

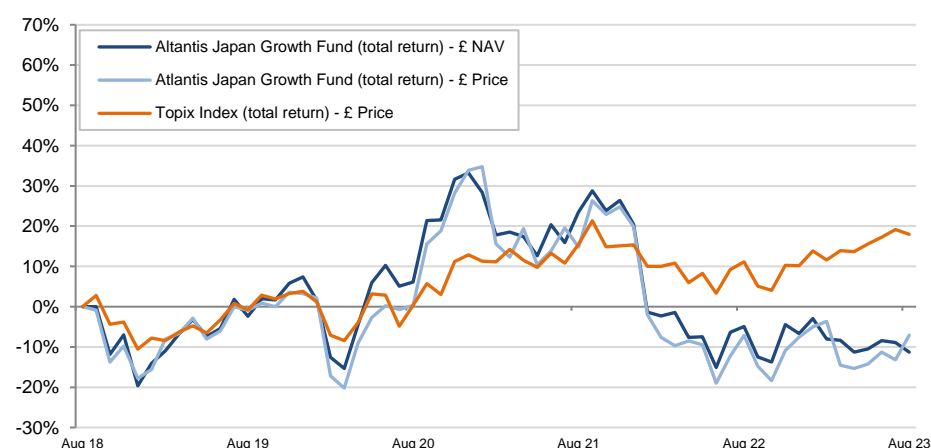
# ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2022	2021	2020	2019	2018	ITD*
AJG Price (total return)	0.48	6.97	8.29	0.06	-7.37	-7.10	-22.90	-10.40	29.58	25.62	-15.52	211.38
AJG NAV (total return)	-4.95	-2.65	-0.90	-6.66	-16.40	-11.29	-22.53	-9.58	24.07	33.60	-14.97	241.24
Topix Index (total return)	7.10	-1.00	2.13	6.22	17.58	18.00	-4.45	2.14	8.73	16.05	-8.85	89.52

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.

## 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 declined 2.65% MoM in August versus the benchmark Topix Total Return (TR) Index decline of 1.00% MoM in sterling terms. In Japanese yen, the fund declined 1.24% compared to a 0.43% increase for the benchmark. The yen weakened by 1.45% against the pound to JPY185.44/GBP.

In the first half of the month, the Japanese stock market weakened ahead of the US Jackson Hole Economic Symposium on Aug 24-25. This was on concerns of possible hawkish comments although they ended up within expectations. Apart from a brief rally mid-month following exceptionally strong results from US AI chip leader Nvidia, interest rate sensitive technology stocks declined while financials gained on expectations of a steepening yield curve with the 10-year JGB yield rising from 0.595% to 0.640%. The tech-heavy Nikkei Index closed down 1.7% for the month while the Topix index (more representative of broader market financials and cyclicals) gained 0.4% in local currency terms. Rising oil, natural gas and coal prices also supported a run-up in corresponding Mining and Oil & Coal sectors. As these tend to be lower valuation names, it

was not surprising to see value outperform growth once again, though the divergence between the two is narrowing. While interest rates rose in Japan, the yen nevertheless weakened because the spread between Japanese and US 10-year bond yields widened.

Sectors that outperformed included Retail Trade, Services, and Precision Instruments, while Electric Appliances, Information & Communication, and Insurance underperformed. Stocks that outperformed included second-hand jewelry, luxury watches and bags dealer Komehyo Holdings (2780 JP), semiconductor production equipment specialist Disco (6146 JP), call center operator BellSystem24 Holdings (6183 JP), specialty gas and ultra-pure water for semiconductor production provider Japan Material Co (6055 JP), and creative content creator niche staffing company Creek & River (4763 JP). Stocks that underperformed included warehouse automation system provider Daifuku Co (6383 JP), insurance sales services provider FP Partner Inc (7388 JP), cosmetics manufacturing and distributor AXXZIA (4936 JP), electric motor leader Nidec (6594 JP), and software testing pioneer Shift Inc (3697 JP).

## 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 77m
Shares in issue	40,726,070
Share price	174.0p
NAV per share	189.3p
Discount(-)/Premium	-8.1%
Net gearing	0.0%
Active Share	88.6%
Inception date	10 <sup>th</sup> 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	3.7%
Quarterly interim paid	March, June, September and December

### COMPANY FEES & EXPENSES

Ongoing Charges*	1.85%
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 2023.

## Investment Activity

At the end of August, the Fund held 46 stocks, down from 50 the previous month, with the reduction in holdings occurring in Electrical Appliance and Services sectors. As a percentage of holdings, the top 10 accounted for 33.22%, up slightly from 32.19%. Two new names in the top 10 were BellSystem24 Holdings (6183 JP) and automotive components provider Denso (6902 JP); reflecting share price gains subsequent to their earnings reports. Our exposure to the Electrical Appliance sector declined from 11.66% to 8.87% and in the Real Estate sector from 11.71% to 9.69%, as positions were adjusted in the portfolio.

The Fund is fully invested in equities and does not hold bonds nor derivatives and the currency is not hedged.

## Outlook

Over the course of the pandemic, Ukraine war and China-US realignment, both the real-economy and financial markets have gone through significant changes. In the real economy, subsidies and large investments in strategic sectors such as semiconductors distorted normal supply / demand cycles resulting in inventory build ups such as in consumer electronics that are still being worked out. Recovering inbound tourism and pent-up demand supported rising retail and department store sales while inflation has been hindering household spending. In the stock market, certain sectors such as digital transformation plays experienced re-opening bubbles distorting stock price levels. The pandemic also ushered in a large shift in market style from growth to value which was

exacerbated by initiatives such as the TSE requesting Prime Section companies trading under book value to submit plans for improvement, resulting in widespread buying of low PBR stocks irrespective of the quality of their underlying businesses.

In the meantime, keeping in mind that geopolitical tensions could change, there is a growing sense that we are closer to the peak of the interest rate and inflation cycle and nearer to the bottom of the hardware manufacturing cycle. Market focus seems to have shifted from concerns about Central Bank policy to questions about how bad the economic slowdown in China could get, although this is being mitigated by recent stimulus measures. Inbound tourism continues to recover and is back to about 80% of pre-Pandemic levels. Auto production is also recovering as supply chains normalize, and the banking sector is focusing on improving spreads and margins after the BoJ's YCC range was widened. Wages have also increased and companies are gradually raising prices leading to a return of rational expectations of higher prices among consumers in general. Japanese companies have also had a relatively strong Q1 FY23 earnings season and are well positioned financially.

Within this environment requiring a balanced view, we are starting to see a narrowing of the divergence between growth and value at the individual stock level. We expect to see a return to core investment values in search of well-run companies with long-term structural earnings growth potential, which in turn will yield positive returns.

## PORTFOLIO STATISTICS

**MARKET EXPOSURE** 93.1%

### TOP 10 HOLDINGS (% TNA)

Disco	4.7
Komehyo Holdings	4.1
Sumitomo Mitsui Financial	3.5
FP Partner	3.5
Japan Material	3.3
Shin-Etsu Chemical	3.1
BellSystem24 Holdings	3.1
Mitsui & Co	2.9
Internet Initiative Japan	2.9
Denso	2.8

### SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	11.2
Consumer Staples	2.8
Financials	12.6
Health Care	4.3
Industrials	27.4
Information Technology	26.4
Materials	3.1
Real Estate	2.4
Communication Services	2.9

### MARKET CAPITALISATION (% TNA)

> 10bn	27.4
5-10bn	2.7
2-5bn	8.3
0.5-2bn	22.6
< 0.5bn	32.2

## CONTACTS

### INVESTOR RELATIONS

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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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