

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2019	2018	2017	2016	2015	ITD*
AJG Share Price	-13.04	13.96	-12.09	-8.47	24.22	42.35	24.32	-15.53	51.56	3.96	17.30	197.37
AJG Share NAV	-11.98	12.83	-6.99	-3.25	34.18	56.63	32.39	-14.97	42.94	8.61	15.94	259.61
Topix TR Index	-7.52	4.88	-5.13	0.82	11.15	42.41	16.05	-8.85	15.63	24.47	16.92	54.22

Sources: Northern Trust and Bloomberg.

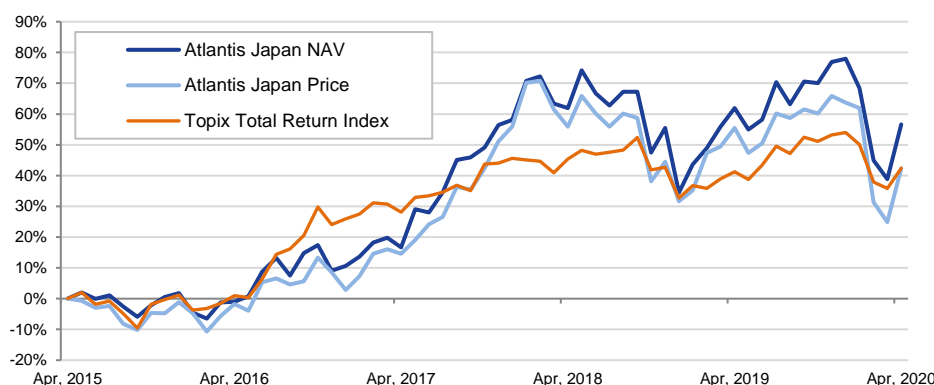
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

Japanese equities staged a rebound in April as investors chose to overlook the grim economic data flow and opted to focus on the COVID-19 virus peaking and the authorities' measures to stimulate economic activity. The declaration of a state of emergency in Tokyo had no impact on equity demand. At the beginning of April investor sentiment was volatile but as the month progressed investors appeared willing to take on more risk. The venture-oriented TSE Mothers index staged a stunning 27.6% rally and the month closed with the short interest ratio at an unusually low 38.6%.

In April, on a total return basis and in GBP terms, the Fund rose by 12.83%. This was a significant outperformance against the TOPIX index (+4.88%) and the Nikkei 225 (+7.30%). The Fund also performed better

than the small capitalized oriented TSE 2 (+9.23%) and the Nikkei OTC Average (+7.88%).

The stocks that made positive contributions to performance over the course of the month included Lasertec (6920), Mimasu Semiconductor (8155), Media Do (3678), Kirindo Holdings (3194), and Strike (6196). Stocks that detracted from the performance included Naigai Trans Line (9384), Mitsubishi Electric (6503), Sac's Bar (9990), and Morito (9837).

At the end of April, the Company held 61 stocks, a net addition of one over the course of the month. The companies added to the portfolio included clean room equipment supplier Airtech (6281), medical equipment manufacture Daiken Medical (7775),

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 98m
Shares in issue	41,794,570
Share price	200.0p
NAV per share	234.3p
Discount(-)/Premium	-14.6%
Net gearing	0.0%
Active Share	88.2%
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*	4.7%
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.

business solutions provider Infocom (4348), retailer Kobe Bussan (3038), health care web site operator M3 (2413), frozen food supplier Nichirei (2871), Nintendo (7974), and PVC and silicon wafer manufacturer Shin-etsu Chemical (4063). The following companies were sold from the portfolio: Advantage Risk (8769), Aidma Marketing (9466), Aoyama Zaisan (8929), House Do (3457), Phil (3267), Sakai Moving (9039), and TKP (3479).

Investor data for April indicate non-resident investors were net sellers of equities via cash and futures. Over the course of the month individual investors were net sellers, as were investment trusts. Trusts banks and non-financial business corporations bought equities. The average daily trading value on the TSE in April was JPY2.34tn, a 34% drop from March's JPY3.56tn.

27 out of the 33 Tokyo Stock Exchange sectors performed positively in April. Economic sensitive and foreign demand sectors paced the rally owing to investor expectations of a restart to economic activity in Europe and the U.S. The top performing sectors were mining, marine transportation, services, and electric appliances. Investors were ambivalent regarding the government's emergency economic measures and sold domestic stocks (air transportation, utilities and foods). Large and small capitalized growth stocks were generally in favour while value stocks were ignored.

Including 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 April, the JPY rate against the GBP was 132.90, a gain of 0.5% from March's 133.58 close.

Coincident economic data is bleak. Production has plunged with various manufacturing indices falling into negative territory. Inbound traffic has ceased with foreign visitors in March down 93% year-on-year, and the lowest in 31 years. The government has attempted to lend support to the economy with an aggressive JPY117tn stimulus package highlighted by direct JPY100,000 cash payments to every individual in Japan. Recovery may be measured in years rather than months and can only come when containment is realized.

The FY 3/20 corporate results season is in full swing. In aggregate, sales have been off by 1% to 2% while pretax earnings on average have been reported down 15% to 17%. These have been in line with market expectations and consequently the profit drop has produced a mild reaction from investors. Looking into FY 3/21 companies are cautious (if they offer guidance). With about half of companies reporting, analysts' consensus projects a 2.5% decline in sales and 2.7% pretax profit gain.

The Investment Adviser is of the view the COVID-19 virus will depress economic activity over the medium term with recovery coming only when progress is made with containment. However, the Investment Adviser also believes the significant social and economic structural changes prompted by the virus will create numerous new investment opportunities. Themes that are beginning to emerge include, but certainly are not limited to, expanded M&A activity, reshoring, home tele-work, and digitalization. The Fund, committed to a growth-oriented bottom-up, stock-picking investment style, may be well positioned to spot these new opportunities.

PORTFOLIO STATISTICS

MARKET EXPOSURE 95.3%

TOP 10 HOLDINGS	(% TNA)
Lasertec	6.7
Tokyo Electron	3.3
Asahi Intecc	3.3
Nidec	3.1
S-Pool	3.1
Keyence	2.9
Daifuku	2.8
Bengo4	2.8
Nihon M&A Center	2.8
Nittoku	2.8

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	3.6
Consumer Staples	2.0
Financials	2.1
Health Care	11.6
Industrials	37.0
Information Technology	24.3
Materials	2.3
Real Estate	5.2
Communication Services	5.5
Utilities	1.7

MARKET CAPITALISATION	(% TNA)
> 10bn	18.6
5-10bn	18.4
2-5bn	9.4
0.5-2bn	21.2
< 0.5bn	27.7

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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