

ATLANTIS JAPAN GROWTH FUND



| CUMULATIVE PERFORMANCE % (£) | YTD | 1M | 3M | 1Y | 3Y | 5Y | 2019 | 2018 | 2017 | 2016 | 2015 | ITD* |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|--------|
| AJG Share Price | -6.96 | 7.00 | 15.99 | 3.38 | 27.95 | 53.41 | 24.32 | -15.53 | 51.56 | 3.96 | 17.30 | 218.19 |
| AJG Share NAV | -2.37 | 10.93 | 19.89 | 12.15 | 34.65 | 70.34 | 32.39 | -14.97 | 42.94 | 8.61 | 15.94 | 298.91 |
| Topix TR Index | -0.60 | 7.48 | 11.03 | 10.36 | 15.16 | 50.01 | 16.05 | -8.85 | 15.63 | 24.47 | 16.92 | 65.75 |

Sources: Northern Trust and Bloomberg.

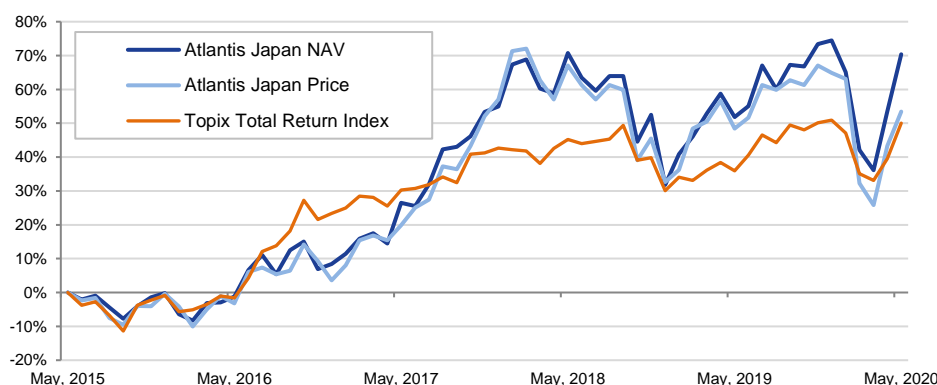
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

Despite a grim backdrop, Japanese equities moved smartly higher in May with an advance that encompassed nearly all sectors. There was no shortage of negative news about, including dismal FY 3/20 results, a lack of corporate guidance for the new fiscal year, slow progress in combatting the COVID-19 pandemic, and worsening U.S.-China relations. That said investors put aside these concerns and focused on the authorities' moves to jump-start economic activity.

These measures took the form of a lifting of the COVID-19 emergency decree and the passage of a second supplementary budget worth JPY117tn. This brought the total stimulus package to a whopping JPY230tn (40% of GDP). The ink was not yet dry on this approved fund allocation before the

government began discussion of a third supplementary budget, indicating it will do whatever it takes to revive the economy.

The preferred vehicle for investors seeking to take on board risk was SMID capitalized growth stocks. The smaller stock indices comfortably outperformed large capitalized value stocks. The TSE Mothers, in local currency, rose an astonishing 24.1% (the second consecutive month for a 20%+ rise) and the JASDAQ gained 10.6%. The TOPIX Core30 only managed a 4.9% increase.

In May, on a total return basis and in GBP terms, the Fund rose by 10.93%. This represented an outperformance against the TOPIX index (+7.48%) and the Nikkei 225 (+9.01%). The Fund also performed better than the small capitalized oriented

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 109m |
| Shares in issue | 41,794,570 |
| Share price | 214.0p |
| NAV per share | 259.9p |
| Discount(-)/Premium | -17.7% |
| Net gearing | 0.0% |
| Active Share | 89.1% |
| 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* | 4.4% |
| 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 quarter ending 30 June 2020. Not a profit forecast.

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

TSE 2 (+9.00%) and the Nikkei OTC Average (+8.43%).

