

ATLANTIS JAPAN GROWTH FUND

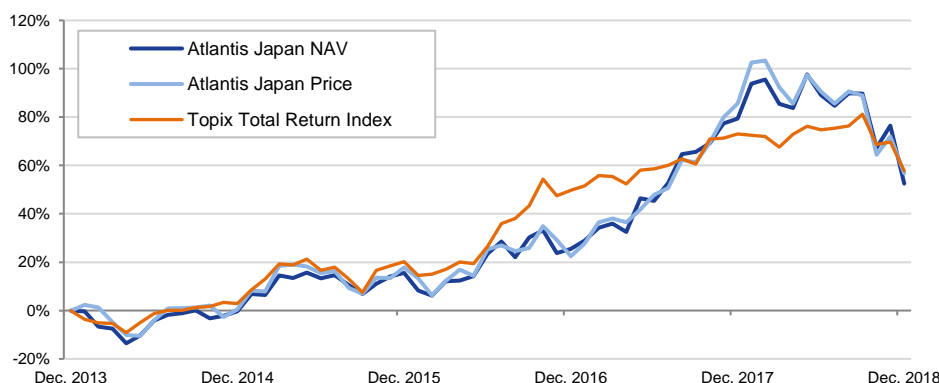


CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2017	2016	2015	2014	2013	ITD*
AJG Share Price	-15.53	-8.87	-17.04	-15.53	33.09	56.78	51.56	3.96	17.30	0.42	34.47	175.07
AJG Share NAV	-14.97	-13.56	-19.60	-14.97	32.01	52.54	42.94	8.61	15.94	-0.33	41.36	208.62
Topix TR Index	-8.85	-7.01	-12.93	-8.85	31.18	57.78	15.63	24.47	16.92	2.87	23.62	43.69

Sources: Northern Trust and Bloomberg.

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

PERFORMANCE OVER 5 YEARS (£)



Sources: Northern Trust and Bloomberg.

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

The Japanese equity market closed calendar year 2018 sharply lower with the major indices falling by over 10% in December. The market's retreat was led by small capitalised stocks but large stocks were aggressively sold as well. Investor sentiment was depressed by a lack of progress in resolving U.S.-China trade friction, mounting evidence of a global economic slowdown, erratic policy decisions emanating from Washington, and an uncertain outlook on interest rates. Investors paid scant attention to positive catalysts, such as lower oil prices, and opted for a risk-off stance ahead of the lengthy New Year's holiday.

During the reviewed month, in GBP and on a total return basis, the Fund retreated 13.56% compared to TOPIX's 7.01% loss. For the same period in local currency terms (JPY), the Fund fell 16.54% while TOPIX declined 10.21%. Over the calendar year 2018, the Fund declined 14.97% in GBP while TOPIX fell 8.85%.

December's market rout was all-encompassing as all TSE 33 sectors lost ground over the course of the month. The best performing sectors were domestic demand defensives (land transportation, construction) and beneficiaries of lower oil prices (air transportation, electric power/gas).

The worst performing sectors were mining, pharmaceuticals, oil/coal products, and securities/commodities/futures. Large capitalised value stocks booked a moderate pullback while small capitalised growth stocks had a particularly difficult month.

The Fund's December underperformance can be attributed to its growth bias and strategic overweight in small and medium capitalised stocks; both distinctly out of favour in the reviewed month. The Fund entered December overweight the information/communication, services, machinery, and real estate sectors which, excepting real estate, were among the poorest performing sectors during the month. Five stocks made positive contributions to December's performance; the month's gainers included education provider Riso Kyoiku (4714), CRI Middleware (3698), and benefits administrator Benefit One (2412).

