

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2022	2021	2020	2019	2018	ITD*
AJG Price (total return)	-6.07	-2.08	2.57	-1.04	-12.54	-10.78	-22.90	-10.40	29.58	25.62	-15.52	191.09
AJG NAV (total return)	-2.36	-0.46	2.71	-2.67	-13.31	-6.39	-22.53	-9.58	24.07	33.60	-14.97	250.54
Topix Index (total return)	8.18	1.65	4.89	9.11	25.27	19.79	-4.45	2.14	8.73	16.05	-8.85	91.43

Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.

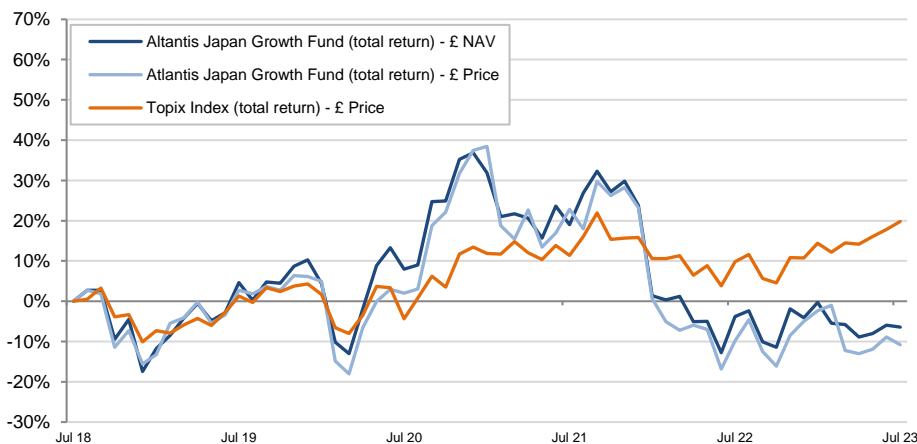
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

Performance Review

During July, the Atlantis Japan Growth Fund declined 0.46% MoM versus the benchmark Topix Total Return (TR) Index rise of 1.65% MoM in sterling terms. In Japanese yen, the fund declined 0.62% compared to a 1.49% increase for the benchmark. The yen edged up by 0.16% against the pound to JPY182.79/GBP.

The highlight of July came toward the end of the month with the US Fed raising rates by 25 basis points but followed such a move with dovish forward-looking comments. Meanwhile, in Japan the BoJ adopted a flexible stance towards its yield curve control (YCC) cap, raising its CPI forecast for FY23, yet maintaining its unlimited bond buying policy. The 10-year JGB yield rose above 0.5%, though not by much, and while the yen

briefly strengthened to the JPY138/USD level, it snapped back overnight to around JPY142/USD, effectively putting to rest monetary policy concerns for the time being. News on the economy was mostly positive. In Japan, there was a better than expected "Tankan" survey of manufacturing business sentiment early in the month, and strong cash earnings data in the labour market later in the month (+2.5% YoY for May vs +1.2% expected). In the US, there was a very strong Q2 GDP print and lower than expected CPI, all of which contributed to a see-saw market for Japanese equities with early highs followed by a brief decline and rally from mid-month. Mining, iron and steel, marine transportation, and banks outperformed while pharmaceutical, air transportation and foods sectors underperformed.

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	40,726,070
Share price	164.5p
NAV per share	196.5p
Discount(-)/Premium	-16.3%
Net gearing	2.4%
Active Share	90.4%
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	5.2%
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.

For the Fund, sectors that outperformed included Machinery, Banks, and Services, while those that underperformed included Precision Instruments, Chemicals and Insurance. Stocks that outperformed included semiconductor production equipment and consumables provider Disco (6146 JP), software testing specialist Shift Inc (3697 JP), and construction machinery leasing company Kanamoto Co (9678 JP). Stocks that underperformed included construction and agriculture equipment, GPS and eyecare equipment provider Topcon (7732 JP), data mining, digital visualization, AI consulting and CRM/HR platform provider Plus Alpha Consulting Co (4071 JP), and door-to-door insurance sales services provider FP Partner Inc (7388 JP).

Investment Activity

The Fund held 50 stocks at the end of the month, down from 51 at the end of June. As a percentage of holdings, the top 10 edged up from 31.64% to 32.19%. Reflecting stock price fluctuations, 3 new names entered the top 10 holdings including Mitsui & Co (8031 JP), one of Japan's leading trading companies with exposure to mining and resources, Kanamoto Co (9678 JP), the aforementioned construction equipment leasing operator, and Daiei Kankyo Co (9336 JP), a waste recycling and treatment service provider. Mitsui & Co is benefiting from the increasing need for Japan to secure energy and mineral resources, as well as its trading in lifestyle areas where demand is rising due to a normalization of economic activity. Daiei Kankyo is also benefiting from rising demand for its services amid increasingly stringent environmental regulations.

Our exposure in the Real Estate sector edged down from 7.85% to 6.28% as we closed out a minor position having already taken profits. Most of the Fund's sector weightings remained fairly constant with slight changes reflecting share price fluctuations.

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.

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

Outlook

At the end of July, sentiment shifted toward expectations of a soft-landing for the US economy, one of Japan's main trading partners, offsetting concerns about the Chinese economy, another important trading partner. One challenge is that equity markets are starting to look over-stretched, in particular the US market following its longest winning streak since 1987. A reversal may have a negative impact on Japan. Nevertheless, as noted, economic data continues to be quite robust, and Japan's underlying fundamentals are positive. Inflation is starting to take hold which is needed to sustain nominal GDP growth, though not excessively in comparison to other major economies. Unemployment is low, wages are starting to rise, and companies have plenty of cash for investment. Tourism is recovering and economic activity is normalizing. Auto production also continues to recover, which is an important driver for the Japanese economy. On the negative side, conditions in the materials supply chain thus far indicate that inventory corrections in key consumer products such as smartphones, tablets and PCs are lasting longer than expected.

In the meantime, the Japanese market has rallied in recent months. This is in part due to a rise in foreign investor buying on expectations of better corporate earnings, improving governance and shareholder policy over coming years. For that reason, the April-June earnings season (Q1 FY23 for most companies) through to mid-August is quite important. Guidance and consensus have naturally been conservative due to caution about the global economy and the unpredictable geopolitical environment. Companies are also continuing to improve shareholder returns and valuations in Japan are attractive relative to global peers.

PORTFOLIO STATISTICS

MARKET EXPOSURE 102.4%

TOP 10 HOLDINGS (% TNA)

Disco	4.3
FP Partner	3.6
Sumitomo Mitsui Financial Grp	3.4
Komehyo Holdings	3.4
Internet Initiative Japan	3.3
Shin-Etsu Chemical	3.0
Japan Material	3.0
Mitsui & Co	2.8
Kanamoto	2.7
Daiei Kankyo	2.6

SECTOR BREAKDOWN (% TNA)

Consumer Discretionary	11.3
Consumer Staples	3.3
Financials	12.4
Health Care	4.2
Industrials	30.4
Information Technology	30.5
Materials	3.0
Real Estate	4.0
Communication Services	3.3

MARKET CAPITALISATION (% TNA)

> 10bn	26.1
5-10bn	2.5
2-5bn	8.7
0.5-2bn	29.9
< 0.5bn	35.2

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IMPORTANT INFORMATION

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