

ATLANTIS JAPAN GROWTH FUND

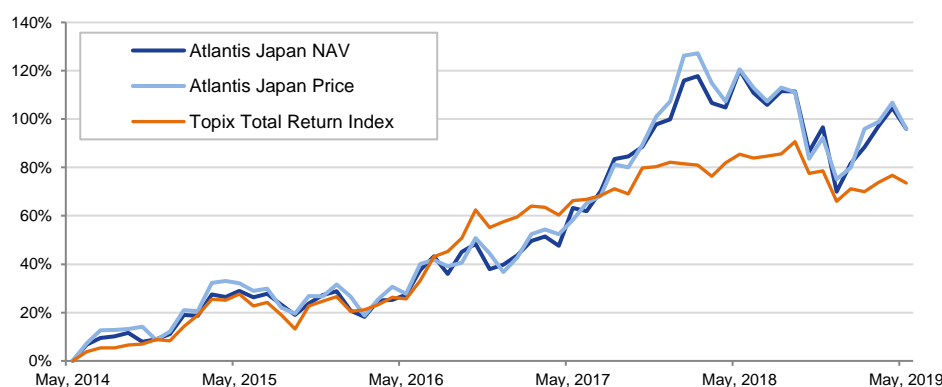


CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2018	2017	2016	2015	2014	ITD*
AJG Share Price	11.89	-5.26	0.00	-11.16	53.33	95.98	-15.53	51.56	3.96	17.30	0.42	207.78
AJG Share NAV	15.25	-4.31	4.01	-11.06	53.80	95.92	-14.97	42.94	8.61	15.94	-0.33	255.68
Topix TR Index	4.53	-1.80	2.09	-6.42	38.18	73.54	-8.85	15.63	24.47	16.92	2.87	50.20

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 Tokyo equity market returned from a 10-day Golden Week holiday on 7th May and then proceeded to decline for the next seven consecutive trading days. Investors were unnerved by weak production statistics from the U.S. and China, escalating trade tensions that threatened to raise tariffs, a MOF downgrade to the economy, and the yen's appreciation past the JPY110 level against the dollar. The equity decline was comprehensive and swept up all but one sector. TOPIX, in GBP and on a total return basis, slid 1.80% during the month. There was little protection available in smaller stocks with the GBP denominated TSE-2 down 0.36% for the month. In May, the Fund retreated 4.31%. Calendar year to date however, the Fund has appreciated 15.25% while TOPIX has risen 4.53% – all figures in GBP and on a total return basis. In the local currency (JPY), TOPIX total return index gave away 6.52% in May but year to date has appreciated 2.38%.

Although the portfolio is strategically overweight in real estate, May's best performing sector, the overall performance was negatively affected by an over-exposure to electrical appliances and machinery, two of the worst performing sectors during the month. Stocks that made significant positive contributions to the Fund's performance included the lawyer/accountant marketing

support web site Bengo4.com (6027), mobile WiFi router renter Vision (9416), rental meeting room manager TKP (3479), staffing support specialist S-Pool (2471), and conglomerate Hikari Tsushin (9435). Lasertec (6920), Daifuku (6383), Yamashin-Filter (6240), and Nidec (6594) all detracted from the Fund's performance in May.

Investor data for May indicated non-resident investors on a combined cash and futures basis were again sellers, by approximately JPY1.7tn. The trust banks were also equity net sellers. Individual investors were buyers over the course of the month as were the investment trusts. Non-financial business corporations were exceptionally active during April and May; they announced buybacks totalling JPY3.5tn (+103% YoY). The BoJ, through ETFs, purchased equities valued at approximately JPY707bn, well above their monthly run rate of JPY500bn. Daily trading volume on the TSE in May averaged JPY2.42tn, down about 6% month-on-month. The market's short-sell ratio hovered around 47% during May, at the high end of the calendar year to date range of 41%-47%.

May's sector performance data confirmed the market's bearish tone. Real estate was the only one of TSE's 33 sectors to book a gain; boosted by its defensive characteristics 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	1 st May 2016
Total Net Assets (TNA)	GBP 103m
Shares in issue	44,307,284
Share price	207.0p
NAV per share	231.7p
Discount(-)/Premium	-10.7%
Net gearing	1.3%
Active Share	95.6%
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

Mitsubishi Estate (8002) announcing its first share buyback. Cyclical sectors featured amongst the worst performing sectors with marine transportation, iron/steel, pulp/paper, and glass/ceramics under selling pressure. Investors did show an interest in companies that announced share buybacks and in addition to Mitsubishi Estate, they aggressively bid up KDDI (9433), DeNA (2432), and MS&AD Insurance Group (8725).

Borrowings by the Fund were unchanged from April's JPY1bn which translated into a net gearing of 1.3%. Excluding cash, the 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 May the JPY rate against the GBP was 137.31, a gain of 5.05% from April's 144.25 close.

Economic data released within the past month suggest a subdued outlook for economic growth through FY 3/21 with consensus estimates suggesting annualized growth of approximately 0.5%. Wage growth has not shown any acceleration, consumer confidence continues to track a downward trend, and the composite PMI suggests stability in manufacturing and non-manufacturing alike rather than growth. In short, the economy struggles to sustain forward momentum in the run-up to

October's sales tax increase.

Corporate earnings forecasts for FY 3/20, based on a JPY110 foreign exchange assumption, are guiding pre-tax profits estimates better by 1.6% with a 1H decline of 11.8% offset by a 2H FY 3/20 recovery. Working under this assumption, the TOPIX EPS for FY 3/20 is calculated at JPY114 and produces a forward market PER of 13.4x. However, given the volatility of recent events, particularly related to trade, the market arguably has not had time to fully discount their impact on corporate performance. Consequently, there is a risk that the earnings estimates for 3/20 referred to above may be subject to downward revisions during the remainder of the fiscal year. In this environment the Investment Adviser is committed to a growth oriented, bottom-up, stock-picking investment style with investment decisions based on proprietary fundamental research seeking attractively priced investment opportunities in technology, health care, services, and robotics.

At the end of May, the Fund held 61 stocks, one fewer than at the conclusion of the previous month. During the month under review the orthopedic trauma device specialist Japan Medical Dynamic Marketing (7600) was added to the portfolio. Both Uzabase (3966) and Sharingtechnology (3989) were sold.

PORTFOLIO STATISTICS

MARKET EXPOSURE 101.3%

TOP 10 HOLDINGS (% TNA)

Japan Elevator Service	3.5
TKP	3.3
Vision	3.2
Nidec	3.2
Asahi Intecc	3.2
Hikari Tsushin	3.1
Creek & River	2.9
Peptidream	2.8
Keyence	2.6
S-Pool	2.6

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	17.4
Financials	1.0
Health Care	10.3
Industrials	42.4
Information Technology	19.4
Materials	2.1
Real Estate	5.0
Communication Services	3.6

MARKET CAPITALISATION (% TNA)

> 10bn	10.5
5-10bn	7.0
2-5bn	10.7
0.5-2bn	39.7
< 0.5bn	33.2

CONTACTS

INVESTOR RELATIONS

Contact: Richard Gittus
 Phone: +44 (0)20 7747 5778
 Email: InvestorServices.uk@quaerocapital.com

FUND BROKER

Contact: Richard Harris
 Phone: +44 (0)20 7894 8229
 Email: richard.harris@cantor.com

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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