

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2022	2021	2020	2019	2018	ITD*
AJG Price (total return)	2.79	2.79	16.39	-3.01	-6.98	-10.54	-22.90	-10.40	29.58	25.62	-15.52	218.54
AJG NAV (total return)	4.03	4.03	12.58	-1.58	-4.45	-4.90	-22.53	-9.58	24.07	33.60	-14.97	273.48
Topix Index (total return)	3.30	3.30	9.40	3.41	12.45	16.33	-4.45	2.14	8.73	16.05	-8.85	82.79

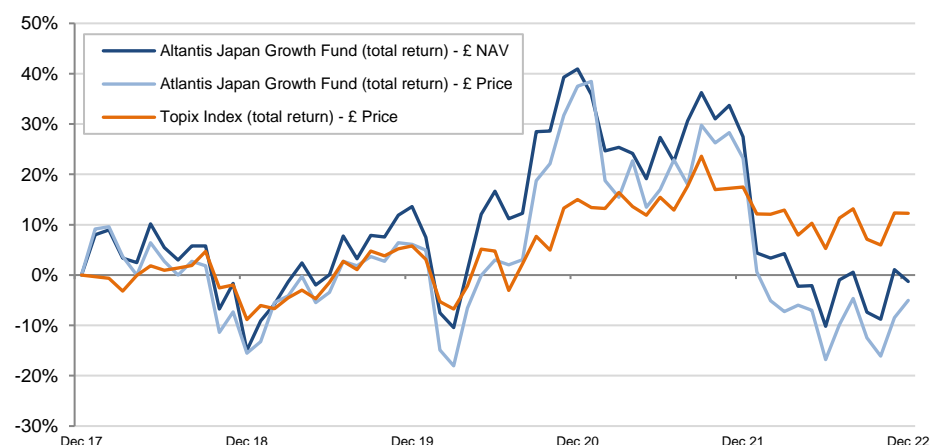
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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 4.03% MoM in January versus the benchmark Topix Total Return (TR) Index which gained 3.30% MoM. In Japanese yen terms, the fund gained 5.17% versus a gain of 4.42% for its benchmark, the yen having lost 1.1% against Sterling during the month.

Recent expectations of a slower pace of US interest rate hikes and receding global inflation took heart from softer US economic data such as lower than expected wage growth and producer and consumer price indices. In Japan the BoJ, having surprised the markets in December by widening its yield curve control policy, kept policy unchanged at its mid-January meeting. It had already defused a potential crisis of the yen weakening excessively, thereby laying the

groundwork for a smooth transition for the next BoJ Governor taking up the position in April. China's announcing the end of its zero-Covid policy also supported expectations of a recovering economy in Asia, including Japan. We saw some commodity prices, such as for copper, rally though the oil price remained subdued. As a result, cyclical and economic sensitive sectors such as Iron & Steel and Electric Appliances outperformed in the market while defensive sectors such as Pharmaceuticals underperformed. Growth style also outperformed with the Topix Growth TR Index gaining +3.6% MoM compared to the Topix Value TR index rise of +3.1% MoM in sterling terms.

Sectors which outperformed for the Company included Electric Appliances, rebounding from December's

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 88m
Shares in issue	41,027,070
Share price	184.5p
NAV per share	213.9p
Discount(-)/Premium	-13.8%
Net gearing	3.9%
Active Share	92.5%
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	5.5%
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.

underperformance, and Services. Other Products also contributed, consisting of a single position in EDP (7794 JP), a supplier of seeds for laboratory grown diamonds, which was the top contributor for the Company during the month. As well as EDP, stocks that outperformed included semiconductor manufacturing service provider Japan Material (6055 JP) and Oxide (6521 JP), a supplier of quartz crystals to the electronics industry. Detraction from performance came from exposure to Other Financials and Information and Communications. Stocks which underperformed include PR Times (3922 JP), a corporate PR service platform provider, whose growth now appears to be slowing down.

