

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2021	2020	2019	2018	2017	ITD*
AJG Price (total return)	-25.69	9.14	-4.02	-28.63	-13.95	-5.54	-10.40	29.58	25.62	-15.52	51.56	198.69
AJG NAV (total return)	-20.69	10.78	0.53	-24.40	-9.67	2.18	-9.58	24.07	33.60	-14.97	42.94	267.53
Topix Index (total return)	-4.37	6.00	-0.74	-4.18	6.77	13.50	2.14	8.73	16.05	-8.85	15.63	77.10

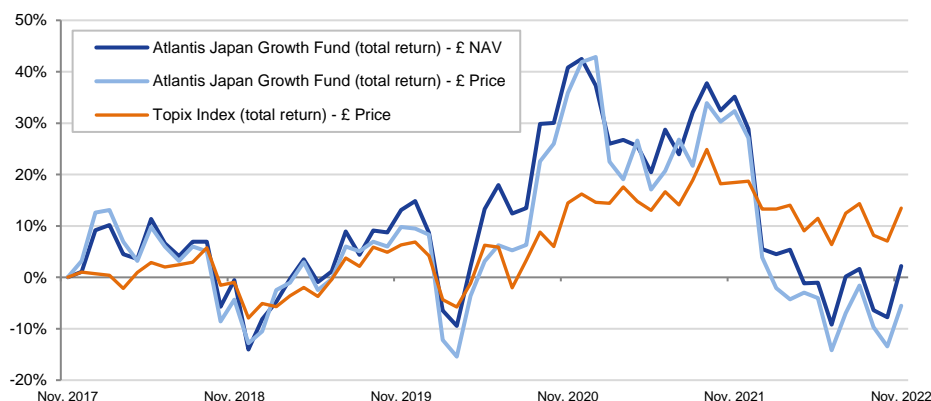
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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 gained 10.78% MoM in November versus the benchmark Topix Total Return (TR) Index which gained 6.00% MoM. In Japanese yen terms, the fund gained 7.60% MoM versus a gain of 2.95% MoM for its benchmark. The yen had gained 2.96% against sterling during the month.

This was a significant month for markets when a lower-than-expected US inflation print for October (CPI +7.7% YoY vs +7.9% forecasted) and a slight shift in tone out of the Federal Reserve which suggests a possible slowing of the pace of rate increases. After the close of the month, a Bank of Japan ("BoJ") official also made comments acknowledging recent pricing pressure in Japan suggesting a possible

change in tone as well when the next BoJ Chairman is appointed in March. Consequently, the dollar weakened somewhat allowing the yen – having briefly surpassed JPY150/USD in October – to rebound to JPY138.37/USD at the end of the month. Markets were further relieved by diplomatic contact between the US and China at the G20 which helped ease tensions in the Asian region. At the end of November, easing of Covid restrictions in China further improved investor sentiment. Foreign investors appear to have been modest net buyers of Japanese equities for the second month in a row after being significant net sellers for most of the year. Sectors which outperformed for the Fund included Services, Electric Appliances, and Information & Communication – benefiting from a rebound in growth names – while

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 87m
Shares in issue	41,127,070
Share price	173.0p
NAV per share	210.5p
Discount(-)/Premium	-17.8%
Net gearing	6.1%
Active Share	93.5%
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	5.8%
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.

there was no major detractor from performance at a sector level. Stocks that outperformed in the Fund included niche supplier of seeds for laboratory grown diamonds EDP (7794 JP), semiconductor manufacturing service provider Japan Material (6055 JP) and software testing outsourcing specialist Shift (3697 JP). Stocks that underperformed included Kohoku Kogyo (6524 JP) a manufacturer of lead terminals for aluminium electrolytic capacitors and WingArc1st (4432 JP), a developer of digital document creation and analysis tools.

Investment activity

Over the course of the month the Fund's weighting in the Electric Appliance sector declined from 17.7% to 16.7% as we shifted slightly away from more cyclical names. Its weighting in the Services sector rose from 21.6% to 23.1%.

During the month, we took profits in provider of used auto warranties and finance Premium group (7199 JP), which nevertheless remains a core holding, and reduced Simplex Holdings (4373 JP), which is a provider of enterprise digital solutions. Further, we increased the position in M&A Capital Partners (6080 JP), an M&A consultancy firm, having followed the corporate consolidation theme in Japan for many years. Management and ownership succession issues for the ageing founders of Japan's small and mid-sized businesses are driving a sustainable demand for M&A advisory services. M&A Capital Partners is the second largest player in the industry and differentiates itself with its singularly focused success-based fee structure. Its proactive deal seeking model is allowing it to pick larger deals leading to greater efficiency and allowing it to offer the highest consultant remuneration amongst peers. The stock offers excellent value when compared to peer companies.

The Fund held 61 stocks at the end of the month, down from the 62 held at the end of October. The Fund is fully invested in

equities and does not hold bonds, nor derivatives, and the currency is not hedged.

Outlook

The last month has seen signs of change which could contribute to a more benign macro environment for the Japanese equity market. We have previously written about the positive earnings performance and outlook for Japanese companies with most of the market declines driven by macro factors. Consequently, any change in the global inflationary outlook and central bank policy tone is of major import for the market. We saw this start to happen in November and the immediate response was a pause in the weakening of the yen. Of course, there are still risks. In China for instance, a renewed wave of Covid infection could reverse recent easing and trigger renewed supply chain disruptions, while a more rapid reopening there could re-ignite global inflation as demand surges as we saw following reopening elsewhere.

During the pandemic, Japanese companies have streamlined their business portfolios to focus on areas of higher profitability. They have reduced costs and have also accelerated their adoption of remote and flexible work solutions and digital transformation (DX). Regardless of whether the economy grows or slows, Japanese companies seem widely committed to making ongoing investment in technology, to reduce costs and enhance competitiveness. Companies are cash rich and – after a pause during COVID – they continue to focus on shareholder returns, increasing dividends and share buybacks. Valuations are attractive with the Topix Index average forward PER of 13.7x and PBR of 1.17x at the end of the month according to the Nikkei.

Throughout this time, the Fund remains focused on its long-term traditional bottom-up approach based on solid fundamentals and daily interviews of company managements across the year.

PORTFOLIO STATISTICS

MARKET EXPOSURE 106.1%

TOP 10 HOLDINGS	(% TNA)
Japan Material	3.8
Shift	3.4
EDP	3.0
Premium Group	2.8
Oxide	2.7
Plus Alpha Consulting	2.7
Internet Initiative Japan	2.6
Cellsource	2.5
Amvis Holdings	2.4
Disco	2.4

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	10.0
Consumer Staples	1.3
Financials	7.9
Health Care	6.7
Industrials	28.0
Information Technology	40.5
Materials	1.2
Real Estate	5.2
Communication Services	5.2

MARKET CAPITALISATION	(% TNA)
> 10bn	16.0
5-10bn	5.5
2-5bn	7.9
0.5-2bn	29.4
< 0.5bn	47.2

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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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