

## 3<sup>rd</sup> Quarter 2021 report for NAVF

### Performance

As of 24<sup>th</sup> November 2021 (the latest date for which I have RSM trading data), NAVF's assets under management had reached £139.63 million, its NAV stood at 135.56 pence and the share price at 140 pence, reflecting a premium of 3.28%. 96.30% of available funds were invested. This reflects that the bulk of monies received from the sale of our total holding into the tender offer for Sakai Ovex have been put to work.

### Portfolio Composition

Following the sale of Sakai Ovex, the portfolio was briefly down to 18 names. In mid-September we added Sankyo Seiko and position building commenced. Similarly, in October, Toyo Construction was added but, to date, purchases have not commenced. After the Sakai Ovex MBO completed, permission was granted for RSM to renew purchases in selected counters where either Earle 1927 LLC or Michael 1925 LLC had already been buying. The top five positions of the RSM concert parties are discussed below.

During the period, we decided to exit from two positions. Japan Securities Finance, providers of credit fiancé to the brokerage market, is both large and, like many financial companies, opaque to analyse. Other activists on the share register had accomplished a satisfactory movement in the share price (offering NAVF a profit of c. 100%), and we decided discretion would be the better part of valour and commenced the controlled sale of our 1.6% equity capitalisation holding – as at 24<sup>th</sup> November 2021 this sale is roughly half completed. We and the markets failed to move the needle in DKK TOA, and it was felt selling the position (1.5% of the company) would release funds we could deploy more profitably elsewhere. With the invaluable help of the analysts at Dalton KK, we were able to offload almost our entire holding to another of the Company's leading shareholders in a block trade at the market closing price of 10<sup>th</sup> November 2021.

One of the companies we decided to buy more of with the resultant liquidity caused by the sales of Sakai Ovex, Japan Securities Finance and DKK TOA is Nittetsu Mining, thus reversing an earlier decision to exit the company. We have always liked the company but felt too much value was tied up in periphery holdings (such as those in Tokyo real estate). Following a strong trading statement for the underlying business, we have concluded it is well worth continuing to hold the Company, perhaps even because of its organisational shortcomings.

#### Top 10 NAVF companies by percentage of portfolio net assets

1. Intage Holdings
2. Ebara Jitsugyo
3. Mitsuboshi Belting
4. Nippon Fine Chemical
5. Hirano Tecseed
6. Bunka Shutter
7. Chiyoda Integre
8. Teikoku Electric
9. Nihon Denkei
10. Daichi Kensetsu

#### Top 10 by capitalisation owned

- Nihon Denkei
- Ebara Jitsugyo
- Intage Holdings
- Chiyoda Integre
- Teikoku Electric
- Nippon Fine Chemical
- Ishihara Chemical
- Hirano Tecseed
- Mitsuboshi Belting
- Daichi Kensetsu

As mentioned above, NAVF now forms concert parties with both Earle 1927 LLC (which only holds Intage Holdings) and Michael 1925 LLC, which, in addition to Intage Holdings, also holds another eight counters from the NAVF portfolio. The top five positions held by the concert parties, plus their percentages of market capitalisation (in brackets) are listed below.

### Top 5 RSM concert party companies

1. Intage Holdings	(10.08%)
2. Ebara Jitsugyo	( 6.21%)
3. Teikoku Electric	( 5.40%)
4. Mitsuboshi Belting	( 4.75%)
5. Soda Nikka	( 4.39%)

### NAVF Secondary Offering November 2021

The RSM team began a two-week roadshow process on 1st November organised by Shore Capital's sales team. The final amount of new monies raised was £14 million and this cash has already been put to work. Essential to long-term success for NAVF is to grow both the size of the Fund and its liquidity, allowing it to become a 'core' holding of larger multi-manager funds while also being an attractive option for retail aggregators. We are pleased that we already list a number of both of these types of investor amongst our existing shareholders and we are in the hunt for more.

### Outlook

Current expectations are that we will crack the '£200 million barrier' with continued good performance and further raises next year. Gratifyingly, retail platforms were able to contribute over £500,000 this time and increasing retail awareness and participation will be crucial to adding liquidity over time. This is now a key focus of Peregrine Communications', our recently appointed media consultants, PR campaign for the Fund. We are sanguine about continued and enhanced coverage in both the professional and retail media with several interviews and articles already in train.

RSM has been researching the next list of candidate targets for further investment. To date five have been approved by our Investment Committee, with several more on the back-up list. We are awaiting analyst reports on a further seven. We will not be short of suitable cases for treatment.

### STOP PRESS

The new Omicron Coronavirus variant is presenting a wonderful buying opportunity for the deployment of our new capital.

**Paul folkes Davis**

26<sup>th</sup> November 2021