

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2022	2021	2020	2019	2018	ITD*
AJG Price (total return)	-4.07	3.38	3.79	9.54	-11.50	-11.31	-22.90	-10.40	29.58	25.62	-15.52	197.29
AJG NAV (total return)	-1.91	2.27	-0.16	7.85	-16.98	-8.17	-22.53	-9.58	24.07	33.60	-14.97	252.16
Topix Index (total return)	6.42	1.48	2.94	13.46	14.03	18.34	-4.45	2.14	8.73	16.05	-8.85	88.32

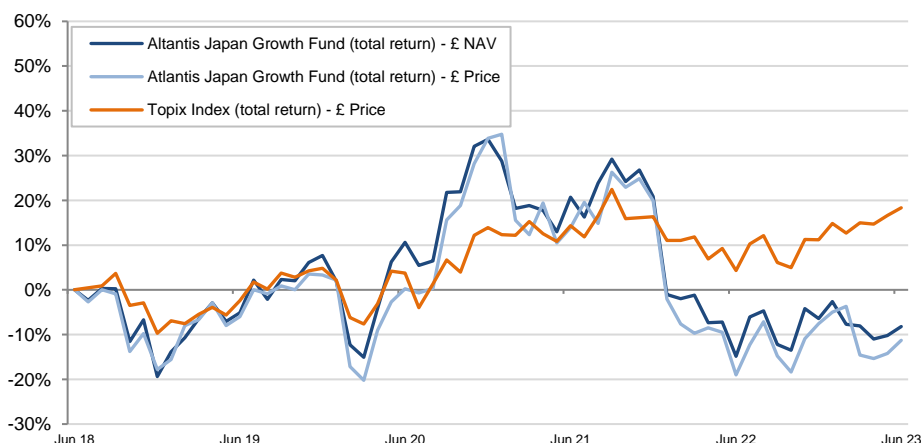
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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 2023 was 196p, thus the four payments in respect of the financial year ended 30 April 2023 will be at 1.96p per share payable at the end of September 2023, December 2023, March 2024 and June 2024. 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

The Atlantis Japan Growth Fund rose 2.27% MoM in June versus the benchmark Topix Total Return (TR) Index gain of 1.48% MoM in sterling terms. In Japanese yen, the fund rose 8.39% compared to a 7.55% gain for the benchmark. The yen weakened 6.0% against the pound and 4.2% against the US dollar, falling from the JPY 139/USD level to breach JPY 145/USD before ending the month at JPY 144.88/USD.

June was a strong month for the Japanese and global markets with Tokyo rising to a 33-year high mid-month. The US Fed paused its interest rate hike for the month and the BoJ kept its easy policy unchanged. Foreign investors were net buyers of Japanese equities for 13 months in a row through to the third week of June. Large cap value stocks

outperformed including trading companies, autos, steel and other cyclicals, reflecting the large cap focus of foreign, particularly macro-driven buying. As such, the Topix Value TR Index gained 3.32% MoM compared to the Topix Growth TR Index decline of 0.35% in sterling terms. In technology, the AI theme dominated at one point following US AI chip leader Nvidia raising guidance sharply. At the end of the month, though, we started to see profit taking in some of the high-flying technology names in Japan. We also noticed some bargain hunting in small cap growth in the last week of the month, though for the month as a whole, it was the large caps that carried the day.

Outperforming sectors for the Fund included Machinery, Electric Appliances 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 80m
Shares in issue	40,766,070
Share price	168.0p
NAV per share	197.4p
Discount(-)/Premium	-14.9%
Net gearing	4.1%
Active Share	92.5%
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	5.1%
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.

Chemicals, while sectors that underperformed included Other Products, Non-Ferrous Metals and Textiles & Apparel. Stocks that outperformed included construction machinery manufacturer Okada Aiyon (6294 JP), secondhand jewelry, watches and bags dealer Komehyo Holdings (2780 JP), and major trading company Mitsui & Co (8031 JP). Stocks that underperformed included engineering consultant Intloop (9556 JP), staffing specialist S-Pool (2471 JP), and laboratory-grown diamond specialist EDP Corp (7794 JP).

Investment Activity

The company held 51 stocks at the end of the month, down from 52 at the end of May. The top 10 holdings and their weightings were fairly constant along with overall sector weightings. Okada Aiyon (6294 JP) rose to the 9th largest holding after its outperformance during the month.

We took profits on our position in Invincible REIT (8963 JP), selling most of our position. Our exposure to the real Estate is 7.85% vs 1.80% for TOPIX. It's our second largest 'overweight' sector exposure. However, our position consists of niche, disruptive companies rather than mainstream developers. These include Katitas (8919 JP), a specialist in old housing renovation, and Aoyama Zaisan (8929 JP) a financial advisory firm using property assets to manage tax exposures and &Do Holdings (3457 JP), a real estate broker specializing in reverse mortgages, a new, fast growing area amongst Japan's ageing population.

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

Outlook

As has been widely reported, the FY22 earnings season produced strong results for the year (TSE Prime section Pre-Tax Profit of +7.0% YoY) but rather conservative

guidance for FY23 (Pre-Tax Profits increase of only 2.6% YoY) due to caution about the global macro-economic outlook. We think raw materials and currency assumptions are too conservative based on current levels, and our meetings with managements over the last 2 months have left us with the impression companies are also starting to increase selling prices to pass on higher costs. That said, excessive yen weakness could have a net negative impact on the Japanese economy, and we are waiting to see if the authorities intervene if the yen approaches the JPY 150/USD level as they did in Sep-Oct 2022.

The growth-oriented semiconductor and technology sector has had a long run this year, but may be starting to get over-extended. The announced nationalization plan of one of Japan's leading photoresist providers for the manufacturing of semiconductors, JSR (4185 JP) also points to possible consolidation in the sector.

Economic data out of the US and Japan on inflation, employment, housing starts and retail sales among others have generally been more favourable than expected. There is concern though that inverted yield curves in several major G7 sovereign bond markets point towards recession.

The low PBR rally, which began in March, on the back of TSE pressuring companies to improve efficiency, appears to have slowed, and our impression is that many smaller companies don't have a particular strategy beyond one-off share buybacks. Nevertheless, attitudes continue to change and governance should continue to improve. In the last few months, the rally has been largely confined to large-cap macro buying and, although this outperformance continued in June, we have noticed the beginning of some rotation back into smaller cap names, with buying perhaps becoming more selective.

PORTFOLIO STATISTICS

MARKET EXPOSURE 104.1%

TOP 10 HOLDINGS (% TNA)

FP Partner	3.6
Disco	3.6
Internet Initiative Japan	3.3
Komehyo Holdings	3.2
&Do Holdings	3.2
Sumitomo Mitsui Financial	3.1
Topcon	3.0
Shin-Etsu Chemical	2.9
Okada Aiyon	2.9
Japan Material	2.8

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	11.3
Consumer Staples	4.0
Financials	11.8
Health Care	4.3
Industrials	30.1
Information Technology	31.6
Materials	2.9
Real Estate	4.7
Communication Services	3.3

MARKET CAPITALISATION (% TNA)

> 10bn	23.4
5-10bn	2.4
2-5bn	8.6
0.5-2bn	25.5
< 0.5bn	44.2

CONTACTS

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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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