

# ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2020	2019	2018	2017	2016	ITD*
AJG Price (total return)	-8.16	-2.67	2.78	3.41	42.56	73.66	29.58	25.62	-15.52	51.56	3.96	312.01
AJG NAV (total return)	-7.03	-3.83	6.88	1.88	40.47	76.48	24.07	33.60	-14.97	42.94	8.62	376.45
Topix Index (total return)	1.72	-5.35	3.61	11.47	20.05	31.19	8.73	16.05	-8.85	15.63	24.47	84.42

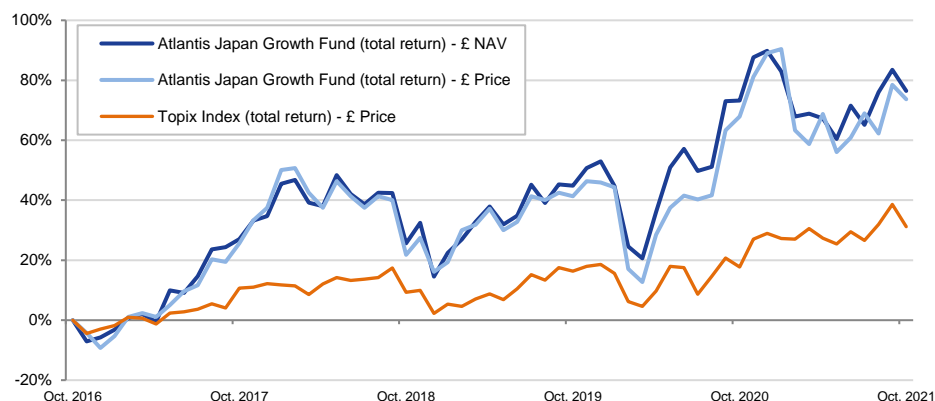
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.  
Notes: \* Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

## 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 2021 was 288p, thus the four payments in respect of the financial year ended 30 April 2021 will be at 2.88p per share payable at the end of September 2021, December 2021, March 2022 and June 2022. The quarterly interim 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 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

During October, Atlantis Japan Growth Fund's NAV declined 3.83% in sterling terms on a total return basis, outperforming the Topix Total Return (TR) Index which declined 5.35%. Year-to-date, the Fund declined 7.03%, in sterling versus a 1.72% gain for the Topix Total Return Index. The drag on performance against Topix earlier in the year was driven principally by a market preferring value over growth, a trend which has reversed latterly and helped the Fund's performance against the index. Reflecting the Fund's growth bias, this trend can be seen having a positive impact over the last 3 months, with the Fund outperforming the Topix TR Index (+6.88% vs +3.61%) and over the last 6 months (+5.52% vs +2.99%). At the end of October, the Fund held 61 stocks.

Marking the start of the second half of the fiscal year, companies are reviewing guidance for the full year, with many likely to remain cautious in view of ongoing pandemic disruptions. Key factors at play include: a weakening yen with rising US interest rates; rising oil, commodities and raw materials prices; semiconductor and components shortages on supply chain interruptions caused by Covid-19 lockdowns and structural reasons such as the EV shift of the auto sector; rising fears of inflation; and contagion concerns over real estate funding pressures in China. In Japan, concerns about a possible increase in the capital gains tax by the new Kishida government kept the market subdued through October ahead of the Lower House election at the end of the month. Such concerns dissipated quickly as

## 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	01 May 2016
Total Net Assets (TNA)	GBP 121m
Shares in issue	41,754,570
Share price	255.0p
NAV per share	288.9p
Discount(-)/Premium	-11.7%
Net gearing	1.8%
Active Share	89.1%
Inception date	10 <sup>th</sup> May 1996

### ADMINISTRATIVE & DEALING INFORMATION

Financial Year End	30 April
Company Domicile	Guernsey
Company Legal Structure	UK Investment Trust
Listing	London Stock Exchange
Valuation	Daily
Company Broker	Singer Capital Markets
Depository	Northern Trust
Administrator	Northern Trust
Auditor	Grant Thornton
Investment Manager	Quaero Capital LLP
Investment Adviser	Atlantis Investment Research Corporation

### DIVIDEND

12 months dividend yield	3.7%
Quarterly interim paid	March, June, September and December

### COMPANY FEES & EXPENSES

Ongoing Charges*	1.58%
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

\* Based on the Company's Annual Financial Statements to 30 April 2021.

any tax change was dismissed, with the focus shifting to potential stimulus spending.

