

# ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2020	2019	2018	2017	2016	ITD*
AJG Price (total return)	-5.64	9.99	10.91	9.24	27.42	91.35	29.58	25.62	-15.52	51.56	3.96	323.32
AJG NAV (total return)	-3.33	4.28	7.01	6.07	28.84	87.65	24.07	33.60	-14.97	42.94	8.62	395.44
Topix Index (total return)	7.47	5.04	7.07	14.80	18.07	49.24	8.73	16.05	-8.85	15.63	24.47	94.85

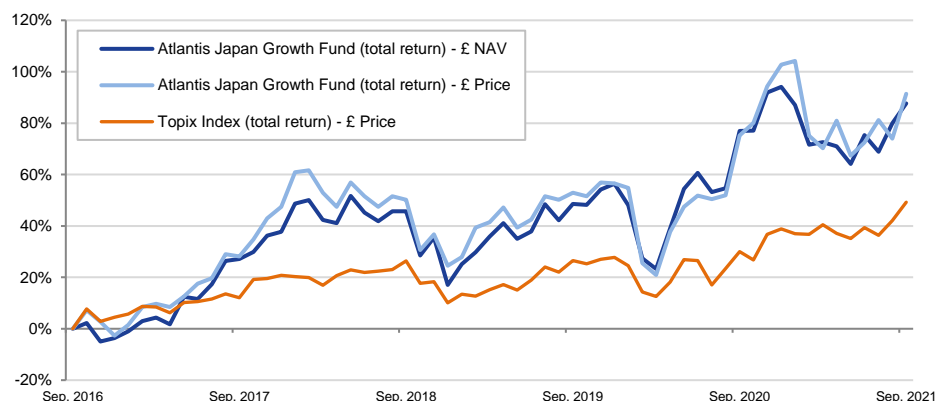
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.  
Notes: \* Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

## 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 2021 was 288p, thus the four payments in respect of the financial year ended 30 April 2021 will be at 2.88p per share payable at the end of September 2021, December 2021, March 2022 and June 2022. 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 sterling terms and on a total return basis, the NAV of the Atlantis Japan Growth Fund gained 4.28% in September. This represented a slight underperformance to the TOPIX Total Return Index gain of 5.04%. For the calendar year 2021 to the end of September, the Fund has fallen 3.33% while the TOPIX Total Return Index has gained 7.47%. At the end of September, the Fund held 61 stocks, having added positions in optical telecom line provider Hikari Tsushin (9435), press release specialist PR Times (3922), and taken profits in air conditioner manufacturer Daikin Industries (6367) and diagnostic reagents company Mizuho Medy (4595).

Investor sentiment was boosted at the beginning of the month by the announcement that Prime Minister Suga would not seek

reelection for the LDP's presidential race. Domestic and foreign investors were encouraged by the reform-minded Taro Kono leading in the polls. Between the last week of August and the third week of September, foreign investors were net buyers of JPY2.3trn in equities and futures, and the TOPIX Total Return Index rallied to an all-time high on 14 September, surpassing the 1989 Japanese peak level. There was anticipation that the Covid-19 state of emergency would be lifted at the end of the month to be followed by a recovery in economic activity. The market was further supported by talk of possible government stimulus measures ahead of a general election at the end of October. The large foreign buying drove large market capitalisation and growth stocks to outperform in the first half of the month.

## 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 126m
Shares in issue	41,794,570
Share price	262.0p
NAV per share	300.4p
Discount(-)/Premium	-12.8%
Net gearing	1.2%
Active Share	89.3%
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	3.6%
Quarterly interim paid	March, June, September and December

### COMPANY FEES & EXPENSES

Ongoing Charges*	1.58%
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 2021.

Nationwide, Covid-19 cases also started to decline from a peak in daily infections of over 25,000 cases in late August to below 2,000 cases on 30 September. This also supported expectations of a recovery in consumer spending.

