



**NIPPON ACTIVE VALUE FUND PLC**

**INTERIM REPORT**

**FOR THE PERIOD**

**FROM INCORPORATION ON**

**22 OCTOBER 2019 TO 30 JUNE 2020**

# CONTENTS

INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY	2
CHAIRMAN'S STATEMENT	3
INVESTMENT ADVISER'S REPORT	5
PORTFOLIO SECTORS BREAKDOWN	7
INTERIM MANAGEMENT REPORT	8
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)	10
CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)	11
CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)	12
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)	13
NOTES TO THE INTERIM FINANCIAL STATEMENTS	14
ALTERNATIVE PERFORMANCE MEASURES ("APM")	23
GLOSSARY	24
COMPANY INFORMATION	26

# INVESTMENT OBJECTIVE, FINANCIAL INFORMATION AND PERFORMANCE SUMMARY

## INVESTMENT OBJECTIVE

The investment objective of Nippon Active Value Fund (the “Company”) is to provide Shareholders with attractive capital growth through the active management of a focussed portfolio of quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified by the Investment Adviser as being undervalued.

## FINANCIAL INFORMATION

	<b>At 30 June 2020</b>
Net assets (millions)	108.7
Net asset value (“NAV”) per Ordinary Share (“Share”) <sup>1</sup>	105.5p
Share price	99.0p
Share price discount to NAV <sup>2</sup>	6.2%

## PERFORMANCE SUMMARY

	<b>For the period 22 October 2019 to 30 June 2020 % change<sup>3</sup></b>
NAV total return per Share <sup>2</sup>	+5.5
Share price total return <sup>2</sup>	-1.0
MSCI Japan Small Cap index (sterling terms)	+0.9

<sup>1</sup> Measured on a cum income basis.

<sup>2</sup> These are Alternative Performance Measures (“APM”). Definition of these and other APMs used in this report together with how these measures have been calculated are disclosed on page 23 of this report.

<sup>3</sup>Total returns are stated in GBP sterling.

Source: Bloomberg

# CHAIRMAN'S STATEMENT

I am pleased to present the first interim report of the Nippon Active Value Fund (the "Company" or "NAVF").

NAVF listed on the London Stock Exchange on 21 February 2020 (the "Listing"), following an Initial Public Offering ("IPO") that raised £103.0 million. I would like to thank all those investors who subscribed in the IPO and look forward to representing all of you over the coming years. I would also like to thank the Company's advisers, third party providers and my fellow Directors for all their efforts that contributed to a successful launch.

## Performance

At the end of June, a little over four months after listing, the Company was over 65% invested. The Net Asset Value ("NAV") per Share was 105.5p, a rise of 5.5% since launch. At the time of writing, on 31 August 2020, the NAV per Share was 98.6p, net assets of £101.8 million and the share price was trading at a 4.7% discount to NAV.

Shortly after the Listing, global markets fell sharply in response to evidence that infections of COVID 19 were rapidly spreading from Asia, initially to Europe, then throughout the world. At that point we had only just began investing the proceeds of the IPO and Rising Sun Management, the Company's Investment Advisers, were able to take advantage of market volatility to achieve some very attractive entry points.

As we indicated in the prospectus, we anticipated that the Company would be fully invested after approximately six months. We are broadly on track, although during June our rate of purchases had slowed, partly because of lower than average trading volumes, particularly in the small and mid-cap stocks that are our targets, and also because of recent price movements which we believe are unsustainable. Softer markets and some pricing revisions have helped partially alleviate this in July.

While we are continuing to build positions, we do not feel able to give concrete examples of our investment targets or Rising Sun Management's discussions with them. It is our intention to give more information through our monthly factsheets as well as future interim and annual reports once the full holdings have been purchased and engagement has progressed beyond the present introductory phase.

## Dividend

The Company's intention is to look to achieve its returns primarily through capital appreciation. As such, no specific dividend policy has been established and any distributions will be made entirely at the discretion of the Board, taking into consideration the requirement to ensure the Company's compliance with the rules relating to investment trusts. The Board has decided not to declare an interim dividend for the period ended 30 June 2020.

## COVID-19

The pandemic has added unforeseen challenges to the process of engagement with our target companies. Although it has not been possible for our Investment Advisers to travel to Japan to hold meetings in person, they have been able to arrange virtual meetings with approximately half of our holdings and have begun constructive dialogues with them.

Our third party providers were all able to move to remote working practices without any major interruption to their service. The Board would like to thank them for their efforts in this regard.

### **Foreign Exchange and Foreign Trade Act (“FEFTA”)**

At the end of 2019, the Japanese Government announced its intention to make changes to FEFTA, which require foreign investors to file pre- and post-purchase notification of trades to the Ministry of Finance. If the target listed company conducts business in certain “Designated Business Sectors”, which may impact Japan’s national security or public welfare, foreign investors must file a post trade notification of stock purchase after purchasing 1% and 10% of shares in issue. Foreign investors must also file a prior notification if they intend to file a shareholder proposal to nominate a closely related person as a director of the company or make certain proposals relating to disposal of businesses at shareholders’ general meetings. The amendments took effect on 7 June 2020.

