The Company has six investments of 3% or more of the equity capital of the investee companies, which are set out in the Investment Portfolio on page 22.

9. Receivables

	2023 £'000	2022 £'000
Due from brokers	**324**	–
Other receivables and prepayments	**64**	196
	388	196

No receivables are past due or impaired.

10. Current Liabilities

	2023 £'000	2022 £'000
Revolving credit facility	**16,301**	–
Payables:		
Management fees	**133**	124
Interest payable	**70**	51
Due to brokers	**79**	1
Accrued expenses	**149**	208
	431	384
Total current liabilities	**16,732**	384

11. Revolving Credit Facility

	Year ended 31 December 2023		Year ended 31 December 2022	
	¥'000	**£'000**	¥'000	£'000
Opening balance	**2,465,000**	**15,532**	2,930,000	18,787
Proceeds from amounts drawn	**465,000**	**2,703**	1,000,000	5,999
Proceeds from amounts repaid	**–**	**–**	(1,465,000)	(9,013)
Exchange rate movement	**–**	**(1,934)**	–	(241)
Closing balance	**2,930,000**	**16,301**	2,465,000	15,532
Maximum facility available	**2,930,000**	**16,301**	2,930,000	18,462

Effective 2 February 2022, the Company extended the revolving credit facility ("the facility") for a further two years to 2 February 2024, with the ¥1.4 billion option removed to leave a facility size of ¥2.9 billion. The facility was subsequently extended to 5 April 2024 on the same terms, while renewal terms are being agreed. Interest is charged at the Tokyo Overnight Average Rate ("TONAR") (if TONAR – the reference rate is less than zero this shall be deemed to be zero). The interest is payable bi-annually, and the current interest rate (and also the effective rate) is 1.15%.

When less than 50% of the facility is utilised, commitment fees of 0.375% are charged on undrawn balances. If over 50% is drawn down, 0.325% is payable on the undrawn amount. As at the date of this report, the Company has drawn down ¥2.465 billion of the facility and the commitment fee is payable. The commitment fees are payable quarterly.

Under the terms of the facility, the net assets shall not be less than £75 million and the adjusted total net assets to borrowing ratio shall not be less than 4.5:1.

The facility is shown at amortised cost and revalued for exchange rate movements. Costs of £20,000 were incurred in relation to the extension of the facility. Any gain or loss arising from changes in exchange rates are included in the capital reserves and shown in the capital column of the Statement of Comprehensive Income. Interest costs are charged to capital and revenue in accordance with the Company's accounting policies.

12. Non-Current Liabilities

	2023 £'000	2022 £'000
Revolving credit facility	**–**	15,532
Total	**–**	15,532

13. Share Capital

	As at 31 December 2023 Ordinary Shares of 1p each	
Allotted, called up and fully paid	**Number of shares**	**Nominal value £'000**
Balance at beginning of year	**137,461,702**	**1,375**
Issue of Ordinary Shares	**3,375,000**	**33**
	140,836,702	**1,408**
Treasury shares:		
Balance at beginning of year	**400,000**	
Issue of Ordinary Shares from treasury	**(985,000)**	
Buyback of Ordinary Shares into treasury	**985,000**	
Balance at end of year	**400,000**	
Total Ordinary Share capital excluding treasury shares	**140,436,702**	

During the year ended 31 December 2023, 4,360,000 (31 December 2022: 4,491,000) Ordinary Shares were issued for a net consideration of £5,258,000 (31 December 2022: £4,824,000), including 985,000 Ordinary Shares issued from treasury (31 December 2022: 250,000).

During the year, 985,000 Ordinary Shares (31 December 2022: 400,000) were bought back and placed in treasury for an aggregate consideration of £1,134,000 (31 December 2022: £171,000).

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For the year ended 31 December 2023

14. NAV per Ordinary Share
The NAV per Ordinary Share is based on net assets of £182,943,000 (31 December 2022: £156,395,000) and on 140,436,702 (31 December 2022: 137,061,702) Ordinary Shares, being the number of Ordinary Shares in issue at the year end.

15. Financial Instruments and Capital Disclosures
Investment Objective and Policy
The investment objective of the Company is to achieve a total return through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying NAV.

The Company's investment objective and policy are detailed on page 23.

The Company's financial instruments comprise equity investments, cash balances, receivables, payables and borrowings. The Company makes use of borrowings to achieve improved performance in rising markets.

Risks
The risks identified arising from the financial instruments are market risk (which comprises market price risk, interest rate risk and foreign currency risk), liquidity risk and credit and counterparty risk. The Company may also enter into derivative transactions to manage risk.

