

# ATLANTIS JAPAN GROWTH FUND

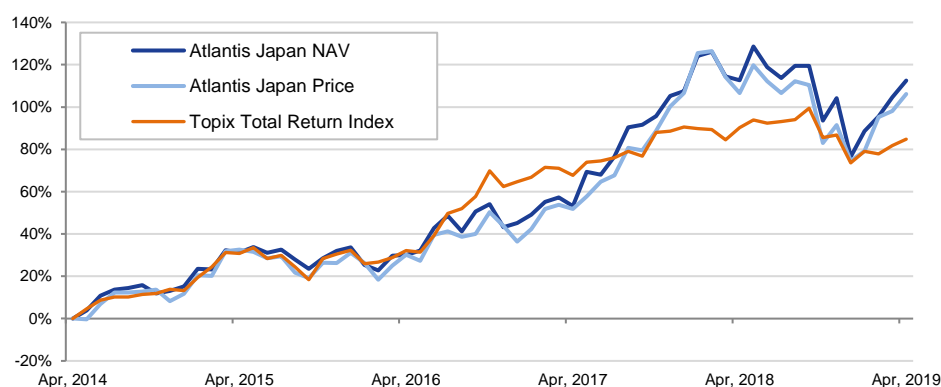


CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2018	2017	2016	2015	2014	ITD*
AJG Share Price	18.11	4.05	15.00	-0.23	58.33	106.13	-15.53	51.56	3.96	17.30	0.42	224.88
AJG Share NAV	20.44	3.83	12.69	-0.05	63.49	112.51	-14.97	42.94	8.61	15.94	-0.33	271.71
Topix TR Index	6.45	1.66	3.26	-2.88	39.90	84.84	-8.85	15.63	24.47	16.92	2.87	52.96

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

During the holiday shortened month of April, Japanese equity investors were emboldened by Chinese economic indicators displaying strength and reported progress in the China-U.S. trade negotiations. Large capitalised stocks exposed to overseas demand, found favour. The widely followed Nikkei 225 index, in GBP, rebounded 4.97%. Other indices, large and small, lagged this performance with TOPIX only managing a 1.66% advance; the TSE-2 gained 2.0% and the Nikkei OTC was ignored (+0.26%). During the month the Fund, in GBP and on a total return basis, gained 3.83% compared to a 1.66% advance for TOPIX. On the same basis, for calendar year 2019 to date, the Fund has appreciated 20.44% while TOPIX (TR) has risen 6.45%.

The Fund's April outperformance can be attributed to being strategically overweight in sectors which drew investors in during the month, e.g., electric appliances, machinery, services, and real estate. Stocks that made significant contributions to performance included TKP (3479), Japan Material (6055), Daifuku (6383), and Nidec (6594). Phil (3267), Riso Kyoiku (4714), and CRI Middleware (3698) detracted from the Fund's April performance.

Investor data for April indicates that, despite a slim flow of positive news, non-resident

investors were net buyers of Japanese equities on a combined cash/futures basis by over JPY1.3tn. Amongst domestic investors, individuals, investment trusts, and trust banks were net sellers of equities and non-financial business corporations were inactive. The BoJ, through ETFs, purchased equities valued at approximately JPY282bn, considerably below March's JPY491bn accumulation. Daily trading volume on the TSE in April averaged JPY2.16tn, month on month down by 11.5%, with the decline likely owing to traders drifting away prior to the lengthy holiday at the end of the month. The market's short sell ratio hovered around 43% during April, little changed from the past several months.

April's sector performance data illustrated traders' narrow interest in large capitalised, foreign demand sensitive companies. During the month, 21 of TSE's 33 sectors rose while 12 declined. The best performing sectors were sectors with exposure to overseas demand, including marine transportation, other products, machinery, electric appliances, and transportation equipment. Defensives (electric power & gas, pharmaceuticals) performed poorly.

Borrowings by the Fund were unchanged from March's JPY1bn which translated into a net gearing of 3.8%. Excluding cash the

## 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 <sup>st</sup> May 2016
Total Net Assets (TNA)	GBP 107m
Shares in issue	44,307,284
Share price	218.5p
NAV per share	242.2p
Discount(-)/Premium	-9.8%
Net gearing	3.8%
Active Share	97.9%
Inception date	10 <sup>th</sup> May 1996

### ADMINISTRATIVE & DEALING INFORMATION

Financial Year End	30 <sup>th</sup> 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 <sup>th</sup> April 2018)	1.57%
- Annual Management Fee	1.00%
- Operating & Administrative Fees	0.57%
Performance Fee	None

Fund was entirely invested in 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 April the JPY rate against the GBP was 144.24, effectively unchanged from March's 144.25 close.

Economic data released within the past month strongly suggested that Japan logged negative economic growth in the January-March 2019 quarter with consensus suggesting a -0.3% quarter on quarter setback (-1.4% annualised). Recent hard data and business and consumer surveys suggest a sluggish April-June quarter as well with the economy struggling to sustain forward momentum.

Given this environment, the main risk to equity markets is very subdued FY 3/20 corporate earnings performance. A series of extraordinary events (10 day Golden Week holiday, imposition of higher consumption tax, etc) will add an erratic element to economic data through the autumn. The consensus estimate of 4.4% pretax profits growth for FY 3/19 was proven to have been overly optimistic. Company forecasts for FY 3/20 released to date suggest profits flat at best, and this is based on the assumption that economic recovery comes in the 2H FY 3/20.

At the end of April, the Company held 62 stocks, equal to that at the conclusion of the previous month. There were no significant changes made to the portfolio during the month.

## PORTFOLIO STATISTICS

**MARKET EXPOSURE** 103.8%

### TOP 10 HOLDINGS (% TNA)

Nidec	3.4
Japan Elevator Service Holds	3.3
Asahi Intecc	2.9
Peptidream	2.9
TKP	2.7
Japan Material	2.7
Creek & River	2.7
Benefit One	2.7
Keyence	2.7
Hikari Tsushin	2.7

### SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	15.8
Financials	2.6
Health Care	9.4
Industrials	43.8
Information Technology	21.9
Materials	2.3
Real Estate	4.5
Communication Services	3.6

### MARKET CAPITALISATION (% TNA)

> 10bn	10.7
5-10bn	11.7
2-5bn	6.4
0.5-2bn	46.5
< 0.5bn	28.4

## CONTACTS

### INVESTOR RELATIONS

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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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