Although several of our initial target investments have been classified as Designated Businesses we do not expect that the new regulations will constrain our engagement process in any significant way and are confident that the case for active investment in Japan remains intact. All obligatory filings are being made by our Japanese Counsel. Please refer to the Investment Adviser’s Report for further information.

### **Outlook**

The Company’s investment brief is to take advantage of corporate governance reforms in Japan to engage with management teams and encourage investee companies to make improved returns to their shareholders. Our Investment Advisers at Rising Sun Management and their delegated research providers, Dalton Investments Japan, have a long and impressive track record in investing in the Japanese equity market and have identified a strong list of potential targets. The Board is pleased with the early progress in investing the proceeds of the IPO and we look forward to communicating the outcome of the engagement with management teams in future reports.

**Rosemary Morgan**  
**Chairman**  
**1 September 2020**

# INVESTMENT ADVISER'S REPORT

## Performance

During the period under review from the Company's listing on 21 February 2020 to 30 June 2020, the Company's net asset value (NAV) increased 5.5% to 105.52p whilst the share price declined 1.0% to 99.0p. In comparison, over the same period, the MSCI Japan Small Cap index in sterling terms delivered a positive total return of 0.9%. The Company's Share price during the period to 30 June 2020 averaged a 3.0% discount to NAV, occasionally trading at a premium especially during the first few weeks after the Company's listing. The discount as at 30 June 2020 was 6.2%.

Between the Company's listing on the London Stock Exchange and 14 August 2020, the main Nikkei 225 index declined by around 1% in sterling terms. At its worst point during the pandemic-induced correction, the index lost roughly 30% of its value. The MSCI Japan Small Cap index fell by 27% in the sell-off and has also recovered to almost exactly the level it stood at on 21 February. In the same period, 21 February to 14 August, the Dow Jones composite has lost 3.65% while the tech-heavy NASDAQ is 15.5% to the better.

Against this backdrop of broadly unchanged Japanese indices, we should not be surprised by the perfect symmetry of NAVF. As of 13 August 2020 (the latest date for which I have confirmed data) the Company's NAV per Share is back at par (100.22p) and net assets stand at £103.22 million – almost exactly where we started. However, we would be wrong to conclude from this that nothing much has been happening. During the first six months NAV per Share has exceeded 106p in mid-July and fallen to around 98.5p in early August. Throughout the period the Company's Shares have never traded above 99.5p bid, so, at times the Share price has been at discounts exceeding 6% compared with underlying NAV. Looking at individual stock performances within the portfolio, on the whole there has been little change with most of our holdings trading at prices slightly higher than our cost basis. We have one big loser, which was down 12% for the period to 13 August; but against this we must celebrate two positions up 10% and 25.5% respectively to the same date (these percentages are against our blended purchase costs in each counter).

Overall, the portfolio has added £2.53 million in its short life or 3.2% which is a creditable outperformance against its reference index, the MSCI Japan Small Cap. These figures are all reported in the Company's reference currency, sterling, which we do not hedge. The performance is, however, much more impressive in yen, where the Company is up ¥857.73 million or 8.3%. By this measure the best performing stock is up 31.6%! All this leads to the conclusion that, as stock-pickers we are on the right track. The fact that the Company's NAV does not appear to have changed since day one must be ascribed purely to the 3.7% appreciation of sterling against the yen since we began – something I would not normally expect to last for long.

## Portfolio

After just over four months of trading to 30 June 2020, NAVF has complete positions in six of its initial twenty target companies and around 75% of the desired allocation in another five. Overall, we have put to work over 67% of funds raised. The speed of investment has slowed in the last few months as the wide-scale and robust recovery in global stock prices from the March lows has consolidated and required several adjustments both to target quantities of individual stocks and the prices we are willing to pay for them. This is not bad news and we continue to benefit from the timing of our launch at the beginning of the COVID-19 pandemic, as the Company's NAV on 30 June 2020 of 105.52p is testament.

The central tenet of NAVF's investment philosophy has always been to engage with interesting smaller Japanese companies holding what we deem to be excess amounts of cash on their balance sheets, thus providing considerable margins of safety, and which are managed by their 'salary man' executives well within established comfort zones. Our principal argument to add value to our portfolio is to persuade or, if necessary, cajole managements into aligning their interests with shareholders. We believe this is most easily done by encouraging companies to issue restricted shares to managers in amounts equivalent to multiples of their annual cash remuneration. We are not alone in this view: the originator of the idea is the Japanese government itself! We had expected to carry out this campaign in person with our feet on the ground in Tokyo. Nevertheless, we have now succeeded in completing the first eight virtual Zoom-based meetings with investee representatives.

By 14 August just over 75% of NAVF's IPO funds have been invested in the initial target portfolio of twenty smaller Japanese stocks. Eleven positions have been built in full, with another five close to completion. Only three positions are proving difficult to accumulate in the desired quantities. One position is so illiquid, that its continued inclusion in the target portfolio is unlikely – the key question being whether to abandon it altogether and switch earmarked funds into bolstering the remaining positions or to substitute it with a fresh target. With only a week to go until the initial six months trading is completed, we will not reach our target of being fully invested in that time; but, progress, though sometimes slow, is steady.

