

# ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2020	2019	2018	2017	2016	ITD*
AJG Price (total return)	-10.77	6.30	-11.39	31.34	22.70	94.71	29.58	25.62	-15.52	51.56	3.96	300.31
AJG NAV (total return)	-11.90	-0.95	-8.58	22.90	21.20	98.24	24.07	33.60	-14.97	42.94	8.62	351.52
Topix Index (total return)	-1.23	-2.40	0.15	16.11	13.70	63.79	8.73	16.05	-8.85	15.63	24.47	79.07

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.

## 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	1 <sup>st</sup> May 2016
Total Net Assets (TNA)	GBP 117m
Shares in issue	41,794,570
Share price	253.0p
NAV per share	278.8p
Discount(-)/Premium	-9.2%
Net gearing	0.6%
Active Share	86.6%
Inception date	10 <sup>th</sup> May 1996

### ADMINISTRATIVE & DEALING INFORMATION

Financial Year End	30 <sup>th</sup> April
Company Domicile	Guernsey
Company Legal Structure	UK Investment Trust
Listing	London Stock Exchange
Valuation	Daily
Company Broker	N+1 Singer
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	3.4%
Quarterly interim paid	March, June, September and December

### COMPANY FEES & EXPENSES

Ongoing Charges*	1.64%
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

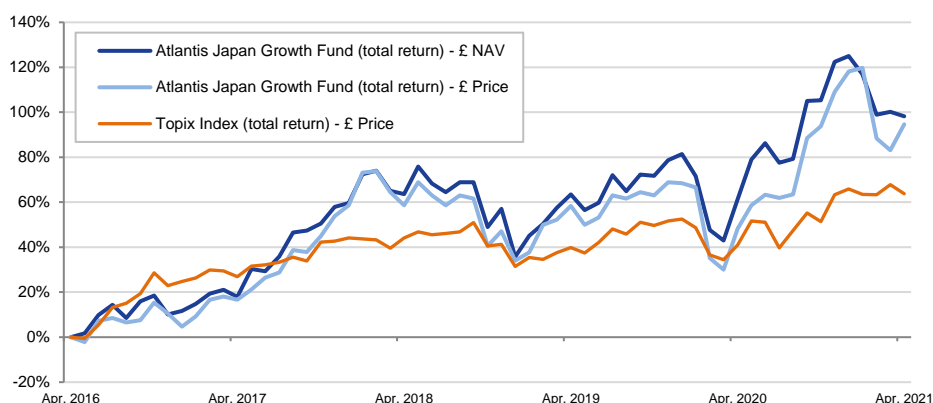
\* Based on the Company's Annual Financial Statements to 30 April 2020.

## 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 2020 was 217p, thus the four payments in respect of the financial year ended 30 April 2020 will be at 2.17p per share payable at the end of September 2020, December 2020, March 2021 and June 2021. 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

In April and on a total return basis, the Fund's NAV fell by 0.95% in sterling terms but outperformed the TOPIX Total Return Index which lost 2.40% in sterling terms over the same period. The market's decline was mainly due to profit-taking in value-oriented 'COVID-recovery names' towards the end of the month, amid escalating concerns over rising Covid-19 cases and the re-imposition of States of Emergency in Tokyo, Osaka and two other prefectures. The market decline happened despite the fact that economic news was generally supportive, with Japan's PMI rising to a seasonally adjusted 53.6 in April, its highest level since February 2018. Equity turnover was also subdued, ahead of the FY 3/21 earnings results season and the exceptionally lengthy Golden Week holiday period in early May. Daily turnover for the month averaged JPY2.37tn, an approximate 20% month-on-month decrease. The weak

performance of the equity market was spread across nearly all sectors, with only four sectors booking gains while twenty-nine recorded losses. The major gainer was marine transportation (because of container shortages) followed by iron and steel (on an anticipated global recovery). The worst performing sectors were electric power and gas, pharmaceuticals, and coal and oil.

The Fund's relative outperformance of its benchmark was due to its portfolio's focus on growth stocks, with overweight positions maintained in the services, technology, and machinery sectors, and a continued portfolio tilt towards medium and smaller capitalization companies which host growth opportunities. The median market capitalization of the individual stocks in the portfolio is £890m.

The stocks that made positive contributions to the Fund's performance during the month included SPE assembler Lasertec (6920), the biotech supplier CellSource (4880), software outsourcing tester Shift (3697), and the J-REIT, Industrial & Infrastructure Fund Investment Corporation (3249). Stocks that handicapped performance included GMO Financial Gate (4051), S-Pool (2471), Nidec (6954) and Media-DO (3678). Media-DO is Japan's leading digital publishing intermediary and reported FY 2/21 earnings during the month. As a major 'Covid beneficiary' of the last year, Q4 showed an inevitable slowdown in earnings growth, and forecasts for the FY 2/22 period indicate some margin compression as the company steps up investment. The stock fell 11.2%.

At the end of April, the Company held 66 stocks, a net addition of one to the portfolio. Companies added by the Investment Adviser to the portfolio during the month included press-release distribution site PR Times (3922), and 'spot consultant' VisasQ (4490). The positions in Cresco (4674) and Nippon Concept (9386) were sold during the month.

Excluding cash, the Fund was entirely invested in equities of publicly listed Japanese companies and J-REITs. The Fund had no exposure to any structured financial product, nor did it have any currency hedges in place during the month. At the end of April, the JPY rate against the GBP was 151.48, a gain of 0.45% from March's 152.16 close.

At the time of writing, the FY 3/21 corporate results season is in full swing. The forward guidance for 4Q earnings that companies offered at the conclusion of 3Q FY3/21 was cautious; however, many firms noted that during the pandemic fixed costs and general expenses, such as travel and communications, have been reduced and this suggests that margins may surprise on the upside when FY 3/21 results are announced. Consensus estimates currently suggest aggregate sales growth of 7% in FY 3/22 with pre-tax profits rebounding by 37%. This would place the TOPIX Index on a 19x forward PER.

With the re-imposition of a State of Emergency, as Japan tries to bring down the infection rate ahead of the Olympics, the Investment Adviser is of the view that the COVID-19 virus may depress demand for hospitality-related services over the medium term. The authorities have been slow to implement measures that might ignite economic activity and recovery will come only when progress is made with containment. While Japan is at last beginning to understand the urgency of implementing a vaccination drive which will start this month (targeting one million doses a day), logistical limitations (especially regulatory limits on those qualified to administer a vaccine) mean that the country is likely to remain a good six months behind leaders such as the US and UK.

## PORTFOLIO STATISTICS

**MARKET EXPOSURE** 100.6%

<b>TOP 10 HOLDINGS</b>	<b>(% TNA)</b>
Tokyo Electron	5.2
Lasertec	4.9
Nidec	4.7
Renova	4.1
Nihon M&A Center	3.3
Cellsource	3.2
Daifuku	3.1
Keyence	2.7
Asahi Intecc	2.5
Shift	2.5

<b>SECTOR BREAKDOWN</b>	<b>(% TNA)</b>
Consumer Discretionary	8.0
Financials	1.7
Health Care	16.0
Industrials	27.8
Information Technology	31.1
Materials	2.4
Real Estate	4.6
Communication Services	4.8
Utilities	4.1

<b>MARKET CAPITALISATION</b>	<b>(% TNA)</b>
> 10bn	28.3
5-10bn	12.9
2-5bn	6.2
0.5-2bn	29.1
< 0.5bn	24.1

## 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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