The Board and Investment Manager consider and review the risks inherent in managing the Company's assets which are detailed below.

Market Risk
Market risk arises mainly from uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss which the Company might suffer through holding market positions by way of price movements, interest rate movements, exchange rate movements and systematic risk (risk inherent to the market, reflecting economic and geopolitical factors). The Investment Manager assesses the exposure to market risk when making each investment decision and these risks are monitored by the Investment Manager on a regular basis and the Board at quarterly meetings with the Investment Manager.

Market Price Risk
Market price risk (i.e. changes in market prices other than those arising from currency risk or interest rate risk) may affect the value of investments.

Adherence to investment policies mitigates the risk of excessive exposure to any particular type of security or issuer. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis, with the objective of maximising overall returns to shareholders. The assessment of market risk is based on the Company's portfolio as held at the year end. The Company has experienced volatility in the fair value of investments during recent years due to geopolitical events. Further additional volatility during the year has resulted from the Russian invasion of Ukraine, the ongoing Israel/Palestine conflict, UK political instability, and inflation. The Company has used 10% to demonstrate the impact of a reduction/increase in the fair value of the investments and the impact upon the Company that might arise from future events.

The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with the objective of maximising overall returns to Shareholders. If the fair value of the Company's investments at the year end increased or decreased by 10%, then it would have had an impact on the Company's capital return through (losses)/gains on investments held at fair value, impacting profit/(loss) and the NAV, by 18,586,000 (31 December 2022: £16,432,000).

Foreign Currency
The value of the Company's assets and the total return earned by the Company's Shareholders can be significantly affected by foreign exchange rate movements as most of the Company's assets are denominated in currencies other than Pounds Sterling, the currency in which the Company's financial statements are prepared. Income denominated in foreign currencies is converted to Pounds Sterling upon receipt. The JPY exchange rate at 31 December 2023 was ¥179.74:£1 (31 December 2022: ¥158.705:£1).

Currency Risk

	GBP £'000	JPY £'000	Total £'000
At 31 December 2023			
Receivables	64	324	388
Cash and cash equivalents	311	13,119	13,430
JPY revolving credit facility	–	(16,301)	(16,301)
Payables	(282)	(149)	(431)
Currency exposure on net monetary items	93	(3,007)	(2,914)
Investments held at fair value through profit or loss	–	185,857	185,857
Total net currency exposure	93	182,850	182,943

15. Financial Instruments and Capital Disclosures continued

Currency Risk continued

	GBP £'000	JPY £'000	Total £'000
At 31 December 2022			
Receivables	37	159	196
Cash and cash equivalents	1,066	6,726	7,792
JPY revolving credit facility	–	(15,532)	(15,532)
Payables	(332)	(52)	(384)
Currency exposure on net monetary items	771	(8,699)	(7,928)
Investments held at fair value through profit or loss	–	164,323	164,323
Total net currency exposure	771	155,624	156,395

A 5% decline in Sterling against foreign currency denominated (i.e. non Pounds Sterling) assets and liabilities held at the year end would have increased the net assets and exchange gains and losses, impacting profit/(loss), by £9,143,000 (31 December 2022: £7,781,000). A 5% rise in Sterling against foreign currency denominated assets and liabilities held at the year end would have decreased the net assets and exchange gains and losses, impacting profit/(loss) by £9,143,000 (31 December 2022: £7,781,000).

Interest Rate Risk

Interest rate movements may affect:

- the level of income receivable on cash deposits; and
- the interest payable on variable rate borrowings.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions.

The exposure at 31 December of financial assets and financial liabilities to interest rate risk is shown by reference to floating interest rates.

	31 December 2023 £'000	31 December 2022 £'000
Exposure to floating interest rates		
Cash and cash equivalents	**13,430**	7,792
JPY revolving credit facility	**(16,301)**	(15,532)

If the above level of cash was maintained for a year, a 1% increase in interest rates would decrease the revenue return and net assets by £134,000 (31 December 2022: £77,000). Management proactively manages cash balances. If there was a fall of 1% in interest rates, it would potentially impact the Company by turning positive interest to negative interest. The total effect would be a change in profit/(loss) and the NAV, through a cost increase/revenue reduction, of £134,000 (31 December 2022: £77,000).

The current interest rate chargeable on the revolving credit facility (the "facility") is 1.15% and the effective interest rate 1.15%. The effective rate chargeable for a year on the current drawn down balance of ¥2,930,000,000 is £187,000. The facility has been extended to 5 April 2024, after which it will be renewed when terms have been agreed.

