

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2022	2021	2020	2019	2018	ITD*
AJG Price (total return)	-8.42	-0.91	-10.91	-7.51	-6.88	-13.01	-22.90	-10.40	29.58	25.62	-15.52	183.80
AJG NAV (total return)	-4.93	-3.24	-8.62	-3.99	-7.10	-8.39	-22.53	-9.58	24.07	33.60	-14.97	241.30
Topix Index (total return)	3.14	-0.23	-0.15	7.26	18.35	15.89	-4.45	2.14	8.73	16.05	-8.85	82.52

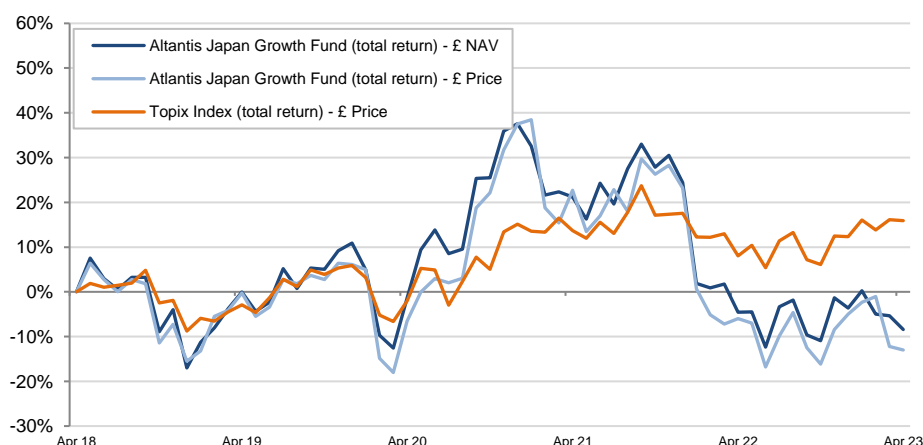
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

During the month of April, the Atlantis Japan Growth Fund declined 3.24% MoM while the benchmark Topix Total Return (TR) Index declined 0.23% MoM in sterling terms. In Japanese yen, the fund declined 0.40% versus a gain of 2.70% for the benchmark, with the yen declining by 2.93% against the sterling during the period.

After some initial weakness, sentiment improved as global growth concerns eased, and the Japanese market gained throughout the month. Global inflation is expected to peak and US Fed policy to ease. A further vote of confidence came from a visit by investor Warren Buffett to Japan commenting that he had increased his holdings in Japanese trading companies and thought the

market was cheap. As a result of these factors, value outperformed with the Topix Value TR index rising 3.54% MoM in yen terms vs. the Topix Growth TR Index gain of 1.85%. As if on cue, foreign investors also turned net buyers of Japanese shares to the tune of JPY 2.9trn for the month, a significant reversal from the net selling seen in March. Closing out the month, the BoJ policy meeting on 28th April kept monetary easing in place. The yen had also weakened by 2-3 percentage points against the dollar, euro and pound which helped, although this was followed by the Fed's 0.25% interest rate hike on 3rd May and a fairly strong US labour market report.

Sectors which outperformed included Insurance, Precision Instruments 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	01 May 2016
Total Net Assets (TNA)	GBP 79m
Shares in issue	40,856,070
Share price	162.5p
NAV per share	193.4p
Discount(-)/Premium	-16.0%
Net gearing	2.2%
Active Share	91.4%
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.

Transportation Equipment, while Electric Appliances, Chemicals and Services sectors underperformed. Stocks that outperformed included FP Partners (7388 JP), an insurance agency specializing in life insurance products sold door-to-door through partnerships with telecom, credit card and other companies; Intloop (9556 JP), a small cap engineering consultant; and Topcon (7732 JP), a construction, agricultural equipment automation systems, and ophthalmology equipment maker. Underperformers included Japan Material (6055 JP), a specialty gas provider for semiconductor and LCD production plants; Oxide Corp (6521 JP), a manufacturer of crystals and lasers for semiconductor wafer inspection equipment; and Shin-Etsu Chemical (4063 JP), a major specialty chemical producer.