## **Outlook**

In the last quarterly commentary, published at the end of July and available on the Company's website, I described the proposed forthcoming SPV strategy. I can now add that the first SPV, Earle 1927, has now been incorporated and Rising Sun's status as purely an adviser to the SPVs, by virtue of being a subsidiary of Rosenwald Capital Management, is being confirmed with the Cayman Islands Monetary Authority. Fundraising for Earle 1927 is also underway with a number of commitments received and more expected. The strategy of acting as a concert party will shortly be in place.

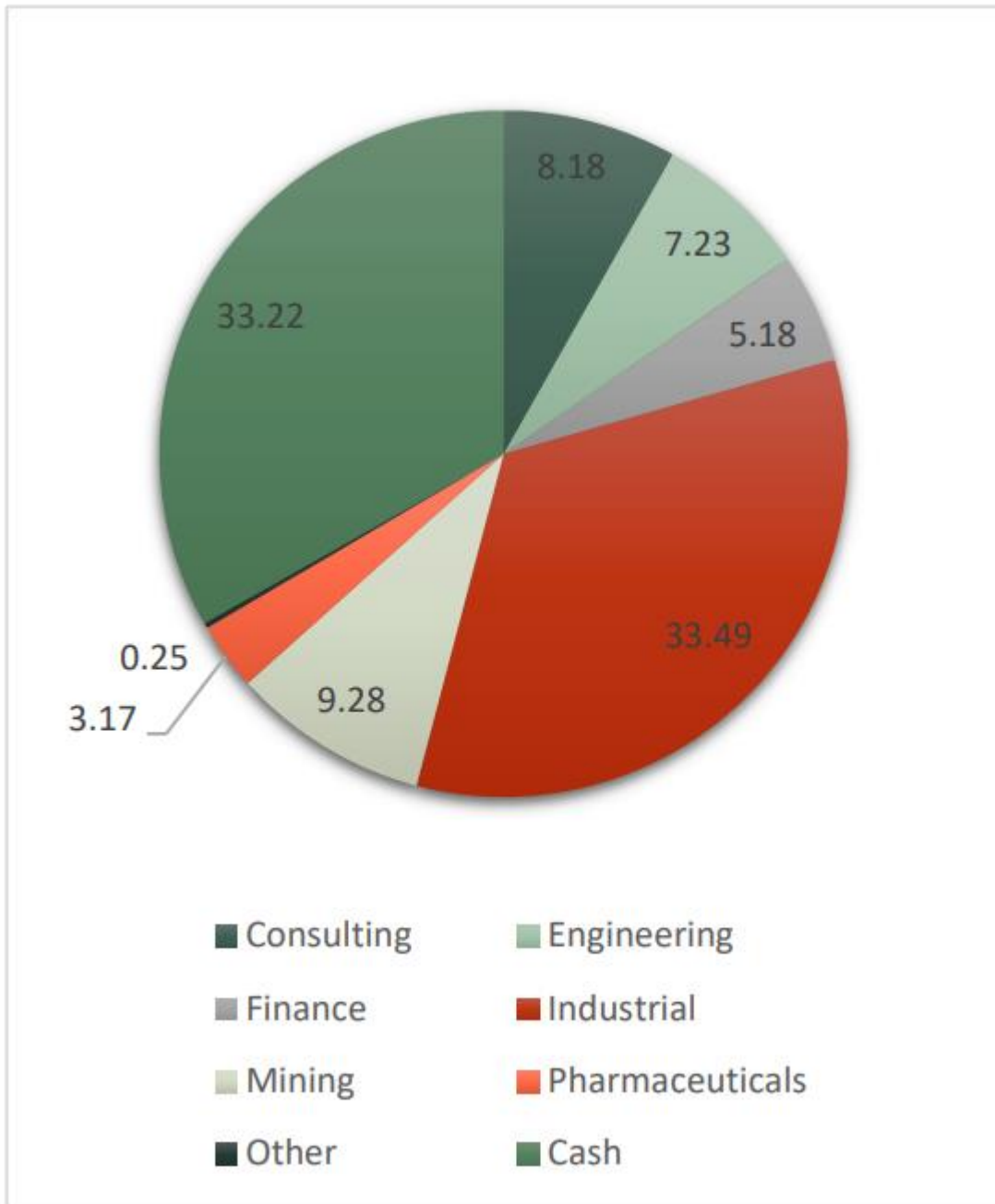
In addition, constructive discussions have already begun with several Private Equity management firms based both in Japan and the US, as well as one in Singapore. It is hoped that co-operation with one or more of these groups will add greatly to the dynamic of our approaching interventions. While it would be naïve to expect our initial contacts with portfolio company representatives to be likely to induce a change in corporate direction (and they have not), it appears as if the main event is about to start.

**Rising Sun Management Limited**  
**1 September 2020**

# PORTFOLIO SECTORS BREAKDOWN

## As at 30 June 2020

### SECTORS BREAKDOWN





## **INTERIM MANAGEMENT REPORT**

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority (“FCA”) Disclosure Guidance and Transparency Rules and consider the Chairman’s Statement and the Investment Adviser’s Report in this half-yearly report provide details of the important events which have occurred during the period and their impact on the financial statements. The following statements on related party transactions, going concern and the Directors’ Responsibility Statement below, together constitute the Interim Management Report for the Company for the period ended 30 June 2020.

