

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2021	2020	2019	2018	2017	ITD*
AJG Price (total return)	-31.91	-4.18	-6.96	-33.58	-18.36	-8.15	-10.40	29.58	25.62	-15.52	51.56	173.67
AJG NAV (total return)	-28.41	-1.48	-7.89	-30.37	-15.19	-3.27	-9.58	24.07	33.60	-14.97	42.94	231.75
Topix Index (total return)	-9.78	-1.03	-4.78	-9.40	2.12	7.37	2.14	8.73	16.05	-8.85	15.63	67.08

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

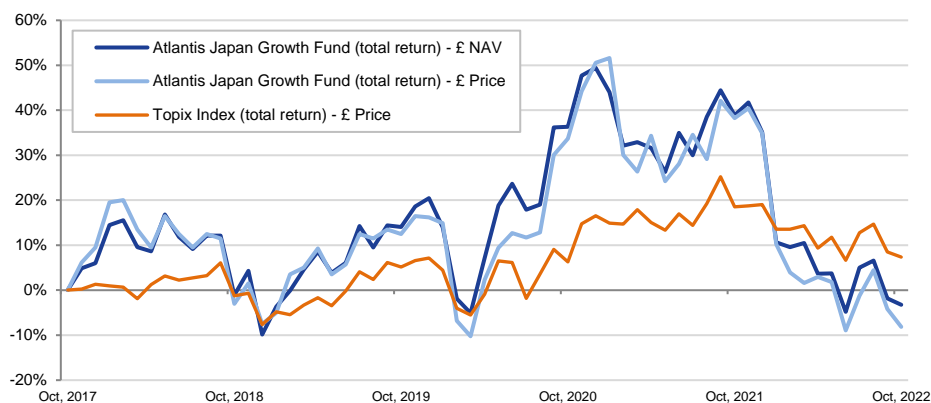
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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 1.48% MoM in October versus the benchmark Topix Total Return (TR) index, which lost 1.03% MoM, both in sterling terms. In Japanese Yen terms, the fund gained 4.62% MoM versus a gain of 5.10% MoM for its benchmark, the Yen having lost 5.8% against Sterling during the month.

Markets continue to grapple with inflation and global central bank policy, the Ukraine war, and China lockdowns. During October we saw the emergence of easing expectations, both for the pace of US interest rate hikes and the intensity of Covid-lockdowns in China. Although these hopes proved short-lived we sense market focus is starting to look ahead. October saw another major currency intervention by the Ministry of

Finance in an attempt to stem the pace of the yen's weakening. This was in contrast with the Bank of Japan holding to its zero-interest rate policy. Consequently, the Japanese market hit highs early in the month before giving back some of its gains. There was marginal outperformance of growth over value - large caps to small caps - though any overall trend in market style has yet to emerge. We saw inbound tourism start to return after entry restrictions eased on the 11th of the month which was enough to favourably impact monthly same-store trends at department stores and other retailers.

Sectors which outperformed for the fund included Information & Communications, Electric Appliances and Chemicals, while Other Financials saw profit taking after recent rallies. Low exposure to Autos and

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 79m
Shares in issue	41,134,070
Share price	160.5p
NAV per share	192.0p
Discount(-)/Premium	-16.4%
Net gearing	5.0%
Active Share	93.1%
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	6.7%
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.

Pharmaceuticals hurt our relative performance. Top contributors to performance came largely from this return to growth, including cloud data management specialist WingArc1st (4432 JP) after a very strong Q2 earnings, software testing pioneer Shift (3697 JP), and hospice care provider Amvis (7071 JP). Stocks that detracted from performance included specialist software engineer dispatch firm Creek & River (4763 JP), travel website Open door (3926) and dispatch firm S-Pool (2471 JP).

Investment Activity

During the month, the Fund trimmed positions to take profits in stocks that had rallied recently on the back of the weaker yen. As a result, our weighting in Electrical Appliances eased from 19.5% to 17.7%. On the flip side, we increased our holdings in domestic sectors such as Information & comms from 21.8% to 23.0%.

During the month we sold out of silicon wafer manufacturer Sumco (3436 JP) as part of a general reduction in technology which included trimming positions in NIDEC (6594 JP) and Wacom (6727 JP). We added new positions in more domestic names:

- Media Do (3678 JP) – the largest e-publishing platform in Japan which provides the technology interface between publishers and online booksellers. The company had suffered from a post-COVID slump in eBook demand as well as the emergence of pirate comic sites. The industry is now emerging from its troubles and new technology developments, including NFT applications and improvements in the user interface are driving growth.
- Intloop (9556 JP) – a platform which provides consulting services on professional staffing requirements. Recruitment of experienced staff is becoming a major headache for many companies in Japan, while mid-career changes are becoming more common.

The Fund held 62 stocks at the end of the month, up from the 60 held at the end of September. The Fund is fully invested in equities and does not hold bonds, nor derivatives, and the currency is not hedged.

Outlook

Despite the weakening yen, Japan's underlying economic and corporate fundamentals remain attractive. Japanese companies are cash rich and have significantly reduced costs and increased operational efficiency during the Covid pandemic. With its latest national headline CPI for September at 3.0% YoY - unchanged from August - headline inflation in Japan has been gradually rising, though remaining low compared to other economies. Moreover, the GDP deflator remained negative. The Bank of Japan appears to be waiting for a broader confirmation of inflation before raising rates itself. Valuations are also relatively attractive in Japan with the Topix Prime Index forward PER on 13.29x, PBR on 1.15x and an average weighted dividend yield of 2.56% as of 31st October, according to the Nikkei.

As noted above, we are starting to see inbound tourism return though a shortage of workers in the hospitality industry may constrain capacity in the short term. This does however bode well for employment. The September Job Offers to Applicants ratio increased from 1.32x in August to 1.35x, and retail sales (also in September) rose 4.5% YoY compared to the prior month's 4.1%. The Kishida government has also announced a fresh economic stimulus package worth JPY 39tn to help offset the impact of the weaker yen and rising prices of imports, particularly for energy.

We remain encouraged with the outlook for the Japanese domestic economy and corporate earnings.

PORTFOLIO STATISTICS

MARKET EXPOSURE 105.0%

TOP 10 HOLDINGS	(% TNA)
Japan Material	3.6
Premium Group	3.5
Shift	2.9
Wingarc1St	2.5
Internet Initiative Japan	2.4
Bellssystem24 Holdings	2.4
Amvis Holdings	2.4
Nidec	2.3
PR Times	2.3
Keyence	2.3

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	9.8
Consumer Staples	1.3
Financials	6.8
Health Care	6.5
Industrials	28.3
Information Technology	40.8
Materials	1.2
Real Estate	5.1
Communication Services	5.2

MARKET CAPITALISATION	(% TNA)
> 10bn	16.2
5-10bn	4.1
2-5bn	8.8
0.5-2bn	25.4
< 0.5bn	50.5

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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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