Financial Statements / Notes to the Financial Statements continued

For the year ended 31 December 2023

15. Financial Instruments and Capital Disclosures continued

Liquidity Risk

Liquidity risk is mitigated by the fact that the Company has £13,430,000 (2022: £7,792,000) cash at bank, the assets are readily realisable, which can be easily sold to meet funding commitments and further short-term flexibility is available through the use of bank borrowings. The current revolving credit facility is repayable on 5 April 2024, or prior to that date. Repayment may be completed through cash repayments, further borrowings and/or disposal of investments. Unlisted investments, if any, in the portfolio are subject to liquidity risk which is taken into account by the Directors when arriving at their valuation.

The Company is a closed-ended fund, assets do not need to be liquidated to meet redemptions, and sufficient liquidity is maintained to meet obligations as they fall due.

The remaining contractual payments on the Company's financial liabilities at 31 December 2023, based on the earliest date on which payment can be required and current exchange rates at the Balance Sheet date undiscounted amounts, were as follows:

	In one year or less £'000	**Total £'000**
At 31 December 2023		
Revolving credit facility	**(16,301)**	**(16,301)**
Payables	**(431)**	**(431)**
	(16,732)	**(16,732)**

	In one year or less £'000	In more than 1 year but not more than 2 years £'000	Total £'000
At 31 December 2022			
Revolving credit facility	(173)	(15,617)	(15,790)
Payables	(384)	–	(384)
	(557)	(15,617)	(16,174)

Credit Risk

Credit risk is mitigated by diversifying the counterparties through which the Investment Manager conducts investment transactions. The credit standing of all counterparties is reviewed periodically, with limits set on amounts due from any one counterparty. As at 31 December 2022, cash was held with J.P. Morgan Chase Bank (A2* Moody's credit rating).

The total credit exposure represents the carrying value of cash and receivable balances and totals £13,818,000 (31 December 2022: £7,988,000).

Fair Values of Financial Assets

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value is the amount at which the asset could be sold or the liability transferred in an orderly transaction between market participants, at the measurement date, other than a forced or liquidation sale.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant assets as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The table below sets out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

15. Financial Instruments and Capital Disclosures continued

Fair values of Financial Assets continued

Financial assets at fair value through profit or loss at 31 December 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	**185,857**	**–**	**–**	**185,857**
	185,857	**–**	**–**	**185,857**

Financial assets at fair value through profit or loss at 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	164,323	–	–	164,323
	164,323	–	–	164,323

There have been no transfers during the year between Levels 1, 2 and 3.

Capital Management Policies and Procedures

The structure of the Company's capital is described on page 39 and details of the Company's reserves are shown in the Statement of Changes in Equity on page 57.

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern;
- to achieve capital growth through a focused portfolio of investments, particularly in companies whose share prices stand at a discount to estimated underlying NAV, through an appropriate balance of equity capital and debt; and
- to maximise the return to Shareholders while maintaining a capital base to allow the Company to operate effectively and meet obligations as they fall due.

The Board, with the assistance of the Investment Manager, regularly monitors and reviews the broad structure of the Company's capital on an ongoing basis. These reviews include:

- the level of gearing, which takes account of the Company's position and the Investment Manager's views on the market; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are set out in the Strategic Report. The Company is subject to externally imposed capital requirements:

- as a public company, the Company is required to have a minimum share capital of £50,000; and
- in accordance with the provisions of Sections 832 and 833 of the Companies Act 2006, the Company, as an investment company:
  - is only able to make a dividend distribution to the extent that the assets of the Company are equal to at least one and a half times its liabilities after the dividend payment has been made; and
  - is required to make a dividend distribution each year such that it does not retain more than 15% of the income that it derives from shares and securities.

These requirements are unchanged since last year and the Company has complied with these requirements at all times since commencing trading on 23 October 2018.

16. Related Party Disclosures and Investment Management Fees

Fees paid to the Company's Directors are disclosed in the Directors' Remuneration Report on page 47 and in note 3 on page 63.

The Company paid management fees to AVI during the year amounting to £1,613,000 (2022: £1,525,000). As at the year end, £133,000 remained outstanding in respect of management fees (2022: £124,000). At 31 December 2023, AVI held 1,500,000 Ordinary Shares (2022: 1,275,000 Ordinary Shares) of the Company.

