

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2021	2020	2019	2018	2017	ITD*
AJG Price (total return)	-24.69	-2.24	-24.69	-19.62	-3.25	24.65	-10.40	29.58	25.62	-15.52	51.56	202.69
AJG NAV (total return)	-18.20	0.86	-18.20	-16.85	5.70	37.55	-9.58	24.07	33.60	-14.97	42.94	279.05
Topix Index (total return)	-3.92	0.69	-3.92	-3.02	18.26	25.69	2.14	8.73	16.05	-8.85	15.63	77.94

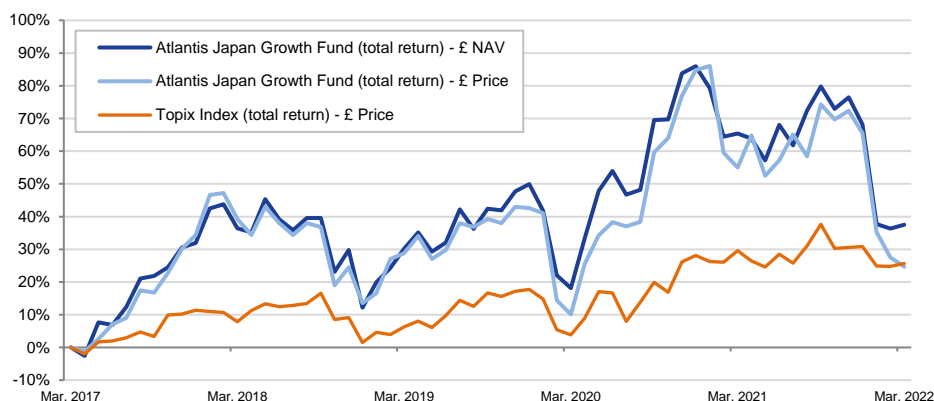
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

Performance review

The Atlantis Japan Growth Fund gained 0.86% in March, outperforming the Topix (TR) index benchmark's 0.69% rise, in sterling terms. The Topix Growth (TR) Index rose 0.72%, outperforming, for the first time in four months, the Topix Value (TR) Index, which was up 0.66%. Market performance continued to be influenced by geo-political factors, not least the volatile energy and commodity prices, the inflationary pressures these moves have produced, and the subsequent response from monetary authorities. Whilst the US Federal Reserve made it clear that they would act more aggressively to stem inflation with their first interest rate hike since 2018, the BoJ continue to hold the opposite line with unlimited bond buying to keep 10-year JGB yields under 0.25%, prompting a decline in

the JPY to 7-year lows against the USD. The Fund's position in those companies with high equity ratios and strong long-term growth prospects helped drive performance in March, given investor appetite for small and mid-cap companies with a good earnings growth outlook.

Sector outperformance benefiting the Fund included Electric Appliances, Information & Communication, and Services, while the main sectors that underperformed were Pharmaceuticals, Precision Instruments and Rubber Products. Top contributors to Fund performance included niche outsourcing player S-Pool (2471 JP), which specializes primarily in the provision of outsourcing services for people with disabilities, leading SPE manufacturer Tokyo Electron (8035 JP) on continued strong demand for its high-end

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 93m
Shares in issue	41,531,570
Share price	182.5p
NAV per share	224.7p
Discount(-)/Premium	-18.8%
Net gearing	1.8%
Active Share	86.9%
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	5.9%
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.

products, and optical device and EUV laser niche player Oxide (6521 JP). Stocks that underperformed were CellSource (4880 JP), the regenerative medicine-related business, the medical product developer and reagent distributor 3-D Matrix (7777 JP), and Asahi Intecc (7747 JP), the medical device supplier.

Investment Activity

During the month of March, the top five stocks in the portfolio were unchanged and included strong performers such as Tokyo Electron (8035 JP). Stocks that moved up into the top 10 holdings included PR Times (3922 JP) and S-Pool (2471 JP), whose strong share price performances reflected expectations of rising earnings outlooks, as well as Industrial and Infrastructure REIT (3249 JP). Stocks that fell out of the Fund's top ten holdings included automation specialist Keyence (6981), material handler Daifuku (6383), and niche SPE play Lasertec (6920). These positions were reduced slightly to take profits following the rebound in their stock prices during March. There were 66 stocks in the portfolio at the end of the month, down from 68 at the end of February. The Fund is fully invested in equities and can invest in REITS. It does not employ currency hedges, has no exposure to bonds, convertible bonds or derivatives, and cash positions are nominal.

