

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2019	2018	2017	2016	2015	ITD*
Atlantis Japan Price	-6.09	-0.92	8.00	-4.00	21.52	57.38	24.32	-15.53	51.56	3.96	17.30	221.16
AJG NAV (total return)	-2.11	-4.68	10.07	3.19	30.61	74.02	33.60	-14.97	42.94	8.62	15.94	304.37
Topix Index (total return)	-8.35	-7.47	-0.91	-5.63	4.87	42.25	16.05	-8.85	15.63	24.47	16.92	52.82

Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated on a NAV to NAV basis with dividends added back on ex-dividend date.

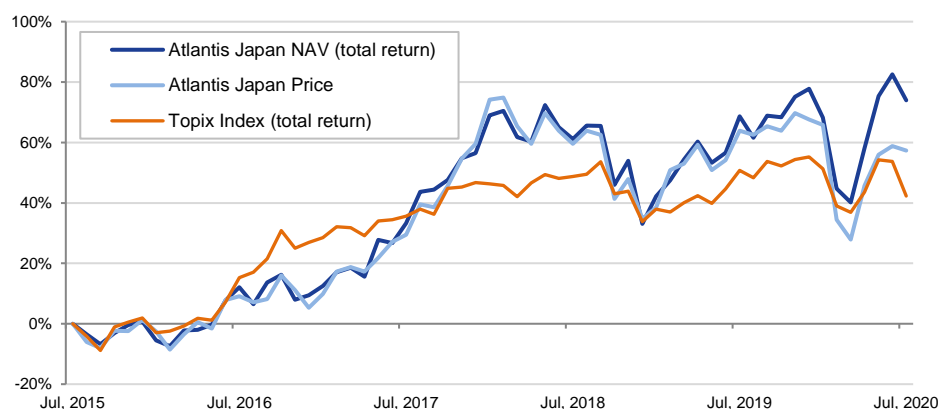
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

DIVIDEND POLICY

At the 2019 AGM, shareholders of the Company approved the Board's recommendation to replace the six monthly redemption facility with a regular dividend paid to all shareholders on a quarterly basis set at 1% of the average net asset value per share during the final month of the preceding financial year.

The average daily NAV per share for April 2020 was 217p, thus the next four payments will be at 2.17p per share payable at the end of September 2020, December 2020, March 2021 and June 2021. The quarterly dividend will be paid out of capital resources.

PERFORMANCE OVER 5 YEARS (£)



Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated on a NAV to NAV basis with dividends added back on ex-dividend date.

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

Given a lack of positive catalysts during July the Tokyo equity market took a downturn across the board. Investor concerns depressing sentiment were numerous and included the unrelenting global advance of COVID-19, intensified friction between China and the U.S. over a range of issues (Hong Kong, territorial claims in East Asia, trade and technology), contracting Japanese GDP data, the JPY appreciation against the USD, and the prospect of weak earnings announcements for 1Q FY 3/21. The reports of progress made in developing a COVID-19 vaccine failed to generate interest in biotech stocks. Encountering this environment, investors chose to retreat to the sidelines. July's average TSE daily turnover was JPY2.11tn, a 13% month-on-month decline.

In July, on a total return basis and in GBP terms, the Fund retreated 4.68%. This represented a relative outperformance against the TOPIX index (-7.47%) and the Nikkei 225 (-6.09%). The Fund also outperformed the small capitalized oriented TSE 2 (-8.90%) and finished better than the Nikkei OTC Average (-5.77%).

The stocks that made positive contributions to the Fund's performance over the course of the month were blood material supplier Cellsource (4880), Industrial and Infrastructure REIT (3249), small motor assembler Nidec (6594), and clean room equipment supplier Airtech (6291). Stocks that were impediments to performance included Lasertec (6929), Yamashin-Filter

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 107m
Shares in issue	41,794,570
Share price	216.0p
NAV per share	255.5p
Discount(-)/Premium	-15.5%
Net gearing	0.0%
Active Share	87.8%
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	N+1 Singer
Depository	Northern Trust
Administrator	Northern Trust
Auditor	Grant Thornton
Investment Manager	Quaero Capital LLP
Investment Adviser	Atlantis Investment Research Corporation

DIVIDEND

Prospective dividend yield*	4.0%
Dividends paid	March, June, September and December

COMPANY FEES & EXPENSES

Ongoing Charges**	1.64%
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 2020.

(6240), Giken (6289), and Peptidream (4587).

At the end of July, the Company held 57 stocks, three fewer than that owned at the end of June. Over the course of the month, medical data manager JMDC (4483) and software tester Shift (3697) were added to the portfolio. Fullcast (4848), Insource (6200), Japan Excellent (8987), Mitsubishi Chemical (4188), and QB Net (6571) were sold.

Investor data for July indicated that overseas investors were on the buy side but these purchases were largely oriented towards futures (JPY423bn) with little participation in the cash market (JPY25bn). Individual investors remained relatively active and accounted for 24% of market turnover. Stay-at-home individuals continue to seek refuge from telework through trading in the equity market. The BoJ, through ETFs, purchased equities valued at JPY400.7bn. With one week of data yet reported, the BoJ was on course to match June's JPY500.5bn in purchases and short of the annual JPY1,000bn monthly budget. July's short sell ratio at 40.7% was little changed from June's 39.0%.

Investors displayed a marginal preference for growth in July as both large capitalized and small capitalized growth outperformed value. This resulted in relatively strong performances logged by the information/communications, electrical appliances, and securities & commodities futures sectors. Only these three, out of TOPIX's 33 sectors, managed to deliver a positive sectoral gain over the course of the month. Real estate, air transportation, and land transportation closed the month distinctly lower.

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 July the JPY rate against the GBP was 137.23, a loss of 3.59% from June's 132.31 close.

Currently corporate Japan is in the midst of releasing results for the 1Q FY 3/21. At the conclusion of FY 3/20, and citing the uncertain environment, only 40% of the listed TSE companies provided guidance for the current fiscal year. Management teams are still reluctant to offer an opinion on their firms' profit outlook. As of end July, 42% of TSE companies had reported 1Q results. In aggregate their sales dropped 18%, Operating Profits fell by 59%, Recurring Profits declined 55%, and Net Income was down 76%. Of the companies that did report only 67% provided guidance for the fiscal year (Sales down 9%, Operating Profits lower by 29%, and Recurring Profits off by 16%). Such guidance is well short of current consensus projections suggesting disappointment down the line. A number of companies that have reported 1Q FY 3/21 have also chosen to announce dividend reductions, a decision that has resulted in pressure on their respective equity price.

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 its containment. However, the significant social and economic structural changes that are accompanying the virus will create attractive 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, should be well positioned to identify and participate in these new opportunities.

PORTFOLIO STATISTICS

MARKET EXPOSURE 96.4%

TOP 10 HOLDINGS	(% TNA)
Lasertec	4.2
Nidec	3.7
Tokyo Electron	3.7
Cellsource	3.5
Nihon M&A Center	3.5
Bengo4	3.5
Daifuku	3.2
Asahi Intecc	3.0
Keyence	2.8
Industrial & Infrastructure	2.5

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	3.2
Consumer Staples	2.1
Financials	0.7
Health Care	15.6
Industrials	34.7
Information Technology	26.1
Materials	2.3
Real Estate	3.6
Communication Services	6.3
Utilities	1.7

MARKET CAPITALISATION	(% TNA)
> 10bn	20.3
5-10bn	19.5
2-5bn	8.3
0.5-2bn	22.6
< 0.5bn	25.7

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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