

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2019	2018	2017	2016	2015	ITD*
AJG Share Price	-1.09	-1.09	1.11	19.74	50.91	78.08	24.32	-15.53	51.56	3.96	17.30	238.26
AJG Share NAV	-5.37	-5.37	-0.99	17.21	48.19	78.97	32.39	-14.97	42.94	8.61	15.94	286.63
Topix TR Index	-2.52	-2.52	-0.65	9.73	17.71	64.39	16.05	-8.85	15.63	24.47	16.92	62.55

Sources: Northern Trust and Bloomberg.

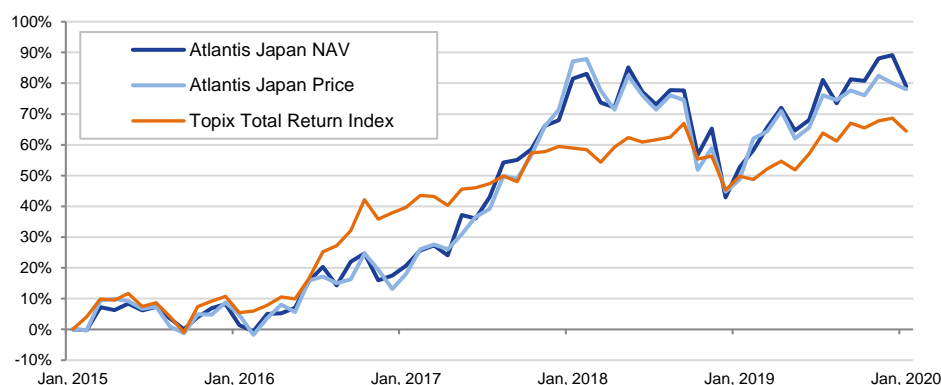
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

NEW DIVIDEND POLICY

At the 2019 AGM, shareholders approved the Board's recommendation to replace the redemption facility with a regular dividend paid to all shareholders on a quarterly basis set at 1% of net asset value at the close of the preceding financial year.

The quarterly dividend will be paid out of capital resources at the end of each calendar quarter. The current dividend rate for quarterly payments through to June 2020 is 2.37p per share, being 1% of the average daily NAV per share in the final month of the Company's financial year ended 30 April 2019.

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

The Japanese equity market began the year by setting aside Middle East geopolitical concerns and focused on the positive by welcoming, with a rally, the China-U.S. trade agreement. However, this feel-good sentiment quickly crumbled when the world learned of a new, deadly coronavirus spreading in Wuhan, China. Information regarding the extent of the virus' diffusion was lacking and the market was left on its own to determine the potential impact on Chinese and global supply chains. As we write, despite aggressive lock-downs imposed by the authorities, the virus has yet to be brought under control. In response to this, Japanese equity investors took the market lower, particularly 'in-bound' stocks (cosmetics, hotels, air transportation). Lost in the virus concern has been the release of 3Q FY3/20 results which can, at best, be considered mixed.

Given this backdrop, for January in GBP and on a total return basis, Atlantis Japan Growth Fund retreated 5.37%. This performance lagged the TOPIX and Nikkei 225 indices which declined 2.52% and 2.29% respectively. The Fund's performance also failed to keep pace with the TSE-2 Index (-2.94%) and the Nikkei OTC Average (-1.53%). The risk-off mood was most apparent with TSE Mothers, which dropped over 8% in January.

