

# ATLANTIS JAPAN GROWTH FUND

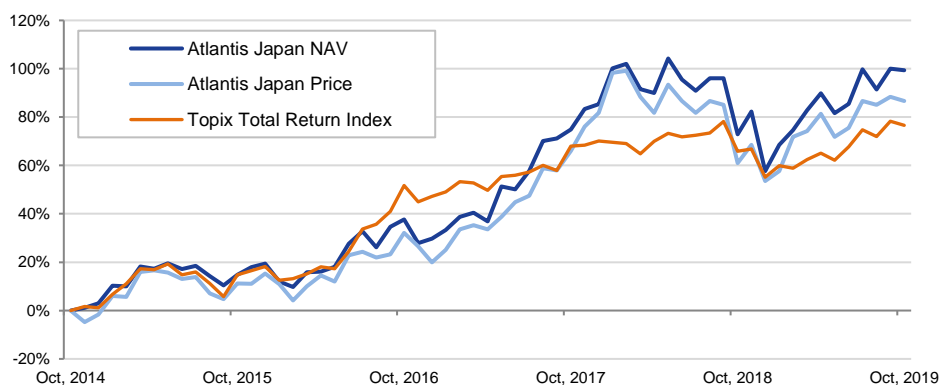


CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2018	2017	2016	2015	2014	ITD*
AJG Share Price	21.62	-0.88	0.00	15.98	41.29	86.72	-15.53	51.56	3.96	17.30	0.42	234.54
AJG Share NAV	26.53	-0.29	-0.17	15.33	44.90	99.44	-14.97	42.94	8.61	15.94	-0.33	290.48
Topix TR Index	13.86	-0.93	1.03	6.50	16.38	76.63	-8.85	15.63	24.47	16.92	2.87	63.61

Sources: Northern Trust and Bloomberg.

Notes: \* Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

## PERFORMANCE OVER 5 YEARS (£)



Sources: Northern Trust and Bloomberg.

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

Heartened by a stream of upbeat news, the Japanese equity market, in local currency terms, moved sharply higher in October; however, GBP denominated investors failed to participate in the surge owing to an unfavourable JPY/GBP currency move over the course of the month. The catalysts that drew investors to Tokyo included reports of a 'partial' U.S.-China trade agreement, Wall Street's extended rally, a Fed rate cut, expectations that earnings have bottomed out, and the return of the overseas investor. Investors showed a slight preference for economic sensitive sectors and value over growth. TOPIX closed the month on a year to date high.

During October, the Fund was negatively affected by a disadvantageous currency move and retreated by 0.29% in GBP. On a total return basis, in the local currency JPY, the Fund gained 5.67% whilst the Topix rose 4.99%. The TOPIX and Nikkei 225 indices in GBP slid 0.93% and 0.57% respectively. The Fund had a mixed performance against the small capitalized company dominated TSE2 (0.27%) and the Nikkei OTC Average (-1.98%). Calendar year to date the Fund has risen 26.53% in GBP, exceeding the performances achieved by both TOPIX (+13.86%) and the Nikkei 225 (+14.20%).

Stocks that made positive contributions to performance over the course of the month included lawyer / accountant marketing support website Bengo4 (6027), SPE assembler Lasertec (6920), semiconductor gases / ultra-pure water supplier Japan Material (6055), stress check and mental health insurer Advantage Risk Management (8769), and control equipment parts supplier Idec (6652). Those companies that detracted from the portfolio's October performance were TKP (3479), Recruit Holdings (6098), Phil Co (3267), and Creek & River (4763)

At the end of October the Company held 62 stocks, no change over the course of the month. J-REIT Renewable Japan Energy Infrastructure (9283) was added to the portfolio, CRI Middleware (3698) was sold. As can be seen in the accompanying sector breakdown, the portfolio remains committed to, and overweight in, growth opportunities in the services, electric appliances, and machinery sectors.

