

ATLANTIS JAPAN GROWTH FUND



| CUMULATIVE PERFORMANCE % (£) | YTD | 1M | 3M | 1Y | 3Y | 5Y | 2022 | 2021 | 2020 | 2019 | 2018 | ITD* |
|------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|-------|-------|--------|--------|
| AJG Price (total return) | 4.18 | 1.36 | 8.09 | 4.27 | 16.25 | -9.70 | -22.90 | -10.40 | 29.58 | 25.62 | -15.52 | 222.86 |
| AJG NAV (total return) | -1.42 | -5.24 | -3.70 | -5.83 | 5.21 | -10.67 | -22.53 | -9.58 | 24.07 | 33.60 | -14.97 | 253.93 |
| Topix Index (total return) | 1.33 | -1.90 | 1.25 | 1.46 | 20.11 | 14.47 | -4.45 | 2.14 | 8.73 | 16.05 | -8.85 | 79.31 |

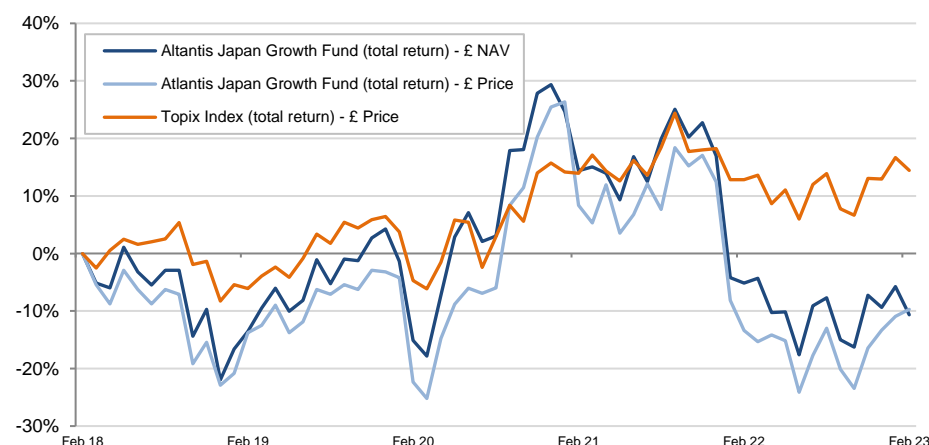
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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

In February, the Atlantis Japan Growth Fund declined 5.24% MoM versus the benchmark Topix Total Return (TR) Index decline of 1.90% in sterling terms. In Japanese yen, the fund declined 2.48% versus a gain of 0.95% for the benchmark, while the yen lost 2.9% against sterling.

A sense of optimism permeated at the start of the month on expectations of a robust US economy following much better-than-expected employment data for January. This was at the same time as inflation was expected to ease, allowing the Fed to slow the pace of tightening. In Japan, a view was taking hold that the BoJ would start winding down its YCC (yield curve control) policy with the next governor taking office in April, and

that interest spreads between the US and Japan would narrow, thereby stabilising the yen. However, by mid-month, a stronger US CPI print (+6.4% YoY vs +6.2% expected) for January turned sentiment upside down, reigniting concerns on inflation, policy, and a consequent global recession. On the same day, the announcement of a surprise choice for the next BoJ governor - Kazuo Ueda - unsettled the outlook for policy in Japan as well. Over the course of the month this resulted in the yen weakening from ¥128/\$ to ¥136/\$, and market style veering sharply with the Topix Growth TR Index falling 3.26% MoM vs the Topix Value TR Index declining only 0.59% in sterling terms. This negatively impacted the Fund's relative performance for the month, although this may be temporary given the fluctuating sentiment and the view

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 83m |
| Shares in issue | 40,988,070 |
| Share price | 187.0p |
| NAV per share | 202.7p |
| Discount(-)/Premium | -7.8% |
| Net gearing | 3.8% |
| Active Share | 93.1% |
| 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 | 5.4% |
| 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.

in Japan is that the economy is not in bad shape.

