

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2020	2019	2018	2017	2016	ITD*
AJG Price (total return)	-17.47	-7.51	-4.44	13.53	6.66	84.09	29.58	25.62	-15.52	51.56	3.96	270.24
AJG NAV (total return)	-15.46	-4.05	-4.41	6.31	8.14	87.00	24.07	33.60	-14.97	42.94	8.62	333.24
Topix Index (total return)	-1.57	-0.33	-0.03	7.67	11.20	64.19	8.73	16.05	-8.85	15.63	24.47	78.47

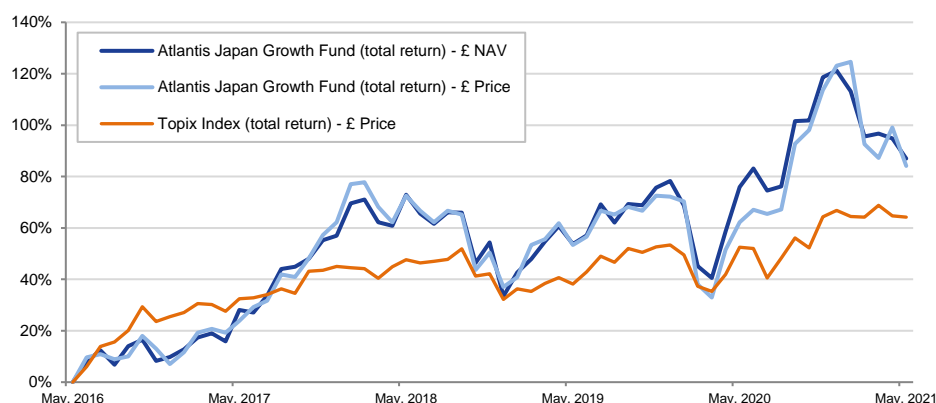
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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 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

The Fund had a slightly disappointing start to its new financial year. In May, the Fund's NAV declined by 4.05%, in sterling terms and on a total return basis. It underperformed the TOPIX Total Return Index which fell by 0.33% in sterling terms and the Nikkei 225 Index which lost 1.72% in sterling terms.

The Fund's underperformance against TOPIX can be attributed to its bias towards growth rather than value stocks. The Fund continues to overweight stocks in the electrical appliance, services, and machinery sectors and remains underweight in cyclicals and materials. This means that during periods when value stocks outperform in the market, the Fund's growth-oriented portfolio tends to do less well, although of course over time we strongly believe that growth will outperform value as it has for much of the

last five years. The Fund's performance has therefore been impacted by the fact that, over the course of the calendar year to date, the TOPIX Value Index has gained 5.6% in sterling terms while, in similar terms, the TOPIX Growth Index has lost 8.2%.

Stocks which positively contributed to the Fund's performance during the month were energy supplier Renova (9519), the biotech company Peptidream (4587) and used car financier Premium Group (7199). This last company has a virtually unique position as the leading provider of warranties for used cars, a largely undeveloped market in Japan where used car sales are outgrowing new car sales. The company is able to leverage its network of both dealers and repair shops to gain market share in used-car finance where its competitors, largely the traditional

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 st May 2016
Total Net Assets (TNA)	GBP 112m
Shares in issue	41,794,570
Share price	234.0p
NAV per share	267.5p
Discount(-)/Premium	-12.5%
Net gearing	0.3%
Active Share	86.4%
Inception date	10 th May 1996

ADMINISTRATIVE & DEALING INFORMATION

Financial Year End	30 th 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	3.7%
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.

consumer-credit companies, lack reach and motivation. Stocks that detracted from performance for the month included Mizuho Medy (4595), Recruit Holdings (6098) and Daifuku (6383).

At the end of May, the Company held 67 stocks, a net addition of one over the course of the month. The additions to the portfolio were the global glass manufacturer AGC (5201), the electronic gift service provider Giftee (4449) and online financial services provider GMO Internet (9449), while the positions in Benefit One (2412) and Z Holdings (4689) were sold.

Investor data for May indicate that foreign investors were net sellers over the month which stood in contrast to the net purchases attributed to major domestic financial institutions (trust banks, investment trusts). Non-financial corporations were net sellers of equities, but individual investors were buyers. The Bank of Japan was inactive in their purchases of ETFs over the course of the month and therefore a neutral factor in the supply/demand for equities. The May short sell ratio was 36%, a low for calendar year to date. Tokyo's May daily turnover averaged JPY 2.82trn, an approximately 20% month-on-month increase.

The Tokyo market's performance in May was relatively diversified with 21 sectors out of 33 closing higher for the month, while 12 declined. The major gainers were transportation equipment, rubber products, precision instruments, and air transportation. The worst performing sectors were information and communication, electric power and gas, and glass and ceramic products.

Including cash, the Fund was entirely invested in the 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 May, the JPY rate against the GBP was 155.94, a loss of 2.9% from April's 151.48 close.

The results announced by companies which reported earnings for the March 2021 fiscal year were largely in line with consensus and consequently had little overall impact on share prices. Total sales were reported as being down by about 7% year-on-year and pre-tax income slumped by 13%. In the

current fiscal year to March 2022, companies expect sales to rebound by 6% which would produce a 21% surge in pre-tax profits. On the basis of these projections, the Japanese equity market presently carries a 17x forward PER.

The Investment Adviser is of the view that Japan's economy has begun to recover from the pandemic and its consequences. At long last the government has launched a fully-funded, fully-staffed vaccination programme with a daily target of one million jobs. Current opinion seems to be that the Olympics will go ahead, despite nearly 80% opposition in surveys amongst the population, although there still seems to be some doubt over the level of physical spectator attendance that will be allowed.

The Investment Adviser believes that the significant social and economic structural changes that have accompanied the virus will create attractive new investment opportunities. Themes that are beginning to emerge include, but certainly are not limited to, expanded M&A activity, production reshoring, home tele-work, and digitalization. Just to focus on the last two points, the land that has excelled in consumer electronics, semiconductors and industrial technology has woefully underinvested in digital-transformation initiatives at the corporate level and 'working from home' has exposed the inability of many companies, particularly banks, to operate remotely. It is little surprise therefore that, while Japan's Manufacturing PMI for May came in at 53.0, its second highest level since February 2018, the Services PMI fell to 46.5 in May from 49.5 in April extending the current sequence of falls to 16 months. Corporate presentations in the wake of the recent earnings-results season suggest that companies have been prompted by their experience of the 'new normal', such as working from home, to trim labour costs. Clearly, from a demographic perspective, the timing is right as many companies grapple with the problem of a declining labour force whilst, at the same time, they finally appreciate that clerical work can be undertaken at much lower cost with the substitution of technology for human labour. The Investment Adviser believes that the Fund, committed to a growth-oriented, bottom-up, stock-picking investment style, is well positioned to identify and participate in investment themes arising from the new normal.

PORTFOLIO STATISTICS

MARKET EXPOSURE 100.3%

TOP 10 HOLDINGS	(% TNA)
Nidec	4.8
Lasertec	4.5
Renova	4.1
Tokyo Electron	4.0
Cellsource	3.2
Nihon M&A Center	3.1
Daifuku	2.6
Shift	2.4
Asahi Intecc	2.4
Industrial & Infrastructure	2.3

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	6.8
Financials	2.4
Health Care	15.5
Industrials	28.1
Information Technology	29.9
Materials	2.6
Real Estate	5.7
Communication Services	5.2
Utilities	4.1

MARKET CAPITALISATION	(% TNA)
> 10bn	25.7
5-10bn	9.6
2-5bn	9.0
0.5-2bn	31.4
< 0.5bn	24.6

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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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