Investor data for October to date indicate non-resident investors were enthusiastic purchasers of equities on both a cash and futures basis as their total net purchases exceeded JPY1.14tn. However, this activity was largely focused on the main markets;

## 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 <sup>st</sup> May 2016
Total Net Assets (TNA)	GBP 106m
Shares in issue	41,794,570
Share price	225.0p
NAV per share	254.4p
Discount(-)/Premium	-11.5%
Net gearing	4.8%
Active Share	97.7%
Inception date	10 <sup>th</sup> May 1996

### ADMINISTRATIVE & DEALING INFORMATION

Financial Year End	30 <sup>th</sup> April
Company Domicile	Guernsey
Company Legal Structure	UK Investment Trust
Listing	London Stock Exchange
Valuation	Daily
Company Broker	Cantor Fitzgerald
Depository	Northern Trust
Administrator	Northern Trust
Auditor	PricewaterhouseCoopers
Investment Manager	Quaero Capital LLP
Investment Adviser	Atlantis Investment Research Corporation

### FUND CODES

Bloomberg	AJG LN
SEDOL	B61ND55
ISIN	GG00B61ND550

### COMPANY FEES & EXPENSES

Ongoing Charges*	1.63%
- Annual Management Fee	1.00%
- Operating & Administrative Fees	0.63%
Performance Fee	None

\* Based on the Company's Annual Financial Statements to 30 April 2019.

foreign investors were net sellers in both the JASDAQ and TSE Mothers markets. Over the month, individual investors were net sellers, as were the investment trusts and the trust banks. This was partially offset by non-financial businesses' net purchases. The BoJ purchased JPY352bn in equity ETFs in October (September JPY70bn). Investor confidence was confirmed by the October short sell ratio dropping to 40.8%, its lowest monthly level thus far in 2019. Tokyo's daily turnover slipped to JPY2.09tn (September JPY2.28tn).

The market's October advance encompassed 32 out of the TSE's 33 sectors. As in September, materials and processing sectors were among the top performers with economically sensitive sectors, including metal products, marine transportation, nonferrous metals, and rubber products amongst the best performers. Pharmaceuticals were well bid for, particularly Eisai (4523) which announced the FDA's approval of its Alzheimer's treatment. Toray Industries (3402) dragged down the textiles sector in the wake of Boeing's 737 MAX difficulties.

Borrowings by the Fund were unchanged from September's JPY1.0bn which translated into a net gearing of 4.8%. Excluding cash, the Fund was entirely invested in 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 October the JPY rate against the GBP was 140.62, a loss of 5.65% from September's 132.68 close.

Economic data recently released have provided the equity bulls with a degree of hope. September's industrial production rose 1.4%, better than expectations; production growth outpaced shipments suggesting inventories are not building. September's housing starts and consumer confidence were also reported better than expected. Data has yet to emerge as to whether the Government's fiscal stimulatory measures can mitigate the negative effects on the economy by October's sales tax increase. However soft data from retailers indicate the sales tax hike's impact on consumption could be mild.

Coming into the autumn, an equity market concern was the extent of (downward) revisions to earnings by companies when they release their fiscal year estimates for FY 3/20. Thankfully, the 1H FY 3/20 corporate results season has been remarkably free of 'shock' announcements and corporate earnings revisions have been benign. Consensus is building to maintain a flat FY 3/20 pre-tax earnings growth estimate with a 5%-6% expansion expected for FY 3/21. On these estimates, the Tokyo market is priced on a 14.4x forward PER and 1.3x PBR.

The Investment Adviser is committed to a growth oriented, bottom-up, stock-picking investment style with investment decisions based on proprietary fundamental research. The objective is to identify attractively priced, long term investment opportunities particularly in, but not limited to, technology, health care, and services.

## PORTFOLIO STATISTICS

**MARKET EXPOSURE** 104.8%

### TOP 10 HOLDINGS (% TNA)

Japan Elevator Service	4.0
Lasertec	3.9
Nidec	3.6
Hikari Tsushin	3.2
Asahi Intecc	3.1
Nihon M&A Center	2.9
S-Pool	2.9
Tokyo Electron	2.8
Keyence	2.8
TKP	2.7

### SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	15.6
Financials	0.8
Health Care	10.7
Industrials	44.7
Information Technology	19.9
Materials	1.6
Real Estate	6.2
Communication Services	4.6
Utilities	0.7

### MARKET CAPITALISATION (% TNA)

> 10bn	11.9
5-10bn	10.6
2-5bn	13.8
0.5-2bn	32.9
< 0.5bn	35.5

## 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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