### **RISKS AND UNCERTAINTIES**

The Company’s principal risks and uncertainties are outlined below. The Board and the Investment Adviser seek to mitigate these risks through active asset management initiatives and carrying out due diligence work on potential targets before entering into any investments. The principal risks and uncertainties of the Company are continuously monitored by the Board, with input from the Investment Adviser.

The principal risks and uncertainties facing the Company are as follows, with further disclosures in note 11.

- Market risks;
- Operational risks, including cyber-crime;
- Regulatory risks; and
- Financial risks.

The Company’s other risks set out below are taken from the Company’s Prospectus issued on 7 January 2020 and the Supplementary Prospectus issued on 13 February 2020.

- The Company has little operating history and no revenues, and investors have a limited basis on which to evaluate the Company.
- The Company is, to a large extent, reliant on the AIFM, Rising Sun, the Administrator and other third party service providers to carry on its businesses and a failure by one or more service providers may materially disrupt the business of the Company.
- The Company may not achieve its investment objective and investors may not get back the full value of their investment.
- Investor returns will be dependent upon the performance of the Portfolio and the Company may experience fluctuations in operating results.

The Board are of the opinion that these key principal risks remain, but mindful of their obligations under the changes to the AIC Code of Corporate Governance in February 2019 have also reviewed emerging risks which may impact the forthcoming six-month period. These emerging risks include:

- The ongoing impact of the global pandemic.

### **RELATED PARTY TRANSACTIONS**

The Company’s Investment Adviser is Rising Sun Management Limited and is considered a related party under the Listing Rules. With effect from first admission, Investment Adviser is entitled to receive annual advisory fee calculated as 0.85 per cent. of the Company’s net assets (exclusive of VAT). Investment advisory fees paid during the period to 30 June 2020 is £317,000. There is no performance fee payable to the Investment Adviser.

## **GOING CONCERN**

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the following twelve-month period from the date of this report. In reaching this conclusion, the Directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income, and expense flows. The Company's net assets as at 30 June 2020 is £108.7 million. As at 30 June 2020, the Company held £73.2 million in quoted investments and had cash and cash equivalents of £37.0 million. The total expenses (excluding finance costs and taxation) for the period ended 30 June 2020 is £0.7 million.

In light of the Covid-19 pandemic, the Directors have fully considered and assessed the Company's portfolio of investments. A prolonged and deep market decline could lead to falling values to the investments or interruptions to cashflow. However, the Company currently has more than sufficient liquidity available to meet any future obligations.

The market and operational risks associated with the Covid-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread were discussed and are continually monitored by the Board. The Investment Adviser, Administrator and other key service providers are providing regular updates on operational resilience. The Board is satisfied that the key service providers have the ability to continue to operate efficiently in a remote or virtual working environment.

## **COVID-19**

The rapid spread of COVID-19 led governments across the globe to implement policies to restrict the gathering, interaction and/or movement of people. These policies have inevitably impacted and changed the nature of the operations of some aspects of the Company, its key service providers and companies in its investment portfolio. Share prices respond to assessments of future economic activity as well as their own forecast performance, and the COVID-19 pandemic has had a materially negative impact on various economies and may continue do so for an unknown period of time. The Board and Investment Adviser have regular discussions to assess the impact of emerging risks, including COVID-19 on both the investment portfolio and on its ability to maximise returns for Shareholders.

## **DIRECTORS' STATEMENT OF RESPONSIBILITY FOR THE HALF-YEARLY REPORT**

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the half-yearly report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as required by DTR 4.2.4R.
- The Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure Guidance and Transparency Rules.

**Rosemary Morgan**

**Chairman**

**For and on behalf of the Board of Directors**

**1 September 2020**

# CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE PERIOD FROM INCORPORATION ON 22 OCTOBER 2019 TO 30 JUNE 2020

	Notes	Period to 30 June 2020		Total £'000
		Revenue £'000	Capital £'000	
Gains on investments		-	6,074	6,074
Foreign exchange losses		-	(475)	(475)
Income	4	872	-	872
Investment adviser fees		(64)	(255)	(319)
Other expenses		(377)	-	(377)
<b>Profit from operations before finance costs and tax</b>		<b>431</b>	<b>5,344</b>	<b>5,775</b>
Finance costs		-	-	-
<b>Profit from operations before tax</b>		<b>431</b>	<b>5,344</b>	<b>5,775</b>
Tax expense	5	(87)	-	(87)
<b>Profit for the period</b>		<b>344</b>	<b>5,344</b>	<b>5,688</b>
Earnings per Ordinary Share (pence)	6	0.33p	5.19p	5.52p

The total column of the above statement is the profit and loss account of the Company. All revenue and capital items in the above statement derive from continuing operations.

Both the supplementary revenue and capital columns are both prepared under guidance from the Association of Investment Companies ("AIC"). There is no other comprehensive income and therefore the Profit for the period is also the total comprehensive income for the period.