Outlook

In spite of continued geopolitical and macro uncertainties, the Investment Advisor is more confident about the macro-economic outlook facing the Japanese market, particularly given its relatively attractive valuations and strong earnings profile. In terms of inflation, companies which had been holding off raising prices, are now doing so from the start of the new fiscal year in April. We are seeing this ranging from materials and components makers in the supply chain, to food and essential service providers. Consumer reaction is muted at this point, and it has been in part offset by an encouraging spring wage hike negotiation. The government is also preparing a major stimulus package which should help offset the negative impact. The Bank of Japan continues to peg its policy to core inflation with the latest core CPI data (except fresh food and energy) for Feb being a 1.0% yoy rise. The BoJ continue to indicate that they are in no rush to tighten, and we think there will be little pressure to change this stance until at least the July 25th Upper House elections. Key will be to watch the inflation

data from April-May, when the yoy impact of the spring 2021 mobile phone rate cuts, which had a significant impact on dampening inflationary pressures, falls out.

Inflationary pressures will likely test the Bank of Japan's resolve to hold JGB yields below 0.25%, particularly given the pressure this will put on the JPY at a time when Central Banks in Europe and the US are raising rates. A widening interest rate differential, particularly with the USD, will heighten the call for the BoJ to act. The government is happy to maintain an accommodative stance whilst the JPY/USD level remains in the JPY118-123/USD range, a level which is unlikely to have a negative effect on corporate earnings, particularly for those companies that have moved to balance production and cost centres with revenue locations to mitigate currency fluctuations. Recent meetings between Japan's MOF and the US Treasury exposed Japan's reluctance to let the JPY fall below JPY125/USD.

The Investment Adviser continues to focus on companies with visible growth, strong fundamentals, positive cash flow, exposed to structural change, and positioned for resilience to inflationary pressures. For this reason, we tend to favour companies with above average gross profit margins. Based on data as of the end of March 2022, the average GPM of the Fund was 40.4% versus the Topix Index average of 26.0%. The Fund continues to seek exposure to Japan's aging demographics with holdings in labour market specialist S-Pool (2471 JP), and niche regional unoccupied housing revitalization play Katitas (8919 JP). While the pandemic has remained a challenge, many Japanese companies adapted to the idea of remote working, and the benefits of cloud-based software capabilities to enhance efficiencies and competitiveness as well as to attract and keep talent. Companies held by the Fund with exposure to workplace reform include communications connectivity specialist Internet Initiative of Japan (3774 JP) and lead terminal and optical communications specialist Kohoku Kogyo (6524 JP). Japan continues to dominate in many key technologies, especially around the semiconductor supply chain where the Fund maintains its principal exposure through Tokyo Electron (8035 JP). Within infrastructure, the focus remains on Japan's aging infrastructure as well as transition to renewable energy and its digital transition need. Fund exposure here is through Industrial & Infrastructure REIT (3249 JP).

PORTFOLIO STATISTICS

MARKET EXPOSURE 101.8%

TOP 10 HOLDINGS (% TNA)

Nidec	3.8
Shift	3.5
Tokyo Electron	3.4
Premium Group Co	3.3
Japan Material Co	2.9
Pr Times	2.6
S-Pool	2.6
Sony Group	2.6
Disco	2.5
Industrial & Infrastructure	2.5

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	8.7
Financials	5.1
Health Care	7.1
Industrials	27.1
Information Technology	40.3
Materials	2.1
Real Estate	6.3
Communication Services	5.1

MARKET CAPITALISATION (% TNA)

> 10bn	24.5
5-10bn	4.9
2-5bn	13.1
0.5-2bn	25.6
< 0.5bn	33.7

CONTACTS

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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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