

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2021	2020	2019	2018	2017	ITD*
AJG Price (total return)	-18.29	-18.29	-20.29	-27.30	16.02	46.23	-10.40	29.58	25.62	-15.52	51.56	228.42
AJG NAV (total return)	-18.11	-18.11	-20.35	-23.17	14.84	45.19	-9.58	24.07	33.60	-14.97	42.94	279.48
Topix Index (total return)	-4.56	-4.56	-4.16	-1.14	19.32	27.99	2.14	8.73	16.05	-8.85	15.63	76.75

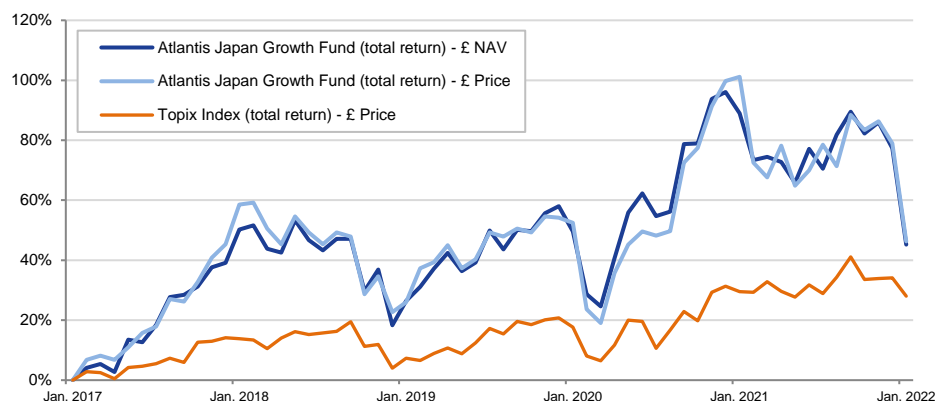
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

Performance Review

During January, the Atlantis Japan Growth Fund declined 18.11% vs the Topix Total Return (TR) Index decline of 4.56% in sterling terms. Small cap and growth stocks were particularly weak with the TSE 2nd section down 6.13%, the Nikkei JASDAQ down 6.54% and the TSE MOTHERS down 23.04%. The Topix Growth (TR) index declined 9.73% while the Topix Value (TR) index rose slightly by 0.82%. January was a challenging month for the Fund given its weighting towards smaller, growth, and technology companies.

Stocks that weighed on performance included GMO Financial Gate (4051 JP), Lasertec (6920 JP), Nidec (6594 JP), Nihon M&A (2127 JP), and Cellsource (4880 JP),

sensitive to the weakness overall in growth-oriented companies within the Electric Appliance, Services, Information & Communication and Machinery sectors. Stocks that contributed positively included Bellsystem24 Holdings (6183 JP), Iriso Electronics (6908 JP), Nippon Yusen (9101 JP), and Sumitomo Mitsui Financial Group (8316 JP).

The Fund does not employ currency hedges and has no exposure to bonds, convertible bonds or derivatives.

Investment Strategy

As with the movements in other global markets, Japanese equities are adjusting to the US Fed policy pivot to fiscal tightening in order to control inflation. This caused a sharp

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 95m
Shares in issue	41,629,570
Share price	201.0p
NAV per share	227.8p
Discount(-)/Premium	-11.8%
Net gearing	0.6%
Active Share	87.4%
Inception date	10 th 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	5.0%
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.

sell-off in technology and growth stocks and a shift into value and interest rate sensitive stocks. Japan did not escape this trend.

However, we are seeing a policy divergence between central banks faced with differing underlying fundamentals. While several G-7 countries have expressed an intent to raise interest rates, the Bank of Japan is steadfastly maintaining its accommodative stance as Japanese inflation continues to be low at 0.5% which remains well below the 2% target. Japanese companies have ample cash reserves and do not need to refinance, and unlike other G-7 countries, the government's latest supplementary budget is only now getting underway to support the economy. Regardless of whether interest rates do rise, the underlying fundamentals of the Fund remain strong, with an average equity ratio of 60% (even higher for the top 10 holdings) and it generally holds companies with cash rich positions.

The Investment Adviser recognizes that market volatility is inevitable and therefore does not employ a stop-loss policy. It prefers to stand by the Fund's superior long-term returns and add to positions where the team have high conviction, if the stock suffer disproportionate falls. The Fund has nevertheless taken care to manage exposure in illiquid stocks and is ready to reduce holdings where the underlying thesis has changed, as demonstrated by the recent disposal of star performer Renova (9519), when it was excluded from an offshore windfarm project off the coast of northwestern Japan in December 2021.

Areas of investment interest, on a long-term basis, include the robotics industry with high

global market share based on advanced technological leadership. Continued improvement to shareholder returns (including share buybacks and increases to dividend payout ratios) should also provide support to share prices. For these reasons, the Fund remains focused on medium to long-term growth opportunities in areas such as digital transformation, technology, software and healthcare that benefit from structural changes and factors such as labour shortages, demographic changes and the emergence of new technologies.

Outlook

The Corona virus remains one of the main issues impacting the market. Japan's Omicron cases have risen from a few hundred at the end of last year to over 80,000 cases, which is three times the peak of last summer. Nevertheless, 79.3% of the population has been double vaccinated and booster shots are starting to be rolled out. While the sixth wave is expected to pass, as with other countries it is likely to have an impact by delaying the economic recovery which we saw in multiple data points for December. Toyota, for example, has warned of extended semiconductor supply shortages in production centres across Asia which have been impacted by the virus.

The third quarter corporate earnings season for October-December 2021 is coming through with good results that are in-line or better than expected. Whilst we will need to anticipate some near-term shocks from the dramatic ramp up in energy prices and the weaker yen, the opportunity for selecting growth companies at current prices, exposed to what we see as key thematic drivers, looks very attractive from a long-term perspective.

PORTFOLIO STATISTICS

MARKET EXPOSURE 100.6%

TOP 10 HOLDINGS	(% TNA)
Nidec	4.2
Tokyo Electron	3.7
Shift	3.7
Lasertec	3.5
Premium Group	3.0
Cellsource	2.8
Japan Material	2.8
Keyence	2.8
Industrial & Infrastructure	2.7
Sony Group	2.6

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	7.1
Financials	4.1
Health Care	12.1
Industrials	27.2
Information Technology	39.2
Materials	2.2
Real Estate	5.4
Communication Services	3.2

MARKET CAPITALISATION	(% TNA)
> 10bn	23.4
5-10bn	6.7
2-5bn	12.0
0.5-2bn	27.9
< 0.5bn	30.6

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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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