The notes on pages 14 to 22 form part of these interim financial statements.

# CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 30 JUNE 2020

	Notes	30 June 2020 £'000
<b>Non-current assets</b>		
Investments at fair value through profit or loss	3	73,245
<b>Current assets</b>		
Cash and cash equivalents		36,960
Trade and other receivables		344
		<b>37,304</b>
<b>Current liabilities</b>		
Trade and other payables		(1,861)
		<b>(1,861)</b>
<b>Net current assets</b>		<b>35,443</b>
<b>Net assets</b>		<b>108,688</b>
<b>Capital and reserves attributable to Shareholders</b>		
Share capital	7	1,030
Share premium		101,970
Capital reserve		
-Investment revaluation reserve		6,122
-Other capital reserve		(778)
Revenue reserve		344
<b>Total equity</b>		<b>108,688</b>
<b>NAV per Ordinary Share (pence)</b>	8	<b>105.5p</b>

Approved by the Board of Directors and authorised for issue on 1 September 2020 and signed on their behalf by:

**Chetan Ghosh**  
Director

Nippon Active Value Fund plc is incorporated in England and Wales with registration number 12275668

The notes on pages 14 to 22 form part of these interim financial statements.

# CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE PERIOD FROM INCORPORATION ON 22 OCTOBER 2019 TO 30 JUNE 2020

	Note	Share capital £'000	Share premium £'000	Investment revaluation reserve £'000	Other capital reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at 22 October 2019</b>		-	-	-	-	-	-
Profit for the period		-	-	6,122	(778)	344	5,688
Issue of Ordinary Shares	7	1,030	101,970	-	-	-	103,000
<b>Balance at 30 June 2020</b>		<b>1,030</b>	<b>101,970</b>	<b>6,122</b>	<b>(778)</b>	<b>344</b>	<b>108,688</b>

The Company's distributable reserves consist of the capital reserve attributable to realised capital profits and revenue reserve.

The notes on pages 14 to 22 form part of these interim financial statements.

# CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE PERIOD FROM INCORPORATION ON 22 OCTOBER 2019 TO 30 JUNE 2020

	Period to 30 June 2020 £'000
<b>Operating activities cash flows</b>	
Profit from operations before tax*	5,775
<b>Adjustment for:</b>	
Gains on investments	(6,074)
Increase in other receivables	(344)
Increase in other payables	1,861
Tax withheld on overseas income	(87)
<b>Net cash flow from operating activities</b>	<b>1,131</b>
<b>Investing activities cash flows</b>	
Purchases of investment	(67,428)
Proceeds from sales of investment	257
<b>Net cash flow used in investing activities</b>	<b>(67,171)</b>
<b>Financing activities cash flows</b>	
Issue of Ordinary Share capital	103,000
<b>Net cash flow from financing activities</b>	<b>103,000</b>
<b>Increase in cash and cash equivalents</b>	<b>36,960</b>
Cash and cash equivalents at the beginning of the period	-
<b>Cash and cash equivalents at the end of the period</b>	<b>36,960</b>

\* Cash inflow from dividends received for the period is £576,000.

The notes on pages 14 to 22 form part of these interim financial statements.

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a closed-ended investment company incorporated on 22 October 2019 in England and Wales with registered number 12275668 and registered as an investment company under Section 833 of Companies Act 2006, as amended from time to time. The Company is an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010, as amended. On 21 February 2020, the Company's shares were admitted to the Specialist Fund Segment of the Main Market of the London Stock Exchange. On the same day, trading of the Ordinary Shares commenced on the London Stock Exchange.

The investment objective of the Company is to provide Shareholders with attractive capital growth through the active management of a focussed portfolio of quoted companies which have the majority of their operations in, or revenue derived from, Japan and that have been identified by the Investment Adviser as being undervalued.

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

The Company's registered office is 1st Floor, Senator House, 85 Queen Victoria Street, London, EC4V 4AB.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation

#### ***Statement of compliance***

The Company's condensed unaudited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ("DTRs") of the UK's Financial Conduct Authority.

When presentational guidance set out in the Statement of Recommended Practice ("SORP") for Investment Companies issued by the Association of Investment Companies (the "AIC") in October 2019 is consistent with the requirements of International Financial Reporting Standards ("IFRS"), the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

There are no comparatives as this is the Company's first accounting period of the Company.

#### ***Going Concern***

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the following twelve-month period from the date of this report and believe that it is appropriate to prepare the interim financial statements of the Company on the going concern basis. Further disclosure on going concern can be found on page 9.

#### ***Use of estimates and judgements***

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### ***Basis of measurement***

The interim financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

### ***Functional and presentation currency***

The interim financial statements are presented in sterling, which is the Company's functional currency. The Company's investments are denominated in Japanese yen. However, the Company's Shares are issued in sterling. In addition, substantial majority of the Company's expenses are paid in sterling. All financial information presented in sterling have been rounded to the nearest thousand pounds.

### ***New and amended standards and interpretations***

At the date of authorisation of these interim financial statements, IFRS 16 "Leases" was issued effective from periods beginning on or after 1 January 2019. As the Company's investments are held at fair value through profit or loss, the introduction of IFRS 16 is not expected to have an impact on the reported results as Company does not have leases. Other accounting standards and interpretations issued are not expected to be material to the reported results and financial position of the Company.