Reflecting higher commodity prices, the Mining and Non-Ferrous Metals sectors outperformed while Air Transportation and Electric Power and Gas sectors underperformed. The Fund was positively impacted by its renewable energy exposure in the Electric Power & Gas sector. It was negatively impacted by its overweight in the Machinery sector. Stocks that positively contributed to the Fund's performance included single crystals manufacturer Oxide Corp (6521), biotech play CellSource (4880) and renewable energy provider Renova (9519). The Fund's performance was hampered by used motorcycle dealer Bike O & Co (3377), underutilized space developer Phil Co (3267) and cashless payments specialist GMO Financial Gate (4051).

Whilst final tallies for the 1H FY21 reporting season are not yet in, one of Japan's bellwether manufacturers, Toyota (7203), raised its guidance for the full year and commented optimistically about the outlook. They had revised down earlier in the year, and while semiconductor and component shortages remain a factor, the company's positive stance signals a potential strong rebound for the auto industry. While trends vary between industries, and global systemic risks remain, the Investment Adviser believes this could mark a turning point for corporate earnings; pricing power remains strong and demand firm amid limited supply and pent-up demand. In this context, it was interesting to see foreign investors turn net buyers of JPY 693.4bn in Japanese equities during the month of October. This was the first net buying since April and, while not an overly large amount, the largest since November 2020. Covid-19 policy has been improving significantly, with over 70% of the population now fully vaccinated and 90% of those aged over 65. Business, student and specialist work training related travel from overseas is

resuming in November, and the government is considering a resumption of its "Go To Travel" initiative to boost domestic tourism. Consumer confidence and spending trends are being watched closely for signs of improvement.

In addition to the reopening theme, areas of interest include renewable energy and efficiency plays following the COP26 conference, with Japan aiming to reduce emissions by 46% from 2013 levels and achieving carbon neutrality by 2050. Defense spending is another area of growth amid geopolitical tensions in the East Asian region. Digital transformation also continues to be a government-supported initiative benefiting software and IT related consultants. In such an environment, the Investment Adviser is cautiously optimistic on the outlook for Japanese corporate earnings. With positive factors including ongoing cost cutting drives and intensified focus on profitable business segments, the Investment Adviser is looking for sales growth of 6% to 7% and operating profit to rise approximately 30% for the fiscal year ending in March 2022. In terms of valuations the market is not overly expensive with the Topix Index trading on a PER of 15.8x and a PBR of 1.31x as of the end of October

The Investment Adviser's policy is to remain fully invested in listed Japanese equities and JREITs with minor cash positions. The Fund is oriented towards growth and invests in fundamentally undervalued companies with a competitive advantage and a strong medium to long-term outlook. A bottom-up approach to stock picking is employed based on fundamental analysis and extensive interviews with managements as an essential element to capturing alpha and identifying growth opportunities. The Investment Adviser also believes that the Japanese economy is undergoing significant structural changes likely to produce a wide range of investment opportunities.

## PORTFOLIO STATISTICS

**MARKET EXPOSURE** 101.8%

### TOP 10 HOLDINGS (% TNA)

Nidec	4.4
Cellsource	4.2
Lasertec	4.1
Tokyo Electron	3.9
Renova	3.8
Shift	3.8
Nihon M&A Center Holdings	3.5
GMO Financial Gate	3.1
Keyence	2.5
Daifuku	2.5

### SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	6.0
Financials	2.0
Health Care	11.8
Industrials	28.8
Information Technology	37.2
Materials	1.8
Real Estate	5.7
Communication Services	4.6
Utilities	3.8

### MARKET CAPITALISATION (% TNA)

> 10bn	21.7
5-10bn	12.3
2-5bn	13.3
0.5-2bn	30.0
< 0.5bn	24.5

## CONTACTS

### INVESTOR RELATIONS

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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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