

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2021	2020	2019	2018	2017	ITD*
AJG Price (total return)	-26.82	8.39	-4.13	-26.62	-12.25	11.08	-10.40	29.58	25.62	-15.52	51.56	194.15
AJG NAV (total return)	-22.28	10.30	1.32	-19.21	-8.09	16.33	-9.58	24.07	33.60	-14.97	42.94	260.16
Topix Index (total return)	-5.26	5.71	3.11	-1.42	8.35	20.40	2.14	8.73	16.05	-8.85	15.63	75.46

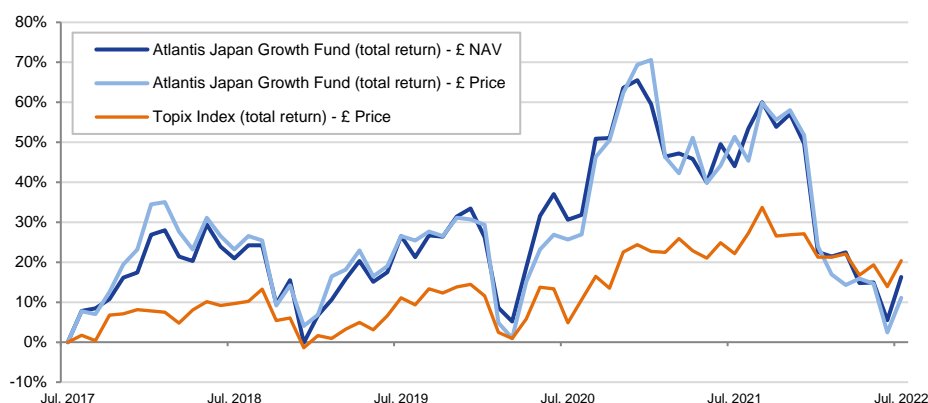
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

July was a positive month for the Atlantis Japan Growth Fund as we saw a recovery in growth and exporter-related stocks on tempered global inflationary concerns and toned-down comments from the US Federal Reserve. The Fund rose 10.30% versus the Topix Total Return (TR) Index gain of 5.71% MOM, both in sterling terms. Events in July were overshadowed by the assassination of Japan's former, and longest serving, prime minister, Shinzo Abe. This occurred three days before the Upper House Election for the National Diet on July 11th in which the LDP and its coalition secured a decisive victory. Such outcomes are unlikely to herald any near term change in policy, and it is encouraging that the government now has a 3-year window to focus on policies that drive growth before the next key election. Over the

course of the month, the yen weakened to JPY139/\$, but ended the month by strengthening to around the JPY133/\$ level. While the Federal Reserve and other global central banks continued to raise rates, the Bank of Japan maintained its easy policy. Given the growth bias of the Fund, performance was supported by the shift in style, with the Topix Growth (TR) index rising 8.10% compared to the Topix Value (TR) index gain for 3.58% in sterling terms.

Information & Communication, Services and Electric Appliances sectors outperformed while Wholesale Trade, Other Products, and Transportation Equipment sectors underperformed during the month. It is worth noting that the top two outperforming sectors are also the Fund's leading overweight sectors, helping drive this month's overall

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 87m
Shares in issue	41,298,070
Share price	174.5p
NAV per share	210.5p
Discount(-)/Premium	-17.1%
Net gearing	5.6%
Active Share	92.1%
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	6.6%
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.

outperformance for the Fund. Top contributing stocks included independent pre-owned car financing and warranty provider Premium Group (7199 JP), big data visualization platform provider Plus Alpha Consulting (4071 JP), and internal guidewire and catheter medical device maker Asahi Intecc (7747 JP). Stocks that underperformed included call center staffing and employment support for persons with disabilities specialist S-Pool (2471 JP), on-line travel website operator Open Door (3926 JP), and waste disposal, sludge treatment and recycling provider Daiseiki (9793 JP).