### **b) Significant accounting policies**

The following accounting policies have been applied consistently throughout the reporting period.

#### ***Assets and liabilities measured at fair value***

Fair value is the price that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis.

#### ***IFRS 9 Classification of Financial Assets and Financial Liabilities***

##### ***Financial Assets and Financial Liabilities***

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### ***Classification of investments: Fair value through profit or loss ("FVTPL")***

The Company classifies its investments as FVTPL.

#### ***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.



### ***Recognition, derecognition and measurement***

Regular purchases and sales of investments are recognised on the trade date the date on which the Company commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Company's right to receive payments is established. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

### ***Taxation***

Investment trusts which have approval under Section 1158 of the Corporation Tax Act 2010 are not liable for taxation on capital gains. Shortly before listing the Company will apply for approval as an Investment Trust by HMRC.

Irrecoverable withholding tax is recognised on any overseas dividends on an accruals basis using the applicable rate for the country of origin.

### ***Segmental reporting***

The Chief Operating Decision Maker, which is the Board, is of the opinion that the Company is engaged in a single segment of business. The financial information used by the Chief Operating Decision Maker to manage the Company presents the business as a single segment.

### ***Dividends payable***

Interim dividends to shareholders are recognised in the year of the ex-dividend date.

### ***Income***

Income includes investment income from financial assets at fair value through profit or loss and finance income. Investment income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within investment income when the Company's right to receive payments is established.

Other income comprises interest earned on cash held on deposit. Other income is recognised on a receipt basis.

### ***Expenses***

All expenses are accounted for on an accrual basis. In respect of the analysis between revenue and capital items presented within the Statement of Comprehensive Income, the Investment Adviser's fees are split 20% to revenue and 80% to capital. All other expenses are recognised as revenue.

### **Foreign currency**

Transactions denominated in foreign currencies are translated into sterling at the exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss to capital or revenue in the Income Statement as appropriate. Foreign exchange movements on investments are included in the Income Statement within gains on investments.

### **Cash and cash equivalents**

Cash and cash equivalents include deposits held at call with banks and other short-term deposits with original maturities of three months or less.

### **Share capital and share premium**

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares (that would have been avoided if there had not been a new issue of new shares) are recognised against the value of the ordinary share premium.

## **3. INVESTMENTS**

	<b>As at 30 June 2020</b>
<b>Investment at fair value through profit or loss</b>	<b>£'000</b>
Listed on a recognised overseas exchange	73,245
<b>Total investments</b>	<b>73,245</b>

### **Fair Value Measurements of Financial Assets and Financial Liabilities**

The financial assets and liabilities are either carried in the Statement of Financial Position at their fair value, or the amount is a reasonable approximation of fair value (due from brokers, dividends receivable, accrued income, due to brokers, accruals and cash and cash equivalents).

The valuation techniques for investments and derivatives used by the Company are explained in the accounting policies notes 2.

The following shows the analysis of financial assets recognised at fair value based on:

#### **Level 1**

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

#### **Level 2**

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

#### **Level 3**

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The classification of the Company's investments held at fair value is detailed in the table below:

<b>As at 30 June 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Assets:				
Equity investments	73,245	-	-	73,245
<b>Total</b>	<b>73,245</b>	<b>-</b>	<b>-</b>	<b>73,245</b>

There are no Level 3 investments as at 30 June 2020 and no transfers between levels during the period.

## 4. INCOME

	Period to 30 June 2020	
	£'000	
<b>Income from investments:</b>		
Overseas dividends		872
<b>Total income</b>		<b>872</b>

## 5. TAXATION

	Period to 30 June 2020		
	Revenue	Capital	Total
	£'000	£'000	£'000
<b>Analysis of tax charge in the period:</b>			
Overseas withholding tax	87	-	87
<b>Total tax charge</b>	<b>87</b>	<b>-</b>	<b>87</b>

## 6. EARNINGS PER ORDINARY SHARE

Earnings per Ordinary Share is based on the earnings on ordinary activities, including income, for the period after taxation of £5,688,000.

Based on the weighted average number of Ordinary Shares in issue for the period to 30 June 2020 of 103,000,001 the earnings per Share were as follows:

	As at 30 June 2020		
	Revenue	Capital	Total
Earnings per Ordinary Share	0.33p	5.19p	5.52p

## 7. SHARE CAPITAL

Share capital represents the nominal value of shares that have been issued. The share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

	Period to 30 June 2020	
	No of shares	£'000
<b>Allotted, issued &amp; fully paid:</b>		
<b>Opening balance as at 22 October 2019</b>	-	-
Ordinary Shares of 1p each ("Ordinary Shares") issued	103,000,001	1,030
<b>Closing balance as at 30 June 2020</b>	<b>103,000,001</b>	<b>1,030</b>