At the end of the month, sentiment turned negative due to a combination of concerns over debt problems, possible real estate market defaults in China, rising US 10-year treasury yields to over 1.5%, and disappointment that Fumio Kishida had won the LDP presidential race as he is considered to be more conservative and less reform-minded than Taro Kono. Foreign investors turned net sellers of Japanese equities during the last week of September, in particular selling high valuation growth stocks. As a result, value outperformed during the last week of the month. The Mining and Oil and Coal sectors outperformed for the month on higher crude oil prices, as did economy re-opening sectors like Air Transportation and Real Estate. Cyclical Iron & Steel, and highflying Marine Transport sectors underperformed on profit taking. The stocks that contributed most to the Fund's performance included cashless payment settlement company GMO Financial Gate (4051), biomedical company CellSource (4880), and spot consultant provider VisasQ (4490). The Fund's performance was hampered by holdings in motorcycle trading company Bike O & Co (3377), specialty chemical company Tri Chemical Laboratories (4369), and electric motor company Nidec Corp (6594).

Much attention focused on the Bank of Japan's ETF buying in the Japanese market when they purchased JPY70.1bn in ETS on 29 September as the market fell sharply (Topix Index -2.4%) following the news that the LDP presidency had been won by Fumio Kishida. The last time the BoJ purchased ETFs was in June of this year.

Looking forward, the upcoming quarterly earnings reporting season is also the half-yearly results for most companies. One of the features of quarterly earnings this year has been strong results supported by cost

savings and recovering demand in a number of overseas markets such as the US. This has been offset by the negative effects of shortages in semiconductor and miscellaneous components, hurting sectors such as the automotive sector and driving production cuts. As a result, corporate earnings guidance at the Q1 FY2021 results season was very conservative despite good actual earnings results. Anticipation has been for another strong set of earnings results for Q2 FY2021 and some upward revisions to guidance. However, with the mounting concerns over Chinese debt, rising US treasury yields and the uncertainty surrounding US stimulus packages, companies are likely to now be more subdued in their guidance.

Excluding cash, the Fund was entirely invested in the equities of publicly listed Japanese companies and JREITs. The portfolio was positively impacted by overweighting the Information & Communication and the Machinery sectors, while it was negatively impacted by its overweight position in the Service sector. Having no exposure to the Transportation Equipment and Bank sectors also weighed on performance. The Fund had no exposure to structured products and does not employ currency hedges. At the end of the month, the GBP/JPY rate was at 150.40, strengthening 0.7% from the August close of 151.38.

The Investment Adviser observed that although the concerns dampened sentiment towards the end of the month and may keep corporate guidance on the conservative side, they remain positive about strong fundamentals and performance at Japanese companies and expect sales growth of around 6-7% and operating profit expansion of around 30% based on current trends. There is room for temporary disappointment should companies guide more conservatively than expected, and systemic risk to global growth remains a factor. Valuations in Japan remain attractive, with the TOPIX Index trading on a PER of 16x and a PBR of 1.35x at the end of September.

## PORTFOLIO STATISTICS

**MARKET EXPOSURE** 101.2%

<b>TOP 10 HOLDINGS</b>	<b>(% TNA)</b>
CellSource	4.4
Nidec	4.4
Lasertec	4.3
Tokyo Electron	3.7
GMO Financial Gate	3.6
Renova	3.5
Shift	3.4
Nihon M&A Center Holdings	3.3
Daifuku	2.5
Keyence	2.5

<b>SECTOR BREAKDOWN</b>	<b>(% TNA)</b>
Consumer Discretionary	6.6
Financials	2.2
Health Care	12.9
Industrials	28.7
Information Technology	35.2
Materials	2.0
Real Estate	5.7
Communication Services	4.4
Utilities	3.5

<b>MARKET CAPITALISATION</b>	<b>(% TNA)</b>
> 10bn	21.3
5-10bn	12.3
2-5bn	13.8
0.5-2bn	31.8
< 0.5bn	22.0

## CONTACTS

### INVESTOR RELATIONS

Contact: Henry Pollard  
 Phone: +44 (0)20 7661 0887  
 Email: h.pollard@quaerocapital.com

### FUND BROKER

Contact: James Waterlow  
 Phone: +44 (0)20 7496 3031  
 Email: James.Waterlow@singercm.com

## 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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