Investor data for December to date indicates overseas funds were significant sellers of Japanese equities. On a combined cash/futures basis, overseas funds sold JPY1.68tn of equities. This overwhelmed the combined net buying by non-financial business corporations (JPY312bn), individual investors (JPY286bn), and the BoJ (via ETFs

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	1 st May 2016
Total Net Assets (TNA)	GBP 93m
Shares in issue	46,077,772
Share price	185.0p
NAV per share	201.1p
Discount(-)/Premium	-8.0%
Net gearing	4.3%
Active Share	99.1%
Inception date	10 th May 1996

ADMINISTRATIVE & DEALING INFORMATION

Financial Year End	30 th April
Company Domicile	Guernsey
Company Legal Structure	UK Investment Trust
Listing	London Stock Exchange
Valuation	Daily
Company Broker	Cantor Fitzgerald
Depository	Northern Trust
Administrator	Northern Trust
Auditor	PricewaterhouseCoopers
Investment Manager	Quaero Capital LLP
Investment Adviser	Atlantis Investment Research Corporation

FUND CODES

Bloomberg	AJG LN
SEDOL	B61ND55
ISIN	GG00B61ND550

COMPANY FEES & EXPENSES

Ongoing Charges (30 th April 2018)	1.57%
- Annual Management Fee	1.00%
- Operating & Administrative Fees	0.57%
Performance Fee	None

JPY633bn). Average daily trading volume in December was JPY2.61tn, level with the previous month's turnover.

December was an active month for IPOs with 19 companies taking shares public. The headwinds against the new listings were stiff; the average gap between the IPO price and first trade price was 41.6%, considerably below November's 126.9%. In calendar year 2018 there were 90 IPOs, the same as in 2017. The average gap in 2018 between the IPO price and the first trade was 104.9%, nearly equal to the previous year's 112.4%. However, by the end of December nearly 80% of 2018 IPOs were trading below the first trade price.

Borrowings by the Fund were unchanged from November's JPY1bn which translated into a net gearing of 4.3%. Excluding cash, the Fund was entirely invested in the equities of publicly listed Japanese companies and J-REITs. The Fund had no exposure to any structured financial product, nor did it have any currency hedges in place during the month. At the end of December the JPY rate against the GBP was 140.19, a gain of 3.56% from November's 145.18 close.

The Investment Adviser believes a short term risk to the equity market is the likelihood of corporate downward revisions to FY3/19 estimates owing to the economy's deceleration since last autumn. Arguably this was partially priced into equity prices in December but continued yen strength and slack external demand may prompt

companies to adopt a more conservative stance regarding the outlook for 4Q FY3/19 results.

The Investment Adviser assumes the Japanese economy over the medium term can produce approximately 0.5%-1.0% annual growth. GDP growth in FY3/20 could be at the bottom of that range due to the negative impact on consumer spending caused by the consumption tax increase scheduled for October 2019. In order to offset this negative impact, the government is proposing fiscal stimuli packages that include higher public spending and tax breaks. In total these measures are expected to fully offset the JPY5.7tn direct burden imposed by the higher consumption tax.

Consensus for TOPIX pre-tax profits estimates for FY3/19 based on a USD/JPY exchange rate of JPY105 suggest 6.2% growth followed by a 6.0% increase in the following year. Given its 12.2x forward PER, 1.12x PBR, and 5%-6% pre-tax growth outlook the Investment Adviser believes the current Japanese market is moderately valued.

At the end of December, the Fund's portfolio held 68 stocks, equal to that at end of the previous month with no significant changes. The Fund is committed to employing a bottom-up stock-picking style investing in fundamentally undervalued companies that possess strong competitive advantages and medium to long term growth potential.

PORTFOLIO STATISTICS

MARKET EXPOSURE 104.3%

TOP 10 HOLDINGS	(% TNA)
Nidec	3.6
Japan Elevator Service	2.9
Asahi Intecc	2.9
Benefit One	2.7
Hikari Tsushin	2.6
Keyence	2.6
Nittoku Engineering	2.6
TKP	2.5
Peptidream	2.5
Creek & River	2.5

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	18.5
Financials	2.8
Health Care	9.0
Industrials	45.0
Information Technology	19.3
Materials	2.4
Real Estate	5.0
Communication Services	2.3

MARKET CAPITALISATION	(% TNA)
> 10bn	10.8
5-10bn	3.8
2-5bn	10.9
0.5-2bn	38.1
< 0.5bn	40.7

CONTACTS

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FUND BROKER

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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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