## 7. SHARE CAPITAL (continued)

<b>Share Movement</b>		
		<b>Nominal value of shares</b>
<b>Allotted, issued and fully paid:</b>	<b>No. of shares</b>	<b>£</b>
<b>Opening balance as at 22 October 2019</b>	-	-
<b><u>Allotted upon Incorporation</u></b>		
Ordinary Shares of 1p each ("Ordinary Shares")	1	0.01
Redeemable Preference Share	50,000	12,500.00
<b><u>Allotted/re-designated following admission to London Stock Exchange</u></b>		
Redeemable Preference Shares re-designated into Ordinary Shares	(50,000)	(12,500.00)
Ordinary Shares issued under the Initial Placing	96,088,064	960,880.64
Ordinary Shares issued under the Intermediaries Offer and Offer for Subscription	6,911,936	69,119.36
<b>Closing balance as at 30 June 2020</b>	<b>103,000,001</b>	<b>1,030,000.01</b>

### Rights attaching to the Ordinary Shares

Dividend rights: All Ordinary Shares are entitled to participate in dividends which the Company declares from time to time in respect of the Ordinary Shares, proportionate to the amounts paid or credited as paid on such Ordinary Shares.

Rights as respect to capital: On a winding-up or a return of capital, in the event that the Directors resolve to make a distribution to Shareholders, all Ordinary Shares are entitled to a distribution of capital in the same proportions as capital is attributable to them, after taking into account any net assets attributable to the C Shares in issue (if any).

Voting rights: Every Shareholder shall have one vote for each Ordinary Share held.

## 8. NET ASSET VALUE PER SHARE

Total equity and the NAV per share attributable to the Ordinary Shareholders at the period end calculated in accordance with the Articles of Association were as follows:

	<b>As at 30 June 2020</b>
Net Asset Value (£)	108,688,000
Ordinary Shares in issue	103,000,001
NAV per Ordinary Share (pence)	105.5p

## 9. INTERIM DIVIDEND

The Board of Directors have decided not to declare an interim dividend in line with the disclosure in the Prospectus. This decision will be reviewed at the annual stage, where a dividend distribution may be required to maintain investment trust status of the Company.

## 10. RELATED PARTY TRANSACTIONS

### Directors' fees and shareholdings

Directors' fees are payable at the rate of £27,000 per annum for each Director other than the Chairman, who is entitled to receive £35,000. The Chairman of the Audit Committee is also entitled to an additional fee of £3,000 per annum.

The Directors had the following shareholdings in the Company, all of which were beneficially owned.

	<b>As at 30 June 2020</b>
Rosemary Morgan	40,000
Chetan Ghosh	40,000
Rachel Hill	40,000
Alicia Ogawa	25,000
Ayako Weissman	27,000

## 11. PRINCIPAL RISKS AND CAPITAL MANAGEMENT

### (i) Market risks

#### *Economic conditions*

Changes in economic conditions in Japan (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) and in the countries in which the Company's investee companies operate could substantially and adversely affect the Company's prospects.

#### *Sectoral diversification*

The Company is not subject to restrictions on the amount it may invest in any particular sector. Although the portfolio is expected to be diversified in terms of sector exposures, the Company may have significant exposure to portfolio companies from certain sectors from time to time. As there is no hard limit on the amount the Company may invest in any sector the entire Portfolio may, at certain times, be invested solely in one sector. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its NAV and may materially and adversely affect the performance of the Company and returns to Shareholders.

#### *Management of market risks*

The Company is invested in a diversified portfolio of investments.

The Board will not set any limits on sector weightings or stock selection within the portfolio. The Board will apply the following restrictions on the size of its investments:

- not more than 30 per cent. of the Gross Asset Value at the time of investment will be invested in the securities of a single issuer; and
- the value of the four largest investments at the time of investment will not constitute more than

75 per cent. of the Gross Asset Value.

**(ii) Liquidity risks**

The securities of small-to-medium-sized (by market capitalisation) companies may have a more limited secondary market than the securities of larger companies. Accordingly, it may be more difficult to effect sales of such securities at an advantageous time or without a substantial drop in price than securities of a company with a large market capitalisation and broad trading market. In addition, securities of small-to-medium-sized companies may have greater price volatility as they can be more vulnerable to adverse market factors such as unfavourable economic reports.

***Management of liquidity risks***

The Company's Investment Adviser monitors the liquidity of the Company's portfolio on a regular basis.

**(iii) Currency risks**

The majority of the Company's assets will be denominated in a currency other than sterling (predominantly in Japanese yen) and changes in the exchange rate between sterling and Japanese yen may lead to a depreciation of the value of the Company's assets as expressed in sterling and may reduce the returns to the Company from its investments and, therefore, negatively impact the level of dividends paid to Shareholders.

***Management of currency risks***

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

**(iv) Interest rate risks**

The Company pays interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

***Management of interest rate risks***

Prevailing interest rates are taken into account when deciding on borrowings.

**(v) Credit risks**

***Cash and other assets held by the custodian***

Cash and other assets that are required to be held in custody will be held by the custodian or its sub-custodians. Cash and other assets may not be treated as segregated assets and will therefore not be segregated from any custodian's own assets in the event of the insolvency of a custodian.

