

ATLANTIS JAPAN GROWTH FUND



| CUMULATIVE PERFORMANCE % (£) | YTD | 1M | 3M | 1Y | 3Y | 5Y | 2021 | 2020 | 2019 | 2018 | 2017 | ITD* |
|------------------------------|--------|-------|------|--------|--------|-------|--------|-------|-------|--------|-------|--------|
| AJG Price (total return) | -28.94 | -8.22 | 5.24 | -32.53 | -15.55 | 0.77 | -10.40 | 29.58 | 25.62 | -15.52 | 51.56 | 185.61 |
| AJG NAV (total return) | -27.33 | -7.89 | 3.13 | -32.03 | -14.17 | 0.32 | -9.58 | 24.07 | 33.60 | -14.97 | 42.94 | 236.73 |
| Topix Index (total return) | -8.84 | -5.39 | 1.70 | -13.37 | 2.21 | 15.38 | 2.14 | 8.73 | 16.05 | -8.85 | 15.63 | 68.81 |

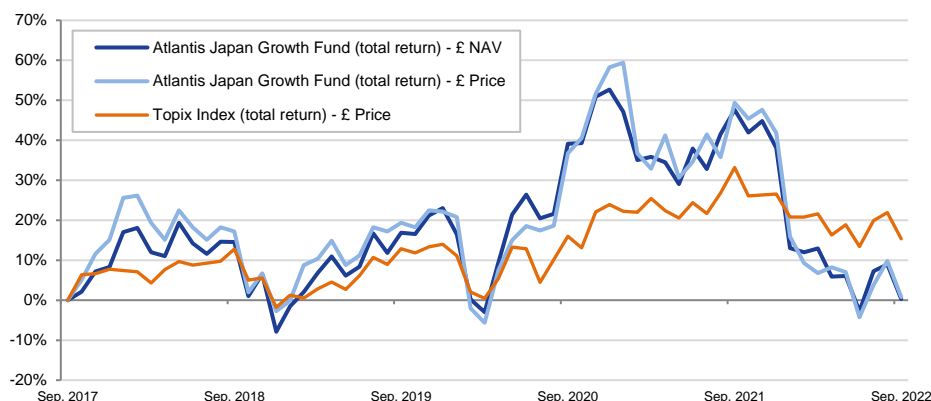
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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 2022 was 215p, thus the four payments in respect of the financial year ended 30 April 2022 will be at 2.15p per share payable at the end of September 2022, December 2022, March 2023 and June 2023. 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 fell 7.89% MoM in September, versus the Topix Total Return (TR) Index decline of 5.39% MoM, both in sterling terms. Markets globally faced a challenging time on the threat of escalation in Ukraine and a fiscal policy shock in the UK. However, the major impact on the market remained US monetary policy. The August US CPI print of 8.3% was higher than estimated and marked the peak of markets, including Japan, as bond yields again rose. This was in anticipation of a further interest rate hike by the US Federal Reserve, which came through as a 75 bps increase, bringing the benchmark rate to a 3-3.25% range which has not been seen since 2008. Despite intervention to support the Japanese Yen by the Ministry of Finance for the first time in many years, the Yen continued to weaken,

following the widening divergence in monetary stance between the BoJ and the Fed.

Domestically, Japan continued its gradual reopening progress, announcing that all COVID-era restrictions on entry, in effect, would cease for fully vaccinated travellers.

Selling in the market was across the board in all styles and factors. Some outperformance was seen in air and rail travel stocks, which benefitted from the reopening announcement as well as defensive sectors like pharmaceuticals - all areas where the fund is underweight. The worst performers were marine transportation and resource-related names, as fears of weakening global demand and recession rose. The fund has little exposure in this space, having sold its position in Nippon Yusen KK (9101 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 80m |
| Shares in issue | 41,235,070 |
| Share price | 167.5p |
| NAV per share | 194.9p |
| Discount(-)/Premium | -14.0% |
| Net gearing | 3.0% |
| Active Share | 91.6% |
| 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 | 6.4% |
| Quarterly interim paid | March, June, September and December |

COMPANY FEES & EXPENSES

| | |
|-----------------------|--|
| Ongoing Charges* | 1.65% |
| 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 2022.

Performance was hurt by the overweight position in electrical appliances and machinery, and in information and services. Nidec (6594 JP), a global leader in small electric motors, expanding into e-axles for EVs, was the largest detractor from performance. This stock fell 12.8% in the month, having been our largest position coming into September.

The top performer was Premium Group (8199), a used car warranty and finance provider, which continued its strong run this year with its outperformance taking it to top position in the portfolio.

Investment activity

We initiated new positions in two stocks, Axxzia (4936 JP) and EDP (7794 JP), both of which are relatively small recent listings. Axxzia is a cosmetics company focused on high-end skincare in the Chinese ecommerce market. It has managed above market growth in this fast-moving segment, outmanoeuvring competitors owing to targeted product design and a strong understanding of local channels and marketing trends. The stock has been held back since listing by negative Chinese sentiment, and perhaps its overly cautious guidance, but the company continues to deliver on revenue growth and margins, and the stock is now attractively valued. The other new addition was in EDP (7794 JP), which is a niche manufacturer of seed crystals for laboratory grown diamonds, a fast-growing segment of the jewellery industry and also has applications in the various devices using diamond as

semiconductor materials

We sold out of five positions during the month, including taking profits in used motorcycle dealer Bike O (3377 JP) and shipping major Nippon Yusen KK (9101 JP).

The fund held 60 stocks at the end of the month - down from 63 in August - and is fully invested in Japanese equities, including J-REITs. The fund does not invest in bonds, derivatives or unlisted securities of any kind and currency hedges are not employed.

Outlook

Inflation in Japan remains low in global terms though it crept up to 2.8% in August - above the BoJ's putative 2% target - and it is likely to rise higher as energy and other price increases feed through.

Results from the recent BoJ tankan survey are mixed: large manufacturers are becoming more pessimistic, while nonmanufacturers are more sanguine. Nevertheless, capital spending plans are strong and are growing at a highest-ever rate of 16.4% YoY which is an increase from 14.1% YoY in the previous survey.

Despite the projected reopening to global tourists from October 11th, there are still good reasons to remain cautious regarding any immediate impact, since globally triple vaccination levels remain low and while China, the source of almost half of Japan inbound spending, remains shut. Hence, despite the attractions of a weak Yen, it is still probably a year off before we see a full tourism recovery.

PORTFOLIO STATISTICS

MARKET EXPOSURE 103.0%

| TOP 10 HOLDINGS | (% TNA) |
|---------------------------|----------------|
| Premium Group | 3.9 |
| Japan Material | 3.6 |
| Nidec | 3.4 |
| Creek & River | 2.5 |
| Shift | 2.5 |
| Disco | 2.5 |
| S-Pool | 2.4 |
| Internet Initiative Japan | 2.4 |
| Cellsource | 2.4 |
| Bellsystem24 Holdings | 2.3 |

| SECTOR BREAKDOWN | (% TNA) |
|-------------------------|----------------|
| Consumer Discretionary | 8.4 |
| Consumer Staples | 0.7 |
| Financials | 6.9 |
| Health Care | 6.2 |
| Industrials | 29.3 |
| Information Technology | 40.1 |
| Materials | 1.1 |
| Real Estate | 4.4 |
| Communication Services | 5.9 |

| MARKET CAPITALISATION | (% TNA) |
|------------------------------|----------------|
| > 10bn | 15.0 |
| 5-10bn | 5.2 |
| 2-5bn | 9.1 |
| 0.5-2bn | 29.6 |
| < 0.5bn | 44.1 |

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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