Sectors which outperformed for the Company included Machinery, Banks, and Precision. Machinery and Precision were helped by the weaker yen and structural earnings growth stories in Disco (6146 JP) and Topcon (7732 JP). Although the timing for normalising interest rate spreads was put in doubt, by the unexpected BoJ governor choice, banks were nevertheless supported by gains in SMFG (8316 JP), one of the more profitable of Japan's mega banks, and Keiyo Bank (8544 JP), a regional bank transforming its business with various tie-ups and operating in a neighbouring prefecture to Tokyo. Sectors that underperformed included Other Products, Services and Electrical Appliances. EDP (7794 JP), in the Other Products sector, was the Fund's worst performing stock for the month, falling 46.9% after a small downward revision to its earnings coincided with the end of the post-IPO lock-up period. Having revised up twice in this period, the company still expects to see revenue growth of 73% and profit growth of 138%. The company's business remains very positive, with a strong order backlog in its most profitable products. Such volatility illustrates the risks and opportunities of investing in the smaller cap market, and we see such a correction as an opportunity to accumulate.

Investment Activity

During a relatively subdued month for investment activity, this month the fund added two positions in Services and Wholesale Trade resulting in the number of holdings increasing to 54, up from 52 the previous month.

Changes in overall sector exposures were minimal and reflected stock price moves - the Other Products sector declined from 3.46% to 1.69% due to the fall in EDP's price.

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

Outlook

As noted above, the outlook for the global economy became more clouded this month. However, we would highlight an interesting anecdote from a meeting we recently had with a leading service provider in Japan. They had noted, in some of their investor and analyst meetings, a contrast between overseas parties who expressed increased concerns of recession, with expectations locally in Japan where the domestic economy is seen to be in relatively good shape. Employment is steady (Dec unemployment was 2.5%), wages are being increased by more than inflation at many leading companies (Dec labour cash earnings +4.8% YoY vs 2.5% expected), and retail spending is rising noticeably with both December (+1.1% YoY) and January (+6.3% YoY) ahead of expectations (+0.7% and +4.0% respectively). They also noted that it was clear, from the first testimony of BoJ Governor-elect Ueda, that he was "not going to sink the economy". They said that their SME customers were likely to spend on replacing various hardware in the near term because of expectations of rising prices, while a possible office PC replacement cycle was set to take hold over the next 3-years ahead of Microsoft ending its support for Windows 10. This behaviour could also partially explain rising retail sales as consumers are developing healthy "rational expectations" of a rising prices mentality, which bodes well for the overall direction of the economy. Inbound tourist travel is also increasing with 1.5mil people visiting Japan in January, up 84 times from the previous year, though still only 55.7% of the January 2019 level. Virus testing and other requirements have been eased and thus the inbound trend is expected to accelerate. Separately, we also heard from meetings with companies, with overseas operations, that the outlook for a global recession may have been over-hyped and that conditions on the ground are better than widely reported in the media.

PORTFOLIO STATISTICS

MARKET EXPOSURE 103.8%

| TOP 10 HOLDINGS | (% TNA) |
|---------------------------|----------------|
| Japan Material | 3.8 |
| Internet Initiative Japan | 3.6 |
| Intloop | 3.5 |
| Sumitomo Mitsui Financial | 3.3 |
| Creek & River | 2.9 |
| Amvis Holdings | 2.9 |
| Topcon | 2.8 |
| Hikari Tsushin | 2.6 |
| Bellsystem24 Holdings | 2.6 |
| Shin-Etsu Chemical | 2.5 |

| SECTOR BREAKDOWN | (% TNA) |
|-------------------------|----------------|
| Consumer Discretionary | 11.2 |
| Consumer Staples | 3.1 |
| Financials | 12.1 |
| Health Care | 6.0 |
| Industrials | 25.2 |
| Information Technology | 34.5 |
| Materials | 2.5 |
| Real Estate | 5.6 |
| Communication Services | 3.6 |

| MARKET CAPITALISATION | (% TNA) |
|------------------------------|----------------|
| > 10bn | 17.7 |
| 5-10bn | 7.3 |
| 2-5bn | 11.8 |
| 0.5-2bn | 24.6 |
| < 0.5bn | 42.5 |

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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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