Finda Oy and City of London Investment Management Company Limited ("City of London"), significant Shareholders of the Company, are deemed to be related parties of the Company for the purposes of the Listing Rules by virtue of their holding in the Company's issued share capital. During the year under review, no material transactions took place between the Company and Finda Oy or City of London. As at 31 December 2023, the Company had not been notified of any change to Finda Oy's holding, apart from a small reduction in the percentage held by Finda Oy due to an increase in the issued share capital during the year. At the date of the latest notification, on 5 May 2023, Finda Oy's holding represented 21.5% of the voting rights. City of London informed the Company on 23 February 2023 that its holding had reduced to 15.9% of the voting rights and on 26 September 2023 that its holding had reduced to 14.9%. As at 13 March 2024, no further notifications have been received from either of the significant Shareholders.

17. Post Balance Sheet Events

There are no post balance sheet events to report.

Shareholder Information / AIFMD Disclosures

The Company's AIFM is Asset Value Investors Limited.

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. Those disclosures that are required to be made pre-investment are included within an AIFMD Investor Disclosure Document. This, together with other necessary disclosures required under AIFMD, can be found on the Company's website **www.ajot.co.uk**. All authorised AIFMs are required to comply with the AIFMD Remuneration Code. The AIFM's remuneration disclosures can be found on the Company's website **www.ajot.co.uk**.

Shareholder Information / Glossary

Alternative Performance Measure ("APM")
An APM is a numerical measure of the Company's current, historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial framework.

The definitions below are utilised for the measures of the Company, the investment portfolio and underlying individual investments held by the Company. Certain of the metrics are to look through to the investments held, excluding certain non-core activities, so the performance of the actual core of the investment may be evaluated. Where a company in the investment portfolio holds a number of listed investments these are excluded in order to determine the actual core value metrics.

Comparator Benchmark
The Company's Comparator Benchmark is the MSCI Japan Small Cap Index, expressed in Sterling terms. The benchmark is an index which measures the performance of the Japan Small-Cap equity market. The weighting of index constituents is based on their market capitalisation. Dividends paid by index constituents are assumed to be reinvested in the relevant securities at the prevailing market price. The Investment Manager's investment decisions are not influenced by whether a particular company's shares are, or are not, included in the benchmark. The benchmark is used only as a yardstick to compare investment performance.

Cost
The book cost of each investment is the total acquisition value, including transaction costs, less the value of any disposals or capitalised distributions allocated on a weighted average cost basis.

Discount/Premium
If the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price of 127.0p (2022: 112.3p) from the NAV per share of 130.3p (2022: 114.1p) and is usually expressed as a percentage of the NAV per share, 2.5% (2022: 1.6%). If the share price is higher than the NAV per share, this situation is called a premium.

The discount and performance are calculated in accordance with guidelines issued by The AIC. The discount is calculated using the net asset values per share inclusive of accrued income.

Earnings Before Interest and Taxes ("EBIT")
EBIT is equivalent to profit before finance costs and tax set out in the statement of comprehensive income.

Enterprise Value ("EV")
Enterprise Value reflects the economic value of the business by taking the market capitalisation less cash, investment securities and the value of treasury shares plus debt and net pension liabilities.

Enterprise Value ("EV")/Earnings Before Interest and Taxes ("EBIT")
A multiple based valuation metric that takes account of the excess capital on a company's balance sheet. For example, if a company held 80% of its market capitalisation in NFV (defined under Net Financial Value/Market Capitalisation), and had a market capitalisation of 100 and EBIT of 10, the EV/EBIT would be 2x, (100-80)/10.

Enterprise Value ("EV") Free Cash Flow Yield ("EV FCF Yield")
A similar calculation to free cash flow yield, except the free cash flow excludes interest and dividend income and is divided by enterprise value. This gives a representation for how overcapitalised and undervalued a company is. If a company were to pay out of all of its NFV (defined under Net Financial Value/Market Capitalisation) and the share price remained the same, the EV FCF Yield would become the FCF yield. For example, take a company with a market capitalisation of 100 that had NFV of 80 and FCF of 8. The FCF yield would be 8%, 8/100, but if the company paid out all of its NFV the FCF yield would become 40%, 8/(100-80). This gives an indication of how cheaply the market values the underlying business once excess capital is stripped out.

Free Cash Flow ("FCF") Yield
Free cash flow is the amount of cash profits that a business generates, adjusted for the minimum level of capital expenditure required to maintain the company in a steady state. It measures how much a business could pay out to equity investors without impairing the core business. When free cash flow is divided by the market value, we obtain the free cash flow yield.