Investment Activity

During the month we exited two positions and added one new position. As a result, the number of positions at the end of the month was 52, down from 53 held at the end of December.

Over the course of the month the Company's weighting in the Information and Communications sector declined from 20.95% to 18.18%, a result of the exit from PR Times.

We increased our weight in the Insurance sector from 0.61% to 2.98% as a result of adding to a recent position in Lifenet Insurance (7157 JP), a specialist in providing life insurance online. We also initiated a new position in FP Partners (7388 JP), a rapidly growing consolidator in Japan's fragmented insurance agency sector.

The Company is fully invested in equities and does not hold bonds nor derivatives and the currency is not hedged.

Outlook

Geopolitical tensions, inflation, central bank policy and the risk of a global recession remain a focus of the markets though there is a growing sense that the peak of inflation has passed. China's re-opening has raised some concerns of rekindling inflation: however the overriding sentiment is that it will help support economic growth within the region including Japan. We also note that the IMF raised its Global GDP forecast for 2023 from 2.7% to 2.9% as well as China's growth forecast from 4.4% to 5.2%.

Earnings season, Q3 (Sept-Dec) FY22 for most companies, is also underway in Japan. While some disappointments have resulted

in stock price declines, we have noticed that some stock prices are starting to find support even if they miss consensus on quarterly earnings or don't revise up full year guidance, which indicates a discounting of the bad news. Inflation has also continued to rise faster than expected in Japan with the Tokyo area CPI rising 4.4% in January; this is well above expectations of a 4.0% rise. Nevertheless, the Japanese stock market did not sell off on the news and the yen has remained fairly stable; it rose slightly later when it became apparent that the US Fed was going to raise interest rates by only 25bps, a rather positive indication for the equity market.

We have commented recently on potential long-term benefits of a stabilizing yen on investor sentiment and it was good to see that the broad market Topix Index gain in yen terms (+4.42% MoM) was surpassed by its 5.38% gain in US dollars. The gains in sterling (+3.07%) and euro (+3.82%) did not surpass the index's rise in yen; they were nevertheless positive which means that, in principle, foreign investors did not lose money on the currency on their yen-based equity investments during January. This could be short-lived, but it is a favourable development.

We have also commented on Japan's well-known flat GDP trend over the last couple of decades – which if you consider its ageing and declining population is in itself a positive achievement – and that the government's efforts to stimulate modest inflationary growth is aimed at reviving top-line economic growth. We would like to note that there are different types of growth investing. One focus is on an expanding market (in this case GDP); however, a far more interesting focus is on secular changes within an industry, market or economy such as within aging demographics, healthcare, automation, infrastructure and new business models and opportunities. These are changes that are coming to all major economies though Japan is experiencing them first and thus acquiring a first-mover advantage if you will. These are also the core themes and investments of the Atlantis Japan Growth Fund. There are many interesting companies in Japan with exposure to these structural changes offering superior growth opportunities which is one of the reasons that the Fund has outperformed on a long-term basis with an Inception-to-date (ITD) total return gain of 273.48% vs the Topix TR gain of 82.79% in sterling terms despite short-term risks and volatility.

PORTFOLIO STATISTICS

MARKET EXPOSURE 103.9%

TOP 10 HOLDINGS (% TNA)

Japan Material	3.9
Intloop	3.6
EDP	3.5
Amvis Holdings	3.2
Internet Initiative Japan	3.1
Sumitomo Mitsui Financial Grp	3.0
Shift	2.9
Creek & River	2.8
Plus Alpha Consulting	2.8
Oxide	2.6

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	10.4
Consumer Staples	3.0
Financials	11.6
Health Care	6.1
Industrials	24.6
Information Technology	36.3
Materials	2.4
Real Estate	6.4
Communication Services	3.1

MARKET CAPITALISATION (% TNA)

> 10bn	17.8
5-10bn	5.8
2-5bn	15.2
0.5-2bn	22.4
< 0.5bn	42.7

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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