Investment Activity

Reflecting the Fund's approach to managing for long-term returns in financially stable companies, with a clear growth profile and relatively protected business models, portfolio holdings remain stable from month-to-month. This remained the case in July, with 8 out of the top 10 holdings remaining constant. Shift Inc (3697 JP), third-party software testing provider, and regenerative biotech play CellSource (4880 JP), which had both slipped out of the top ten in previous months due to share price fluctuations returned once again this month.

Shift remains a key investment. The company single-handedly developed the software testing service provider market in Japan. Prior to the arrival of Shift on the scene, software testing was considered a low-margin menial task delegated to junior employees during off-time such as weekends and afterhours. Shift started by providing software testing for computer game makers and has since expanded to a wide range of industries as well as to providing other services such as consulting. The company expanded rapidly by acquiring small IT software firms, training up their engineers and motivating them by improving their employment conditions. They also standardized the software testing process which had up to then been fairly haphazard across software firms, thereby speeding up the process and making it more efficient with less resource requirements, resulting in better outcomes for clients. Consequently, KPIs such as revenue per employee improved sharply and they also saved time and money for their clients. Over the last six months, the stock price weakened on the back of the general sell-off in growth names, but the company has consistently delivered over 50% top- and bottom-line growth, which we expect to continue to deliver for the next several years. Its unique process and first-mover status also makes it difficult for new incumbents to challenge. The company has very low debt, and generates a high level of cash.

The Fund held 68 stocks at the end of the month, up from 67 in June, and remains fully

invested in equities and holds two REITS. It has no exposure to bonds or derivatives, doesn't hedge the currency and leveraging is modest.

Outlook

In terms of global macro trends, inflationary concerns have abated somewhat while talk of a possible recession has started to take hold. Q1 FY22 earnings season has also started, and the results so far appear to be trending better. In Japan, the focus is on whether the large currency windfall from the weaker yen will offset the impact of component shortages and higher commodity prices of the past quarter. In the meantime, commodities such as copper have already declined significantly though the impact tends to lag 3-6 months depending on contract pricing terms. To-date, we have noticed that some consumer-related technology companies, such as smartphone related names, have been negatively impacted on the back of the slowdown in Chinese demand. We think this should be monitored closely as it suggests that the pressure from the rising cost of living is having a material effect on consumer demand and this will have a knock-on effect on the wider economy.

As we have mentioned in recent months, the markets have been in a correction phase for some time with pronounced weakness in those companies that have a growth profile and yet deliver solid earnings. It is still too early to say whether the rebound we saw in July is a mean-to-reversion move or the start of a lasting change in the market's sentiment and direction. Certainly, the change in tone on inflation has helped, and although Covid-related lockdowns have persisted longer than expected in China, there is anticipation that supply chain shortages and distribution bottlenecks will continue to ease. Another important factor is that Japanese companies have entered this phase of the market cycle in a relatively strong position with high cash positions, low debt, strong earnings performance and valuations (Topix Prime segment forward PER of 13.7x and PBR of 1.2x as of July end) that are lower than other developed markets. While not immune from global economic trends, Japanese companies are relatively well positioned.

The Investment Adviser continues to look for opportunities to invest in companies that can grow profits, with strong management and financial standing, and that are operating in structural growth areas. Areas of interest continue to include digital transformation, labour savings, new business models, infrastructure plays and unique technologies with high market share.

PORTFOLIO STATISTICS

MARKET EXPOSURE 105.6%

TOP 10 HOLDINGS	(% TNA)
Nidec	3.5
Japan Material	3.5
Premium Group	3.1
Shift	2.5
Sony Group	2.5
Bellsystem24 Holdings	2.4
Daifuku	2.4
S-Pool	2.3
Disco	2.3
Cellsource	2.3

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	10.0
Financials	5.1
Health Care	6.2
Industrials	28.3
Information Technology	41.4
Materials	1.2
Real Estate	7.9
Communication Services	5.5

MARKET CAPITALISATION	(% TNA)
> 10bn	19.7
5-10bn	4.7
2-5bn	11.4
0.5-2bn	30.3
< 0.5bn	39.4

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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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