

# ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2021	2020	2019	2018	2017	ITD*
AJG Price (total return)	-32.48	-10.56	-10.34	-28.90	-13.87	4.40	-10.40	29.58	25.62	-15.52	51.56	171.40
AJG NAV (total return)	-29.54	-8.25	-13.86	-29.47	-10.26	10.88	-9.58	24.07	33.60	-14.97	42.94	226.52
Topix Index (total return)	-10.37	-4.56	-6.72	-8.79	6.85	14.92	2.14	8.73	16.05	-8.85	15.63	65.98

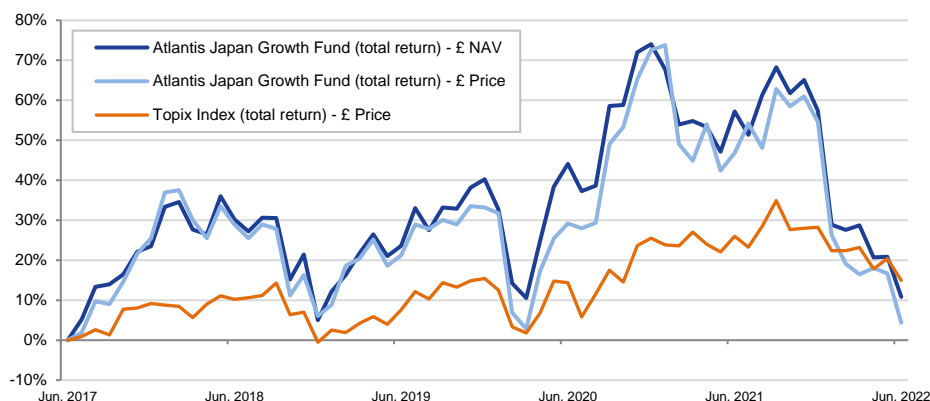
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.  
Notes: \* Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

## 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 2022 was 215p, thus the four payments in respect of the financial year ended 30 April 2022 will be at 2.15p per share payable at the end of September 2022, December 2022, March 2023 and June 2023. 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 Atlantis Japan Growth Fund declined 8.25% on a total return basis in June, while the Topix Total Return (TR) index fell 4.56%, both in sterling terms. The gap between Japanese monetary policy and the rest of the world widened following interest rate hikes in the US and Europe while the BoJ maintained its accommodative stance. This helped drive the yen down from JPY 129/\$ to JPY 137/\$ over the course of the month. Global macro concerns over rising inflation helped prompt recessionary fears. Value continued to outperform growth, with the Topix Growth (TR) Index falling 6.25% compared to the Topix Value (TR) index decline of 3.02% MoM in sterling terms.

Pharmaceutical, Precision Instruments and Wholesale Trade sectors outperformed while Electrical Appliance, Information &

Communications, and Machinery sectors underperformed for the fund during June. Top contributing stocks included semiconductor production specialty gas provider Japan Material (6055 JP), regenerative biotech play Cellsource (4880 JP) and used motorcycle sales specialist Bike O & Co (3377 JP). Stocks that underperformed included SPE leader Tokyo Electron (8035 JP), optical, crystals and laser niche player Oxide Corp (6521 JP), and silicon wafer leader Shin-Etsu Chemical (4063 JP).

### Investment Activity

Over the course of the month, the Fund's top holdings remained fairly constant, accounting for 27.76% of the portfolio's overall holdings, down slightly from 28.23% in May. Japan Material (6055 JP) was the top holding. The

## 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 79m
Shares in issue	41,344,070
Share price	161.0p
NAV per share	190.9p
Discount(-)/Premium	-15.6%
Net gearing	6.5%
Active Share	93.1%
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	7.2%
Quarterly interim paid	March, June, September and December

### COMPANY FEES & EXPENSES

Ongoing Charges*	1.65%
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 2022.

company is a niche supplier of specialty gases, ultra-pure water and other specialty chemicals and infrastructure for semiconductor and LCD production. It adds value by dispatching skilled engineers to client plants to help guide them in the use and handling of these highly specialized substances, and to provide support, including for the design and management of the entire gas supply process. This makes them indispensable and establishes a high barrier to entry for potential competitors. At the end of the reporting period the Fund held 67 stocks, up from 66 the previous month. The fund's policy is to be fully invested in equities and can hold some REITS. It has no exposure to bonds or derivatives and doesn't employ currency hedges. Cash positions are small and leveraging is modest.

### Outlook

Global markets have continued to be plagued by uncertainty and concerns, not just from the conflict in Ukraine but by dislocations in currency markets and faltering growth concerns. In Japan we are heading into the Q1 FY22 earnings season which should be more instructive than usual because it will be the first set of numbers that we will see since the yen started falling in March. In this regard, we believe that Japanese corporations are relatively well positioned. Historically many companies were known for their persistent focus on top-line growth and market share to the detriment of cash flow and profits. They have long-since reoriented towards profitability and positive cash flow generation strategies. This period of supply chain disruptions has helped to demonstrate that Japan's industrial base has moved to higher value-added materials and components commanding higher market share and being more resilient

to economic slowdowns and competition. We note that while there have been signs of softening global demand for PCs, smartphones, and servers on the one hand, there continue to be shortages of microcontrollers. We also saw weaker preliminary industrial production data for May (-2.8% YoY) while retail sales were up 3.6% YoY. While this paints a mixed picture, in our discussions with company managements we are hearing of signs of improvement in supply chain shortages and shipping bottlenecks.

The Investment Adviser continues to look at those companies with strong earnings growth, competitive positioning, high market share, pricing power and improving efficiencies that can offset higher costs. For example, the Fund's third largest holding, Premium Group (7199 JP) is an independent financing and warranty provider for the second-hand car market. Its competitors are large bank-affiliated credit companies which are subject to strict restrictions limiting the type of services they can provide under the Japan's Banking Law. Premium Group is not subject to these restrictions and can provide warranties and sell auto parts and software that large financial groups cannot. This has enabled the company to expand market share and support double digit earnings growth over the next several years.

The Investment Adviser believes that the current environment offers an opportunity to invest in well-positioned companies that can grow profits in segments of the economy undergoing structural change. This includes digital transformation, efficiency enhancement, labour savings, new business models and infrastructure plays.

## PORTFOLIO STATISTICS

**MARKET EXPOSURE** 106.5%

### TOP 10 HOLDINGS (% TNA)

Japan Material	3.7
Nidec	3.5
Premium Group	3.0
Industrial & Infrastructure	2.8
Disco	2.7
S-Pool	2.6
Sony Group	2.6
Wacom	2.4
Daifuku	2.4
Bellsystem24 Holdings	2.3

### SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	10.6
Financials	5.2
Health Care	7.1
Industrials	28.6
Information Technology	39.9
Materials	1.2
Real Estate	8.4
Communication Services	5.5

### MARKET CAPITALISATION (% TNA)

> 10bn	17.6
5-10bn	7.5
2-5bn	9.5
0.5-2bn	30.7
< 0.5bn	41.2

## CONTACTS

### INVESTOR RELATIONS

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### FUND BROKER

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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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