

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2021	2020	2019	2018	2017	ITD*
AJG Price (total return)	-24.51	-1.11	-2.00	-18.05	-1.61	21.78	-10.40	29.58	25.62	-15.52	51.56	203.42
AJG NAV (total return)	-23.20	0.12	-5.30	-17.85	-0.12	19.92	-9.58	24.07	33.60	-14.97	42.94	255.90
Topix Index (total return)	-6.09	2.20	-1.59	-2.55	15.79	20.83	2.14	8.73	16.05	-8.85	15.63	73.91

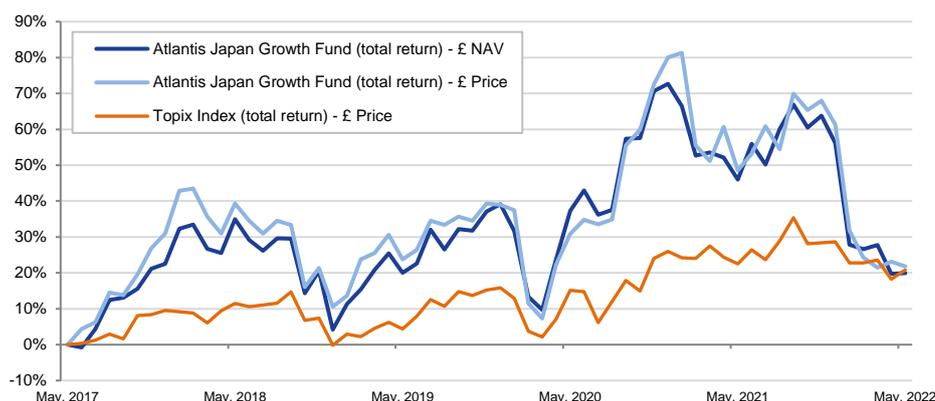
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

The Atlantis Japan Growth Fund rose 0.12% on a total return basis for the month of May, while the Topix Total Return (TR) benchmark gained 2.20% both in sterling terms. Tightening US monetary policy, inflation and geopolitical turmoil continued to take centre stage. While Core Japanese April CPI (excl fresh food) rose 2.1% yoy, the BoJ's benchmark CPI excluding both fresh food and energy came in at +0.8%, which remains below its 2% "inflation" target enabling the central bank to keep its policy unchanged. Focus also shifted to concerns of a slowdown in global growth accounting in part for the fall in the US Dow Jones Index which fell for the eighth week in a row through 20 May. These factors drove a further sell-off in a number of growth themes that the Investor Adviser sees as key beneficiaries of long-

term investment and government focus to boost Japan's economy. We continued to see a preference for large cap and value names, with the Topix Value (TR) index rising 2.36% to outperform the Topix Growth (TR) index gain of 2.03%, in sterling terms. Electric Appliances, Marine Transportation and Machinery sectors outperformed in the Fund while Services, Information & Communication, and Precision Instruments sectors underperformed. Top contributing stocks included digital transformation (DX) play Internet Initiative Japan (3774 JP), SPE specialist Disco Corp (6146 JP), and global shipping firm Nippon Yusen (9101 JP). Stocks that detracted included niche software testing leader SHIFT (3697 JP), healthcare firm Asahi Intec (7747 JP), and technology materials play Japan Material (6055 JP).

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 86m
Shares in issue	41,416,570
Share price	180.0p
NAV per share	208.0p
Discount(-)/Premium	-13.5%
Net gearing	5.4%
Active Share	90.5%
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	7.6%
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.

Investment Activity

The Fund's top ten holdings accounted for 28.2% of the overall portfolio vs 29.7% the previous month. Small motor specialist Nidec (6594 JP) became the largest holding, while SHIFT (3697 JP) fell from being the top holding to 4th position, reflecting short-term stock price fluctuations. SPE play Disco (6146 JP) moved up the rankings as technology stocks rallied toward the end of the month following good earnings results at semiconductor companies in both the US and Japan. On the whole, the Fund's sector weightings remained more or less in line with the previous month as were the number of holdings at 66 stocks. The Fund's policy is to be fully invested in equities and some REITS with no exposure to bonds or derivatives. Currency hedges are not used and the cash position remained low, reflecting a modest leveraging.

Outlook

While concerns around inflation and interest rates remain a global focus (Japanese food and other companies are starting to raise prices with more expected to come this summer), we have been hearing in our companies' meetings, with management, that there is a general acceptance at both the enterprise and the consumer level that prices must rise. That said, companies are continuing to improve efficiencies and reduce costs as much as possible to limit price increases and we are seeing proactive steps by the government in trying to offset the impact, particularly for consumers. A good example is that we see petrol prices in Japan have not increased as much as they have in the US and Europe.

We would also note two positive factors that bode well for the Japanese economy and

stock market. The first is that despite the top-down global turmoil, corporate earnings for FY21 ending in March were at record highs, with TSE Prime section companies on average recording a sales increase of 11.6% and OP growth of 29.4% YoY. The second factor is that corporate reform has continued to progress in Japan. Governance and other regulations over the last decade have made it easier for companies to increase shareholder returns resulting in a 94% yoy increase in share buybacks during the Apr-May period to a record JPY 4.2tril. Two buybacks we would see as being of relevance, given their position as bellwethers of corporate Japan, are: Japan Post (6178 JP) – Japan's national postal service – who announced an 8% buyback on May 13th; and MUFG (8306 JP) – one of the top three mega banks – who announced a 5% share buyback on May 16th. Japan's 1Q 2022 GDP announced on May 18th also came in better than expected, at -0.2% qoq vs a consensus of -0.4%, in part supported by flat private consumption (0% chg qoq) versus consensus of -0.5%. While GDP data is often adjusted with the final data release, it does underscore a relatively stable economic environment.

The Investment Adviser continues to look for growth opportunities in areas such as domestic demand oriented new business models, new technology, digital transformation and efficiency enhancement, work style reform and infrastructure plays. The Investment Adviser believes that now is an opportune time to be seeking out those growth companies underpinned by a solid earnings story over the next 2-3 years, at a time when growth as a theme is being discounted.

PORTFOLIO STATISTICS

MARKET EXPOSURE 105.4%

TOP 10 HOLDINGS (% TNA)

Nidec	3.4
Japan Material	3.2
Premium Group	3.2
Shift	2.8
Disco	2.8
Industrial & Infrastructure	2.7
S-Pool	2.7
Sony Group	2.6
Wacom	2.6
Tokyo Electron	2.5

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	9.5
Financials	5.1
Health Care	6.5
Industrials	28.3
Information Technology	41.1
Materials	2.1
Real Estate	7.9
Communication Services	5.0

MARKET CAPITALISATION (% TNA)

> 10bn	22.1
5-10bn	5.1
2-5bn	12.5
0.5-2bn	28.0
< 0.5bn	37.7

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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