

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2019	2018	2017	2016	2015	ITD*
AJG Share Price	-19.78	-18.90	-20.82	-10.87	14.60	44.85	24.32	-15.53	51.56	3.96	17.30	174.32
AJG Share NAV	-18.56	-13.94	-18.08	-2.70	22.55	54.44	32.39	-14.97	42.94	8.61	15.94	232.73
Topix TR Index	-10.47	-8.16	-10.00	1.48	5.16	45.06	16.05	-8.85	15.63	24.47	16.92	49.29

Sources: Northern Trust and Bloomberg.

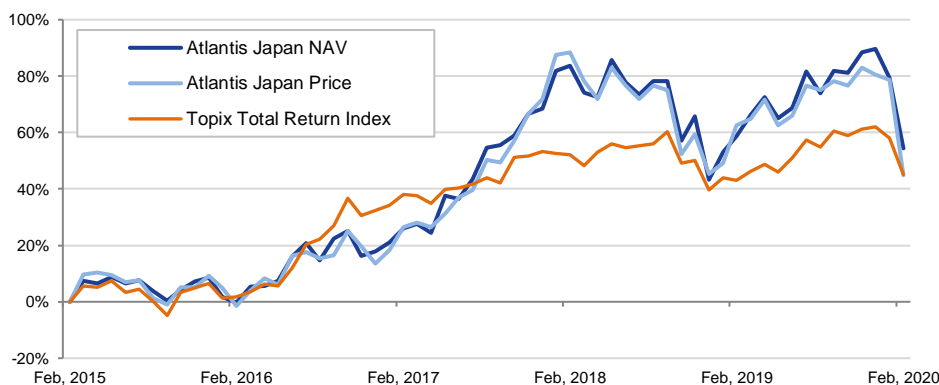
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

Prices in all Japanese equity markets came under pressure in February as investors reacted to the impact of the COVID-19 on production and consumer activity and sluggish final demand. Whilst authorities in Japan, Asia ex-Japan, Europe, and the United States attempted to implement counter-measures to the virus, investors drew the worst conclusions and dumped stock. The investor mood was also negatively affected by the release of October-December 2019 GDP data which featured an annualized -6.3% performance with sharp drops in the household consumption, capital expenditure, and housing investment components.

In February, on a total return basis and in GBP terms, the Fund retreated 13.94%. On the same basis, this performance lagged the

TOPIX and Nikkei 225 indices which declined 8.16% and 6.74% respectively. The TSE-2 Index and the Nikkei OTC Average slipped back by 12.32% and 11.10% respectively. The risk-off mood was also evident with the market's treatment of Mothers, which dropped 12.9% during the month.

The stocks that made positive contributions to the Fund's performance over the course of the month included the J-REIT Industrial and Infrastructure (3429), M&A advisor Nihon M&A (2127), and FA systems specialist Daifuku (6383). Stocks that detracted from the Fund's performance included TKP Corporation (3479), Hikari Tsushin (9435), Tri-Chemical Laboratories (4369), and Renova (9519).

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 91m
Shares in issue	41,794,570
Share price	184.5p
NAV per share	216.8p
Discount(-)/Premium	-14.9%
Net gearing	0.0%
Active Share	93.7%
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*	5.1%
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.

At the end of February the Company held 59 stocks, two fewer than at the end of the previous month. Fuji Kyuko (9010) and Kyoritsu Maintenance (9619) were sold during the month; there were no new stocks added to the Fund.

Investor data for February indicate non-resident investors were net buyers of equities on a cash and futures basis as were nonfinancial business corporations. Domestically however, institutions, namely trust banks and investment trusts, as well as individual investors sold heavily through both cash and futures trades. The BoJ was relatively inactive, it purchased a modest JPY140bn in equities via ETFs. The short sale ratio for the month was an unexceptional 42%. February's average daily trading value on the TSE was a brisk JPY2.58tn nearly 25% higher month-on-month.

The market's decline in February affected all 33 TSE sectors as investors fled from the market. The worst performing sectors were iron/steel, securities/commodities futures, land transportation, and marine transportation. The best performers, on a relative basis were information/communications, insurance, and oil/coal products.

At the end of February 2020, the Fund held 0.5% in cash, with the rest 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 February, the JPY rate against the GBP was 139.95, a gain of 2.36% from January's 143.25 close.

Coincident economic data and survey results present the picture of an economy sliding into a recession. As noted above Japan's

GDP for the October-December quarter contracted by 6.3% (annualized). Given developments to date in the January-March quarter it is highly unlikely the quarter will generate positive economic growth. Numerous data points are indicating weak overseas demand and sluggish household consumption and capital expenditure. The most recent MoF corporate survey taken prior to a full understanding of the pandemic's implications indicated corporate sales and earnings trending lower by 2%-5%. Furthermore, the survey indicated that forecasts for private sector capex, previously the main economic driver is being trimmed back by manufacturers and non-manufacturers.

Research house consensus pre-tax earnings growth forecasts made subsequent to 3Q FY 3/20 results assumed declines in the 7%-8% range on a 1%-3% sales drop. Over the remaining balance of the fiscal year the Investment Adviser believes these estimates will be revised down with the degree of revision depending upon the perceived extent of the COVID-19 negative impact on global supply chains and final demand. On these estimates the Tokyo market is currently priced on a 15.5x forward PER and a 1.2x PBR.

In this uncertain environment the Investment Adviser believes the most appropriate course of action is to invest in quality companies holding high market shares in free cash generating businesses whilst maintaining contact with companies to track the business conditions of their holdings and seek new candidates for investment. The Investment Adviser will continue to invest in growth opportunities without respect to market capitalization and will likely focus on technology, health/elderly care, and consultant services.

PORTFOLIO STATISTICS

MARKET EXPOSURE 99.5%

TOP 10 HOLDINGS	(% TNA)
Lasertec	5.5
Tokyo Electron	3.4
Nidec	3.4
Keyence	3.3
Nihon M&A Center	3.3
Hikari Tsushin	3.3
S-Pool	3.3
Asahi Intecc Co	3.1
Tri Chemical Laboratories	2.9
Nittoku Co	2.9

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	7.7
Financials	1.1
Health Care	10.7
Industrials	42.5
Information Technology	23.1
Materials	1.6
Real Estate	7.4
Communication Services	3.9
Utilities	1.5

MARKET CAPITALISATION	(% TNA)
> 10bn	14.2
5-10bn	8.3
2-5bn	17.1
0.5-2bn	22.6
< 0.5bn	37.3

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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