

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2022	2021	2020	2019	2018	ITD*
AJG Price (total return)	-7.58	-11.29	-7.58	-5.37	7.10	-15.31	-22.90	-10.40	29.58	25.62	-15.52	186.42
AJG NAV (total return)	-1.75	-0.34	-1.75	-6.94	8.32	-6.16	-22.53	-9.58	24.07	33.60	-14.97	252.73
Topix Index (total return)	3.38	2.02	3.38	2.81	24.42	19.84	-4.45	2.14	8.73	16.05	-8.85	82.93

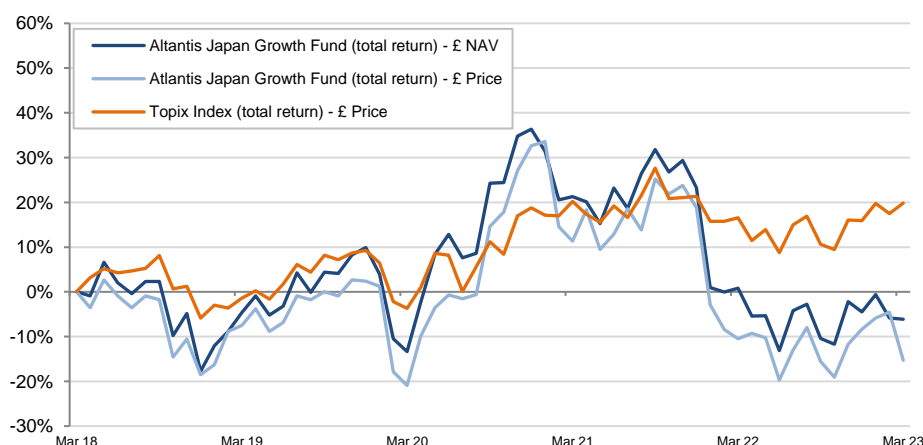
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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 declined 0.34% MoM on a total return basis in March versus the benchmark Topix Total Return (TR) Index gain of 2.02% MoM in sterling. In Japanese yen terms, the fund declined 0.65% versus a gain of 1.70% for the benchmark, with a yen decline of -0.32% against sterling during the period.

The banking failures in the US and Europe dominated market sentiment, but swift action by central banks helped stabilize markets by the end of the month. Nevertheless, such instability has dampened expectations around future interest rate hikes. Not surprisingly, there was a jump in volatility, financials were sold off, and safe-haven large caps outperformed. As sentiment improved

in the last few days of the month, a relief rally resulted in the Topix Growth TR Index rising 3.95% MoM vs the Topix Value TR Index gain of only 0.20% for the month in sterling terms.

Sectors which outperformed included Machinery, Wholesale Trade, and Chemicals. The top outperforming stocks were large-cap specialty chemical producer Shin-Etsu Chemical (4063 JP), construction machinery manufacturer Okada Aiyon (6294 JP), and SPE consumables play Disco (6146 JP). Sectors which underperformed included Services (i.e., smaller growth companies), Banks (on lower lending spread expectations), and Pharmaceuticals (associated with value). The worst performing stock was small cap engineering

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 82m
Shares in issue	40,886,070
Share price	164.0p
NAV per share	199.9p
Discount(-)/Premium	-18.0%
Net gearing	3.4%
Active Share	92.3%
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	5.7%
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.

consultant, Intloop (9556 JP), followed by Sumitomo Mitsui Financial Group (8316 JP), one of Japan's mega banks, and Keiyo Bank (8544 JP), a regional bank operating in the suburbs of Tokyo.

Investment Activity

During the month the number of positions in the Fund remained unchanged at 54 compared to the end of February.

The Company's weighting in Chemicals rose from 5.62% to 6.21% due to the strong performance of Shin-Etsu Chemical (4063 JP). The company is well positioned with leading-edge photoresists used in high-end semiconductor manufacturing, as well as in PVC used in piping and housing materials benefiting from infrastructure projects in the US. They are also benefitting from demand from the re-shoring and near-shoring of manufacturing plants. Machinery weighting rose from 6.77% to 7.26% reflecting good performance in the SPE play Disco (6146 JP), a leader in dicers and slicers which are consumables in the semiconductor production process and therefore more resilient to downturns than the capital equipment makers. The company's expertise in silicon carbide (SiC) applications is in demand and it is benefitting from the need to reduce wafer thickness. Due to a rising stock price over the month, it moved up to the Fund's 8th largest holding. Plus Alpha Consulting (4071 JP), a big data visualization platform and solutions provider edged into the 10th position in the Fund's top holdings as its share price held up relatively well during the period.

The Company is fully invested in equities and does not hold bonds or derivatives and the currency is not hedged.

Outlook

Although the disruption in the overseas banking sector has unsettled markets, the problems so far appear specific to individual banks and not part of a broader systemic contagion. The Japanese financial system looks relatively stable, and the underlying Japanese economy relatively strong. Unemployment is low (2.4% in January),

retail sales have been rising (+3.6% YoY in Dec, +6.3% in Feb, and +6.6% in Mar, each time ahead of expectations) although this was tempered by softer household spending data. Major companies have also increased wages by an average of 4% this year, the first major increase in 20 years. Although SMEs are not able to raise pay as much, the overall impact should be positive.

Companies are likely to be conservative with their guidance for the year ahead when they announce Q4 FY22 earnings in May, given concerns on the global economy. In spite of this, they are increasing share buybacks and dividends as they continue to focus on improving returns. The Tokyo Stock Exchange is being more forthright in demanding to see improvement from companies falling short of TSE Prime Section listing guidelines, which should further promote returns and capital efficiency. Core inflation continues to rise, but the rate of increase could slow due to the rising base effect. Tokyo headline CPI slowed from 4.4% YoY in Jan to 3.4% in Feb and 3.3% in Mar. The new BoJ Governor, Kazuo Ueda is committed to some level of continuity in BoJ policy. We note that while inflation in Japan has not been as high as elsewhere, the government's aim is to achieve nominal GDP growth via modest inflation to gradually reduce the nation's debt burden. This should support a positive investment environment.

The Fund's approach is to conduct fundamental bottom-up research based on frequent meetings with managements of companies. This helps us to understand the main drivers of earnings and factors that could affect profitability such as whether they are able to pass on rising input costs. Investment decisions are company specific and the Fund favours companies with strong managements that are likely to achieve above-trend growth. Themes tend to be around multi-year structural and secular trends that do not change very much from quarter-to-quarter. They include but are not limited to digital transformation, healthcare, workplace revolution, new technologies and leading-edge materials, infrastructure and new business models.

PORTFOLIO STATISTICS

MARKET EXPOSURE 103.4%

TOP 10 HOLDINGS (% TNA)

Internet Initiative Japan	3.7
Japan Material	3.5
Creek & River	3.1
Sumitomo Mitsui Financial Grp	3.0
Shin-Etsu Chemical	2.9
Topcon	2.8
Amvis Holdings	2.7
Disco	2.7
Bellsystem24 Holdings	2.6
Plus Alpha Consulting	2.5

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	10.4
Consumer Staples	3.3
Financials	11.9
Health Care	5.5
Industrials	28.3
Information Technology	32.0
Materials	2.9
Real Estate	5.5
Communication Services	3.7

MARKET CAPITALISATION (% TNA)

> 10bn	21.0
5-10bn	4.3
2-5bn	11.4
0.5-2bn	22.5
< 0.5bn	44.2

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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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