Cash held with any custodian will not be treated as client money subject to the rules of the FCA and may be used by a custodian in the course of its own business. The Company will therefore be subject to the creditworthiness of its custodians. In the event of the insolvency of a custodian, the Company will rank as a general creditor in relation thereto and may not be able to recover such cash in full, or at all.

***Management of credit risks***

The Company has appointed Northern Trust Global Services Limited as its custodian. The credit rating of Northern Trust was reviewed at time of appointment and will be reviewed on a regular basis by the Investment Adviser and/or the Board.

The Investment Adviser monitors the Company's exposure to its counterparties on a regular basis and the position is reviewed by the directors at Board meetings.

## **12. POST PERIOD END EVENTS**

There are no post period end events other than as disclosed in this Interim Report.

## **13. STATUS OF THIS REPORT**

These interim financial statements are not the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006. They are unaudited. The interim report will be made available to the public at the registered office of the Company. The report will also be available on the Company's website (<https://www.nipponactivevaluefund.com/>).

## ALTERNATIVE PERFORMANCE MEASURES (“APM”)

### Discount

The amount, expressed as a percentage, by which the share price is less than the NAV per Ordinary Share.

<b>As at 30 June 2020</b>		<b>Page</b>	
NAV per Ordinary Share (pence)	<b>a</b>	3	105.5
Share price (pence)	<b>b</b>	3	99.0
<b>Discount</b>	<b>(b÷a)-1</b>		<b>6.2%</b>

### Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company to its Ordinary Shareholders on the ex-dividend date.

<b>Period ended 30 June 2020</b>		<b>Page</b>	<b>Share price</b>	<b>NAV</b>
Opening at 21 February 2020 (pence)	a	3	100.0	100.0
Closing at 30 June 2020 (pence)	b	3	99.0	105.5
<b>Total return (b÷a)-1</b>			<b>-1.0%</b>	<b>+5.5%</b>



## GLOSSARY

Administrator	The Company's administrator, the current such administrator being PraxisIFM Fund Services (UK) Limited.
AIC	Association of Investment Companies
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union Directive which came into force on 22 July 2013 and has been implemented in the UK.
Custodian	An entity that is appointed to safeguard a company's assets.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of the Company's assets and cash monitoring. Under AIFMD the depositary is appointed under a strict liability regime.
Dividend	Income receivable from an investment in shares.
Discount	The amount, expressed as a percentage, by which the share price is less than the Net Asset Value per share.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to Shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Index	A basket of stocks which is considered to replicate a particular stock market or sector.
Investment company	A company formed to invest in a diversified portfolio of assets.
Investment trust	A closed end investment company which is based in the UK and which meets certain tax conditions which enables it to be exempt from UK corporation tax on its capital gains. This Company is an investment trust.
Market liquidity	The extent to which investments can be bought or sold at short notice.
Net assets	An investment company's assets less its liabilities

Net Asset Value (NAV) per Ordinary Share	Net assets divided by the number of Ordinary Shares in issue (excluding any shares held in treasury)
Ordinary Shares	The company's Ordinary Shares in issue.
Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
Portfolio	A collection of different investments constructed and held in order to deliver returns to Shareholders and to spread risk.
Share price	The price of a share as determined by buyers and sellers on the relevant stock exchange.
Total return	A measure of performance that takes into account both income and capital returns.
Volatility	A measure of how much a share moves up and down in price over a period of time.

# COMPANY INFORMATION

## Board of Directors

Rosemary Morgan (Chairman)  
Chetan Ghosh  
Rachel Hill  
Alicia Ogawa  
Ayako Weissman

## Investment Adviser

Rising Sun Management Limited  
c/o Appleby Global Services (Cayman) Limited  
71 Fort Street  
PO Box 500  
George Town, Grand Cayman  
KY1-1106, Cayman Islands

## Registered Office (Effective 31 July 2020)

1st Floor, Senator House  
85 Queen Victoria Street  
London  
EC4V 4AB

## Rising Sun Management Team

James B. Rosenwald, III  
Gifford Combs  
Paul ffolkes Davis  
Kazutaka Mizuochi

## Registered Office (Prior to 31 July 2020)

Mermaid House  
2 Puddle Dock  
London  
EC4V 3DB

## Alternative Investment Fund Manager

International Fund Management Limited  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey, GY1 1GR

## Administrator & Company Secretary (Effective 31 July 2020)

PraxisIFM Fund Services (UK) Limited  
1st Floor, Senator House  
85 Queen Victoria Street  
London  
EC4V 4AB

## Financial Adviser

Shore Capital & Corporate Limited  
Cassini House  
57 St James's Street  
London  
SW1A 1LD

## Principal Bankers

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

## Legal Adviser

Mills & Reeve LLP  
24 King William Street  
London  
EC4R 9AT

## Prime Broker

J.P. Morgan Securities PLC  
25 Bank Street  
Canary Wharf  
London  
E14 5JP

## Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE

## Custodian

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London  
E14 5NT

## Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

## Company Security Identifiers

ISIN: GB00BKLGLS10  
Ticker: NAVF  
SEDOL: BKLGLS1  
Website: [www.nipponactivevaluefund.com](http://www.nipponactivevaluefund.com)  
LEI: 213800JOFEGZJYS21P75  
GIIN: WB82JR.99999.SL.826