

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2022	2021	2020	2019	2018	ITD*
AJG Price (total return)	-7.21	1.32	-10.93	-5.23	-11.82	-17.16	-22.90	-10.40	29.58	25.62	-15.52	187.56
AJG NAV (total return)	-4.09	0.89	-2.71	-3.25	-15.51	-14.05	-22.53	-9.58	24.07	33.60	-14.97	244.33
Topix Index (total return)	4.87	1.67	3.49	6.70	11.96	15.62	-4.45	2.14	8.73	16.05	-8.85	85.57

Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.

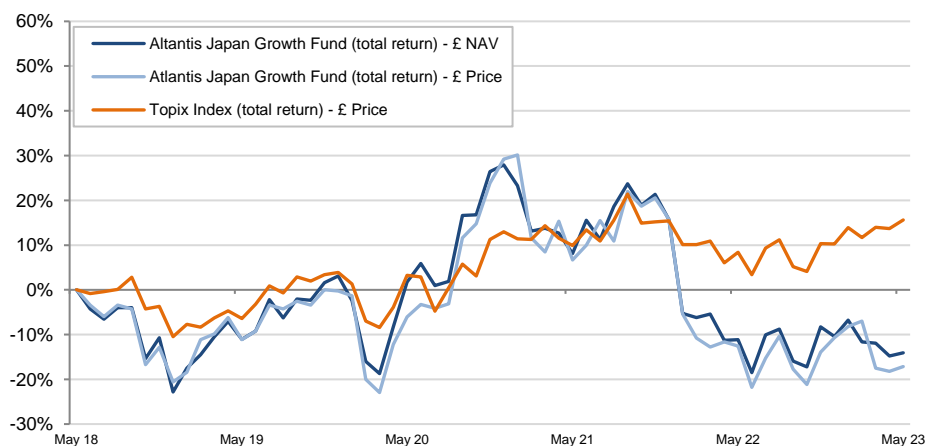
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

DIVIDEND POLICY

At the 2019 AGM, shareholders of the Company approved the Board's recommendation to replace the six monthly redemption facility with a regular dividend paid to all shareholders on a quarterly basis set at 1% of the average net asset value per share during the final month of the preceding financial year.

The average daily NAV per share for April 2022 was 215p, thus the four payments in respect of the financial year ended 30 April 2022 will be at 2.15p per share payable at the end of September 2022, December 2022, March 2023 and June 2023. The quarterly interim dividend will be paid out of capital resources.

PERFORMANCE OVER 5 YEARS (£)



Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.

Notes: The figures in the above table and chart refer to past performance which is not a reliable indicator of future results. An investment in the Fund would place an investor's capital at risk. Figures shown are net of all fees.

MANAGER'S COMMENTARY

Performance Review

The Atlantis Japan Growth Fund rose 0.89% MoM in May versus the benchmark Topix Total Return (TR) Index gain of 1.67% MoM in sterling terms. In Japanese yen, the fund rose 2.82% compared to a 3.62% gain for the benchmark. The yen weakened 1.91% against the sterling over the month.

While global macro and geopolitical uncertainties remain a constant background concern, global equities markets have acquired a risk-on bull-market sentiment, perhaps spurred by less hawkish comments from the US Fed. Japan in particular has been strong with the Topix index outperforming the MSCI World Index for the third month in a row, attracting the attention of global investors who remained significant

net buyers of Japanese equities. The Bank of Japan has said it wants to avoid previous mistakes of tightening too soon so there is renewed confidence that it will leave its ultra-loose policies unchanged for longer. This will leave Japan as the last major 'free money' economy, contributing both to the strong market and also to a renewed weakening of the yen, which fell back to JPY 140/USD levels during the month. It also seems that Japan is benefitting from a reallocation of global money away from China. Much of the buying appears to be macro-driven, led by futures and basket buying. The Nikkei Index, more heavily weighted towards large-cap export-related names, outperformed more, rising 7.0% over the month. Surprisingly strong guidance by US AI and graphic chip leader Nvidia ignited the global surge in

KEY FACTS

INVESTMENT OBJECTIVE

Aims to achieve long-term capital growth through investment wholly or mainly in listed Japanese equities.

FUND INFORMATION

Lead portfolio adviser	Taeko Setaishi
Lead adviser start date	01 May 2016
Total Net Assets (TNA)	GBP 79m
Shares in issue	40,806,070
Share price	162.5p
NAV per share	193.0p
Discount(-)/Premium	-15.8%
Net gearing	4.0%
Active Share	92.0%
Inception date	10 th May 1996

ADMINISTRATIVE & DEALING INFORMATION

Financial Year End	30 April
Company Domicile	Guernsey
Company Legal Structure	UK Investment Trust
Listing	London Stock Exchange
Valuation	Daily
Company Broker	Singer Capital Markets
Depository	Northern Trust
Administrator	Northern Trust
Auditor	Grant Thornton
Investment Manager	Quaero Capital LLP
Investment Adviser	Atlantis Investment Research Corporation

DIVIDEND

12 months dividend yield	5.3%
Quarterly interim paid	March, June, September and December

COMPANY FEES & EXPENSES

Ongoing Charges*	1.65%
Annual Management Fee	1.00% up to £125m 0.85% between £125m-£175m 0.70% greater than £175m

FUND CODES

Bloomberg	AJG LN
SEDOL	B61ND55
ISIN	GG00B61ND550

* Based on the Company's Annual Financial Statements to 30 April 2022.

semiconductor related stocks, which was also reflected in the Japanese market.