Gearing
Gearing refers to the ratio of the Company's debt to its equity capital. The Company may borrow money to invest in additional investments for its portfolio. If the Company's assets grow, the Shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

The gearing of 8.9% (31 December 2022: 9.9%) represents borrowings of £16,301,000 (31 December 2022: £15,532,000) expressed as a percentage of Shareholders' funds of £182,943,000 (31 December 2022: £156,395,000). The gearing of 1.6% (31 December 2022: -5.1%) represents borrowings net of cash of (£2,915,000) (31 December 2022: £7,928,000) expressed as a percentage of Shareholders' funds of £182,943,000 (31 December 2022: £156,395,000).

Net Asset Value ("NAV")
The NAV is Shareholders' funds expressed as an amount per individual share. Shareholders' funds are the total value of all of the Company's assets, at their current market value, having deducted all liabilities and prior charges at their par value, or at their asset value as appropriate. The total NAV per share is calculated by dividing the NAV by the number of Ordinary Shares in issue.

Net Cash/Market Capitalisation
Net cash consists of cash and the value of treasury shares less debt and net pension liabilities. It is a measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a net cash/market capitalisation of 100% is zero.

Net Financial Value ("NFV")/Market Capitalisation
Net Financial Value consists of cash, investment securities (less capital gains tax) and the value of treasury shares less debt and net pension liabilities. A measure of the excess cash on a company's balance sheet and, by implication, how much value the market attributes to the core operating business. For example, the implied valuation of the core operating business of a company trading with a NFV/market capitalisation of 100% is zero.

Shareholder Information / Glossary continued

Ongoing Charges Ratio
The Company's Expense Ratio is its annualised expenses (excluding finance costs and certain non-recurring items) of £2,485,000 (2022: £2,322,000) (being investment management fees of £1,622,000 (2022: £1,516,000) and other expenses of £886,000 (2022: £806,000) less non-recurring expenses of £23,000 (2022: £nil)) expressed as a percentage of the average daily net assets of £166,887,000 (2022: £154,813,000) of the Company during the year.

Portfolio Discount
A proprietary estimate of how far below fair value a given company is trading. For example, if a company with a market capitalisation of 100 had 80 NFV and a calculated fair value of the operating business of 90, we would attribute it a discount of -41%, 100/(90+80) -1. This indicates the amount of potential upside. The company trading on a -41% discount has a potential upside of +69%, 1/(1-0.41).

Portfolio Yield
The weighted-average dividend yield of each underlying company in AJOT's portfolio.

Return on Equity ("ROE")
A measure of performance calculated by dividing net income by Shareholder equity.

ROE ex Non-Core Financial Assets
Non-core financial assets consists of cash and investment securities (less capital gains tax) less debt and net pension liabilities. The ROE is calculated as if non-core financial assets were paid out to Shareholders. Companies with high balance sheet allocations to non-core, low yielding financial assets have depressed ROEs. The exclusion of non-core financial assets gives a fairer representation of the true ROE of the underlying business.

Total Return – NAV and Share Price Returns
The combined effect of any dividends paid, together with the rise or fall in the share price or NAV. Total return statistics enable the investor to make performance comparisons between investment trusts with different dividend policies. Any dividends received by a Shareholder are assumed to have been reinvested in either additional shares in the Company or in the assets of the Company at the prevailing NAV, in either case at the time that the shares begin to trade ex-dividend.

Shareholder Information / Investing in the Company

The Company's Ordinary Shares are listed on the London Stock Exchange and can be bought directly on the London Stock Exchange or through the platforms listed on **www.ajot.co.uk/how-to-invest/platforms/**.

Share Prices

The share price is published daily in The Financial Times, as well as on the Company's website: **www.ajot.co.uk**.

Dividends

Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque to their registered address, can complete a mandate form for the purpose. Mandate forms may be obtained from Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA on request or downloaded from Equiniti's website **www.shareview.com**. The Company operates the BACS system for the payment of dividends. Where dividends are paid directly into Shareholders' bank accounts, dividend tax vouchers are sent to Shareholders' registered addresses.

Change of Address

Communications with Shareholders are mailed to the last address held on the share register. Any change or amendment should be notified to Equiniti Limited using the contact details given above, under the signature of the registered holder.

Daily NAV

The daily NAV of the Company's shares can be obtained from the London Stock Exchange or via the website: **www.ajot.co.uk**

Shareholder Information / Company Information

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Registrar's Online Platform
www.shareview.co.uk

Registrar's Shareholder Helpline
Tel. 0371 384 2030

Lines are open 8.30am to 5.30pm, Monday to Friday.

Registrar's Broker Helpline
Tel. 0906 559 6025

Calls to this number cost £1 per minute from a BT landline, other providers' costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

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