The stocks that made positive contributions to performance over the course of the month included Lasertec (6920), Bengo4.com (6027), Hirayama Holdings (7781), Nihon M&A Center (2127), and Yamashin-Filter (6240). Stocks that detracted from performance included S-Pool (2471), Renova (9519), Tokyo Electron (8035), and Cellsource (4880).

At the end of May, the Company held 60 stocks, a reduction of one stock (Tokio Marine Holdings (8766)) over the course of the month.

Investor data for May indicate non-resident investors, for the fifth consecutive month, were net sellers on both a cash and futures bases. Non-financial business corporations bought equities but investment trusts and trust banks were sellers over the course of the month. Individual investors were net purchasers. The BoJ purchased ETF equities valued at JPY301.4bn. This was well short of its monthly budget (JPY1,000bn) and a substantial drop from April's purchases (JPY1,523bn). The short sell ratio for the month was a modest 43.5%. In May, the average daily trading value on the TSE was JPY2.42tn, nearly level with the previous month's.

The May rally was widespread with 32 of the TSE's 33 sectors booking gains for the month. The best performing sector was pharmaceuticals, led by Daiichi Sangyo (4568) its attraction being the launch of a new cancer drug. Miscellaneous financials benefited from expectations for a restart to the economy while other popular sectors included nonferrous metals, services, and glass/ceramics. Pulp/paper was the only sector to record a decline.

Other than 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 May the JPY rate against the GBP was 132.08, a gain of 0.62% from April's 132.90 close.

Coincident economic data is bleak and reflects the economic impact of March and April's COVID-19 inspired lockdown. However, as noted above, the government has taken a proactive stance in lending support to the economy with two (perhaps three) aggressive stimulus packages. The Investment Adviser is also encouraged by the emergence of a number of green shoots. In particular, according to recent GDP data, the multiple year uptrend in corporate capex remains intact supported by non-manufacturing investment.

The FY 3/20 corporate results season came to a dispiriting, and totally discounted, conclusion. In aggregate sales dropped 3.1% and pre-tax profits slumped 19.3%. Given the current uncertain circumstances, only 40% of reporting TSE companies have announced guidance for the current fiscal year. From this limited sampling FY 3/21 sales are projected to decline 7.3% and pre-tax earnings are expected to decline by 19.9%. Nearly all companies anticipate a rebound in the 2H FY 3/21.

The Investment Adviser is of the view that 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 believes the significant social and economic structural changes that are accompanying 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, production reshoring, home telework, and digitalization. The Fund, committed to a growth-oriented bottom-up, stock-picking investment style, may be well positioned to identify these new opportunities.

PORTFOLIO STATISTICS

MARKET EXPOSURE 96.3%

| TOP 10 HOLDINGS | (% TNA) |
|------------------------|----------------|
| Lasertec | 7.3 |
| Asahi Intecc | 3.5 |
| Bengo4.Com | 3.3 |
| Nihon M&A Center | 3.1 |
| Keyence | 3.1 |
| Nidec | 3.0 |
| Daifuku | 2.9 |
| Tokyo Electron | 2.8 |
| S-Pool | 2.8 |
| Nittoku | 2.6 |

| SECTOR BREAKDOWN | (% TNA) |
|-------------------------|----------------|
| Consumer Discretionary | 3.5 |
| Consumer Staples | 2.0 |
| Financials | 1.3 |
| Health Care | 13.3 |
| Industrials | 37.5 |
| Information Technology | 24.0 |
| Materials | 2.1 |
| Real Estate | 5.4 |
| Communication Services | 5.8 |
| Utilities | 1.4 |

| MARKET CAPITALISATION | (% TNA) |
|------------------------------|----------------|
| > 10bn | 17.7 |
| 5-10bn | 22.0 |
| 2-5bn | 7.1 |
| 0.5-2bn | 23.4 |
| < 0.5bn | 26.1 |

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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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