The stocks making positive contributions to the Fund's performance over the course of the month included Tri-Chemical Laboratories (4369), a supplier of ultrapure chemicals to semiconductor wafer makers; Renova (9519), a renewable energy generator; management consultant Funai Soken (9757); and consumer financier Aiful (8515). Stocks that detracted from 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	1 st May 2016
Total Net Assets (TNA)	GBP 105m
Shares in issue	41,794,570
Share price	227.5p
NAV per share	251.9p
Discount(-)/Premium	-9.7%
Net gearing	3.2%
Active Share	96.4%
Inception date	10 th May 1996

ADMINISTRATIVE & DEALING INFORMATION

Financial Year End	30 th 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

DIVIDEND

Prospective dividend yield*	4.2%
Dividends paid	March, June, September and December

COMPANY FEES & EXPENSES

Ongoing Charges**	1.63%
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

* Annualised dividend yield based on indicated dividend payments in respect of the two quarters ending 31 March 2020 and 30 June 2020. Not a profit forecast.

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

performance were Bengo4 (6027), TKP (3479), Recruit Holdings (6098), and Nihon M&A (2127).

At the end of January the Company's portfolio held 61 stocks, a net reduction of one over the course of the month. Ceramic parts maker Maruwa (5344) was added to the portfolio while Bplats (4381) and Riso Kyoiku (4714) were sold.

Investor data for January indicate non-resident investors were marginal net sellers of equities on a cash basis (JPY 42bn) but massive sellers of futures (JPY 753bn). Over the course of the month individual investors were net buyers, as were non-financial business corporations. Both investment trusts and trusts banks were net sellers. Calendar year to date the BoJ's ETF purchases have been a modest JPY 210bn, well below the JPY 600bn targeted monthly run rate. The average daily trading value on the TSE was JPY 2.09tn, an improvement over December's holiday shortened JPY 1.87tn.

The market's January retreat encompassed 28 out of the TSE's 33 sectors. Investors fled from sectors whose earnings were perceived to be at risk from the coronavirus outbreak. As a consequence, the worst performing sectors were marine transportation, mining, air transportation, non-ferrous metals, and oil & coal. Investors swung behind sectors that could be characterized as non-cyclical, domestics, namely real estate, other financials, securities and commodities futures. Pharmaceuticals and precision instruments (home of medical device assemblers) were also bid for. Large capitalized growth stocks were generally in favour while small capitalized stocks, either growth or value, were notably ignored.

The Fund's net gearing at the end of January was 3.2%. 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 January, the JPY rate against the GBP was 143.25, a loss of 0.39% from December's 142.69 close.

Coincident economic data and survey results, gathered prior to the virus outbreak, presented the picture of an economy adjusting to a series of one-off shocks (typhoons, sales tax hike, trade friction/boycotts). Without knowing when the virus will be brought under control estimates regarding its impact on the economy are guestimates at best. At present, consensus estimates assume the virus will come under control by mid-2020 which would result in Japanese GDP shrinking by 0.5% in the January-March quarter. Subsequent quarters should see the release of virus induced pent-up demand combined with the introduction of a JPY 26tn supplementary budget; these will limit the economic contraction in CY 2020 to 0.1%. On these estimates the Tokyo market is currently priced on a 15.6x forward PER and a 1.3x PBR while yielding at 2.1%. If it takes longer to contain the epidemic these projections will prove to be overly optimistic.

The Investment Adviser is of the view that the sell-off sparked by the virus will have no lasting negative impact on Japan's economy. It further believes that in retrospect this could represent an opportunity to acquire attractive equities with long term growth potential and remains 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 103.2%

TOP 10 HOLDINGS (% TNA)

Lasertec	5.1
Hikari Tsushin	3.6
Tri Chemical Laboratories	3.5
S-Pool	3.2
Tokyo Electron	3.1
Nidec	3.1
Asahi Intecc	3.1
Keyence	3.0
Nittoku Co	2.8
Nihon M&A Center	2.6

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	11.7
Financials	1.1
Health Care	10.8
Industrials	42.8
Information Technology	22.7
Materials	1.5
Real Estate	6.7
Communication Services	4.2
Utilities	1.7

MARKET CAPITALISATION (% TNA)

> 10bn	13.1
5-10bn	11.2
2-5bn	14.1
0.5-2bn	29.1
< 0.5bn	35.7

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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