Sectors which outperformed for the Fund included Machinery, Retail Trade and Electric Appliances, while underperforming sectors included Services, Information & Communication, and Other Products. Stocks that outperformed included SPE play Disco (6146 JP), second-hand jewelry, precious metals and high-end watch dealer Komehyo Holdings (2780 JP), and real estate franchise company &Do Holdings (3457 JP) specializing in niche areas such as leasebacks. Stocks that underperformed included online travel website and services specialist Open Door (3926 JP), M&A broker, M&A Capital (6080 JP), and on-line provider of life insurance policies, Lifenet Insurance (7157 JP).

Investment Activity

Over the course of May, the number of stocks held decreased from 55 to 52 with positions reduced on profit taking. On the other side, the Fund added to numerous positions across various sectors where we felt the earnings outlook improved following their latest earnings results meetings.

The Company is fully invested in domestic Japanese equities and REITs, but does not hold bonds, or derivatives and the currency is not hedged.

Outlook

Over recent months there has been much foreign investor interest in Japan's improving corporate governance. Following coverage of Warren Buffet's apparent endorsement of Japan after his successful investment in Japanese general trading companies, renewed pressure by the TSE on Japan's many low-PBR companies, and a resumption of dividend hikes and share buybacks after a COVID hiatus, the rally in value appears to have peaked in mid-March. We note the ongoing improvements in governance in Japan, and expect this trend to continue, but we are concerned that investors may be disappointed if they expect too much in the short term, after 'value' has had such a

strong rally. Nevertheless, we hope that having noticed this trend, global investors may begin to engage more consistently with the Japanese market.

The macro-economic backdrop generally appears favourable, with some data coming in stronger than expected while other data falls short, in a sort of "just about right" goldilocks scenario. This included Japan's Q1 preliminary GDP coming in above expectation at +1.6% annualized while April preliminary Industrial Production declined 0.4% MoM. This also happened in the US economy with strong Nonfarm Payrolls balanced by higher-than-expected unemployment. This has allayed fears of recession, while giving comfort that central banks, including the BoJ, will be under less pressure to tighten, allowing markets to rally.

We expect the focus to come back to earnings. In Japan, the latest quarterly (and for most companies, fiscal year-end) earnings reporting season has just ended. TSE Prime companies (ex. Financials) in aggregate delivered net profit growth of 4.7% but are forecasting a decline of 4.8% for FY3/24. In part, this shows the fading impact of last year's currency tailwind and the exit from COVID, but also reflects caution about the global outlook. However, we are also seeing harsher than expected inventory adjustments in areas such as consumer electronics (i.e., smartphones and devices) and in the semiconductor supply chain and auto production which has taken longer than expected to recover. While the US economy has shown resilience, China has struggled. The focus going forward, however, is on the potential for upward revisions to the cautious earnings from both companies and analysts in coming quarters. There are signs that auto and semiconductor production could start to normalise. We think also that, in a more mixed outlook, focus could come back to companies which can deliver structural growth in earnings. May's rally having been very much focused on large cap stocks, we feel that at some point the market is likely to rotate back to Japan's neglected small and mid-cap space.

PORTFOLIO STATISTICS

MARKET EXPOSURE 104.0%

TOP 10 HOLDINGS	(% TNA)
Internet Initiative Japan	3.6
Disco	3.6
FP Partner	3.5
&Do Holdings	3.3
Sumitomo Mitsui Financial Grp	3.1
Topcon	3.0
Komehyo Holdings	2.8
Shin-Etsu Chemical	2.8
Japan Material	2.6
Creek & River	2.5

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	11.5
Consumer Staples	3.6
Financials	10.5
Health Care	4.6
Industrials	30.2
Information Technology	31.2
Materials	2.8
Real Estate	5.9
Communication Services	3.6

MARKET CAPITALISATION	(% TNA)
> 10bn	22.8
5-10bn	2.5
2-5bn	11.1
0.5-2bn	23.9
< 0.5bn	43.8

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KEY RISKS

- » Past performance is not a reliable indicator of future results. The value of your investment may go down as well as up and you may not get back the amount originally invested.
- » The Fund may be invested in securities denominated in currencies other than Sterling. Changes in exchange rates may cause your investment to decrease or increase in value.
- » The Fund, as an investment trust, is a public limited company, the shares of which are traded on the London Stock Exchange. Investment trusts are not authorised and regulated by the Financial Conduct Authority.
- » Investment trusts may borrow money in order to make further investments. This is known as 'gearing' or 'leverage'. The effect of gearing can enhance returns to shareholders in rising markets but will have the opposite effect on returns in falling markets.
- » The Fund may invest in smaller companies which are generally considered to carry a higher degree of risk as the market for their shares is often less liquid than that for larger companies.
- » An investment trust's exposure to a single market and currency may increase the level of risk.

IMPORTANT INFORMATION

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