

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2021	2020	2019	2018	2017	ITD*
AJG Price (total return)	-23.66	1.37	-6.57	-23.35	-5.74	27.92	-10.40	29.58	25.62	-15.52	51.56	206.83
AJG NAV (total return)	-23.29	-6.22	-6.33	-21.27	-4.54	32.40	-9.58	24.07	33.60	-14.97	42.94	255.47
Topix Index (total return)	-8.12	-4.37	-3.73	-4.97	11.25	22.64	2.14	8.73	16.05	-8.85	15.63	70.16

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	01 May 2016
Total Net Assets (TNA)	GBP 87m
Shares in issue	41,416,570
Share price	185.0p
NAV per share	210.7p
Discount(-)/Premium	-12.2%
Net gearing	5.0%
Active Share	90.8%
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	5.8%
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

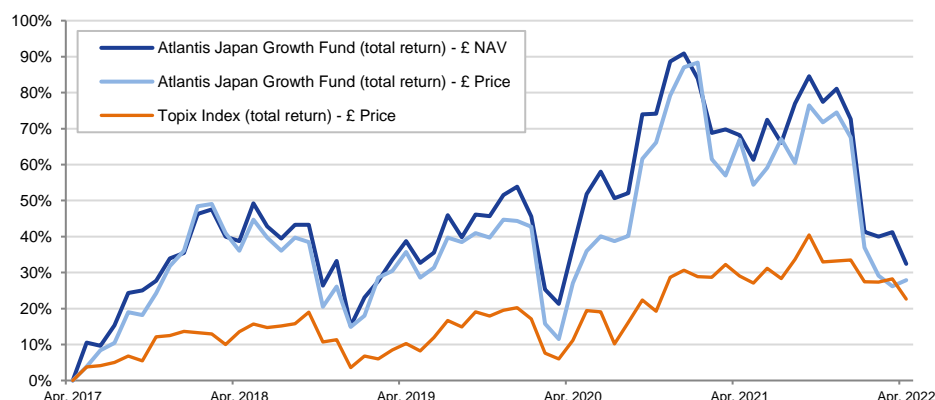
* Based on the Company's Annual Financial Statements to 30 April 2021.

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

During the month of April, the Atlantis Japan Growth Fund declined 6.22% yoy on a total return basis versus the Topix (TR) benchmark's 4.37% decline in sterling terms. This was in a now familiar environment of monetary tightening in the US, rising global interest rates, inflation and a depreciating yen, all exacerbated by the war in Ukraine and Covid lockdowns in China. These factors contributed to the Topix Growth (TR) index falling 5.80%, underperforming the Topix Value (TR) index's drop of 0.98%. The ongoing rotation between growth and value style is undoubtedly weighing on both sentiment and performance. We remain committed to focus on those growth stocks that are not only exposed to the parts of the economy that are benefiting from cyclical

change and investment. At a time of stress testing of high valuations, we find it ever important to remain anchored in those growth companies that display sustainable earnings visibility and are, in general, cash flow generative.

Sectors that contributed positively to the Fund included Pharmaceutical, Services and Precision Equipment. Sectors which were a drag on performance included Electric Appliance, Information & Communication and Other Products. Top contributing holdings included SHIFT (3697 JP), Cellsource (4880 JP) and Japan Material (6055 JP). The bottom performers included PR Times (3922 JP), NIDEC (6594 JP) and Tokyo Electron (8035 JP).

Investment Activity

The top 10 holdings of the fund remained largely unchanged, with software-testing leader Shift (3697 JP) moving up a notch to the top holding following strong quarterly results and guidance, as did semiconductor gas management provider Japan Material (6055 JP), while some of the Fund's main technology holdings such as SPE leader Tokyo Electron (8035 JP) and electronics and media player Sony (6758 JP) edged down in the ranking. As a result of price fluctuations, the Fund's weighting in the Electronic Appliances sector declined slightly from 21.33% to 20.03%, while the weighting in the Services sector increased from 18.03% to 20.44%. The number of holdings remained unchanged at 66 stocks. The Fund's policy is to remain fully invested in equities. Cash positions are nominal, currency hedges are not used, and it can invest in REITS but has no exposure to bonds, convertible bonds or derivatives.

Outlook

Concerns over the outlook for global equities have been well telegraphed. Japan will not be immune to the geo-political two-pronged threat of Russia and China reeling from the Ukrainian conflict on the draconian Covid policy of Xi Jinping's administration. Combine this with the inflationary shudders and consequential impact on the yen and growth outlook leaves little room for optimism over the near term. The impact of the weaker yen cannot be overstated. While the US Fed raised its interest rate, the BoJ re-affirmed its resoluteness to maintain easy monetary policy so we can expect little strengthening in the yen over the near term. Focus has increasingly shifted to the Q4 FY21 earnings season which is now underway. Denso (6902 JP), the Toyota Group (7203 JP) supplier,

guided for much higher-than-expected FY22 profits despite undershooting in FY21 and enduring ongoing uncertain global economic conditions. Toyota also announced a plan to increase investment in hybrid and internal combustion engines (ICE) to continue improving fuel efficiency and to maintain its competitive position during the transition period to EVs and before alternative fuel and powertrains shifts are fully completed in 15-20 years. This contrasts with other global OEMs that are now more focused on EV investments at the expense of their ICE business. Toyota is also continuing to invest heavily in new mobility technology but, due to the importance of its position in Japanese manufacturing, the aggregate investment is highly beneficial to the Japanese economy and supply chains and serves as a reminder that traditional ICE vehicles (including hybrids) still accounted for 92% of global vehicles sales in 2021.

Japan's Prime Minister Fumio Kishida reaffirmed Japan's commitment to supporting growth of new technologies as part of the government's extraordinary support package. Further, he reiterated plans to gradually open the country back up to inbound tourism. This plays well to the Investment Advisor's choice of structural areas of investment for the Fund. Further, with the Topix index trading on a forward PER of 12.4x, it lends some support given it is trading at the low end of its historical range and looks attractive compared with other developed markets. The Adviser sees this as an opportunity to focus on those domestic demand names with limited overseas exposure and benefiting from structural growth areas such as in technology, manufacturing and workflow efficiency and robust infrastructure investment.

PORTFOLIO STATISTICS

MARKET EXPOSURE 105.0%

TOP 10 HOLDINGS (% TNA)

Shift	4.2
Japan Material	3.5
Premium Group	3.3
Nidec	3.2
Tokyo Electron	2.9
S-Pool	2.9
Industrial & Infrastructure	2.6
Disco	2.5
Wacom	2.5
Sony Group	2.4

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	9.5
Financials	5.2
Health Care	7.6
Industrials	27.9
Information Technology	41.2
Materials	2.0
Real Estate	7.1
Communication Services	4.5

MARKET CAPITALISATION (% TNA)

> 10bn	20.7
5-10bn	6.7
2-5bn	14.6
0.5-2bn	25.2
< 0.5bn	37.8

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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