Investment Activity

Fund positions at the end of April increased from 54 to 55 over the month.

We closed a position in Media Do (3678 JP), a technology company providing the interface between publisher and e-book seller for the majority of Japan's publishing industry, after an expected recovery in earnings now appears a little later than expected. We added a position in Komehyo Holdings (2780 JP), a leading dealer in second-hand jewellery, high-end watches and bags operating out of large outlets and through e-commerce, auctions and wholesalers; and Daiiei Kankyo (9336 JP), a waste recycling and treatment service provider.

As a result of this activity the company saw its exposure to Information and Communications fall, while exposure to Services rose from 23.36% to 24.81%, and Retail Trade by 1.25% to 2.93%. Exposure to Electrical Appliances continued to decline, by 1.18% to 11.57%.

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

Outlook

On May 5th the World Health Organization announced that Covid-19 is no longer a

global health emergency and Japan downgraded the disease to flu status on May 8th. Inbound tourist travel to Japan has been recovering and should continue to do so. This has helped Japanese department store sales which rose 9.8% YoY nationwide in March, with Tokyo department store sales rising 12.6%. Overall, retail sales also rose 7.2% YoY in March, following a 7.3% YoY increase in February and up 5.0% YoY in January. While the tourism spend is a major boost, the bulk of spending is by domestic consumers supported by low unemployment and improving wages. This may also indicate the emergence of rational expectations of rising prices as opposed to the deflationary mind-set of the last couple of decades.

Inflation continues to rise in Japan (Mar CPI +3.2% YoY) though it is expected to slow (but continue rising) from this summer, on a YoY comparison effect. While not a strong argument, there is the suggestion that individuals continue to spend ahead of higher prices expected in the not-too-distant future; a positive development for the economic outlook. On April 28th the BoJ not only decided to keep its zero-interest rate policy unchanged (out of an abundance of caution), but also announced a review of its interest rate policy which will take one to one and a half years. This doesn't preclude an earlier BoJ rate hike, but it suggests that we may have a bit more time.

Tempering this, geopolitical and global macro concerns remain, and we are in the midst of the FY 3/23 earnings season which could result in rather conservative guidance. Some US regional banks also continue to stumble, reminding us that instability in the overseas banking space has not yet gone away. Nevertheless, we are cautiously optimistic on the outlook for Japan's economy and believe that our long-term fundamental bottom-up approach and frequent meetings with companies will continue to unearth interesting companies with strong managements and structural growth stories in areas such as digital transformation, healthcare, workplace revolution, new technologies and leading-edge materials, infrastructure and new business models.

PORTFOLIO STATISTICS

MARKET EXPOSURE 102.2%

TOP 10 HOLDINGS	(% TNA)
Internet Initiative Japan	3.7
Sumitomo Mitsui Financial Grp	3.1
Topcon	3.0
Japan Material	3.0
FP Partner	2.9
Creek & River	2.8
Disco	2.7
Amvis Holdings	2.6
Shin-Etsu Chemical	2.6
&Do Holdings	2.5

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	9.0
Consumer Staples	3.5
Financials	11.7
Health Care	5.3
Industrials	30.9
Information Technology	30.0
Materials	2.6
Real Estate	5.6
Communication Services	3.7

MARKET CAPITALISATION	(% TNA)
> 10bn	17.9
5-10bn	4.9
2-5bn	12.6
0.5-2bn	22.7
< 0.5bn	44.2

CONTACTS

INVESTOR RELATIONS

Contact: Henry Pollard
 Phone: +44 (0)20 7661 0887
 Email: h.pollard@quaerocapital.com

FUND BROKER

Contact: James Waterlow
 Phone: +44 (0)20 7496 3031
 Email: James.Waterlow@singercm.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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