

ATLANTIS JAPAN GROWTH FUND



CUMULATIVE PERFORMANCE % (£)	YTD	1M	3M	1Y	3Y	5Y	2020	2019	2018	2017	2016	ITD*
AJG Price (total return)	-6.72	1.57	8.73	-2.63	38.37	84.20	29.58	25.62	-15.52	51.56	3.96	318.48
AJG NAV (total return)	-5.14	2.04	2.33	-4.02	35.92	93.76	24.07	33.60	-14.97	42.94	8.62	386.16
Topix Index (total return)	1.94	0.22	-0.36	3.50	19.61	37.58	8.73	16.05	-8.85	15.63	24.47	84.83

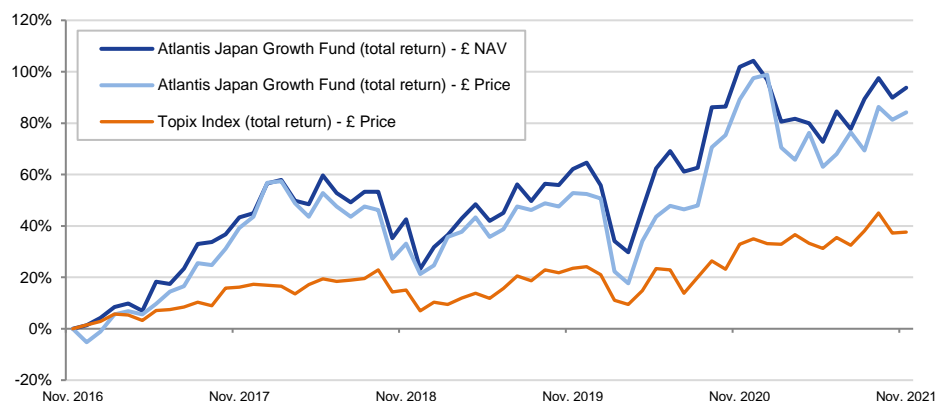
Sources: Northern Trust, Bloomberg and Quaero. The Fund's total return performance is calculated with dividends added back on ex-dividend date.
Notes: * Inception to date NAV return figure was converted to GBP based on the official USD NAV using Bloomberg FX rate.

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 2021 was 288p, thus the four payments in respect of the financial year ended 30 April 2021 will be at 2.88p per share payable at the end of September 2021, December 2021, March 2022 and June 2022. 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

The Atlantis Japan Growth Fund's NAV rose 2.04% in sterling terms on a total return basis during November, outperforming the Topix Total Return (TR) Index gain of 0.22%. The main drivers of performance for the month came from the Fund's exposure to companies in the outperforming large-cap technology and growth-related sectors. Strong market performance in the month, supported by rallies in global equities and the success of the LDP in the general election, gave way to sentiment slumping at month-end, as news of the new Omicron variant sent global stocks into a sharp sell-off, including in Japan, though in sterling terms the Topix (TR) Index managed to remain in positive territory. It is worth noting that the Topix Growth (TR) Index (+1.55% in sterling

terms) continued to outperform the Topix Value (TR) Index (-1.13% in sterling terms) for the second month running, helping drive the Fund's outperformance, given its growth orientation.

In mid-November, the government announced a larger-than-expected stimulus budget of JPY55tn with total spending at JPY78.9tn, targeting to boost GDP by 5.6%. Most economists were less enthusiastic in their assessment and forecast an increase to GDP of only 1-3%. Another issue that drew attention was that, despite the COP26 Climate Conference, the stimulus package did not see an increase in the government's JPY2tn Green Innovation Fund. An extraordinary session of the Diet will convene in early December to debate these proposals. These factors, seen as a bland

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 123m
Shares in issue	41,754,570
Share price	259.0p
NAV per share	294.8p
Discount(-)/Premium	-12.1%
Net gearing	2.0%
Active Share	89.2%
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	3.6%
Quarterly interim paid	March, June, September and December

COMPANY FEES & EXPENSES

Ongoing Charges*	1.58%
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 2021.

first-step policy response from Kishida's administration, coupled with the swiftness of his move to close Japan's borders to foreigners in response to the new variant, underpinned the lackluster market response. Market observers were not overly surprised to see foreign investors turn net sellers once more after October's net buying that had been driven by expectations around positive new government initiatives.

The Economic and Industrial Policy Innovation Committee of the Ministry of Economy, Trade and Industry (METI) also held its first meeting in mid-November. Having been criticized for letting Japan's semiconductor competitiveness slip, METI is now promoting the industry – along with vaccine and therapeutic drug production – as part of the government's economic security agenda. The agenda also includes promoting quantum computing – and to boost the supply of young engineers in this field.

Meanwhile, the impact of shareholder activism is becoming clear on Japanese listed companies. A noticeable feature of the first half earnings results was that companies are proposing larger dividends and share buybacks. This is clearly shown by the Tokyo Stock Exchange's data on investor flows which shows that non-financial institutions (i.e., corporates) have been steady net buyers since June this year, including JPY319bn in the month of November. Based on the data up until the end of November, corporations have been net buyers of over JPY1.2tn YTD and could end up being the top net buyers of Japanese shares this year. Separately, and encouraging from a governance perspective, the government (with a 20% ownership) did not support Shinsei Bank's poison pill proposal to counter a hostile takeover by SBI Holdings. Further, driven by pressure from foreign activist investors, the proposed breakup of Toshiba into three entities – spinning off the Energy and Infrastructure unit as well as the Device and Storage operation – is underway, with focus on further potential restructuring of their 40.6% stake in memory chip maker Kioxia and other assets.

Top contributors to the portfolio included healthcare and nursing services provider Amvis Holdings Inc (7071), niche semiconductor production equipment specialist Lasertec Corp (6920) and regenerative treatment firm CellSource Co., Ltd (4880), all benefiting from rising earnings. The poorest contributors over the month included investor relations firm IR Japan Holdings Ltd (6035), casual electronic gift platform provider Giftee Inc (4449), and Asahi Intecc Co Ltd (7747), mainly on company specific issues. Giftee, for example, was sold off after announcing a share issuance, while IR Japan and Asahi Intecc's earnings were indirectly negatively impacted

by the pandemic. Holdings in Electric Appliance and Pharmaceutical sectors contributed to outperformance while holdings in Information & Communication and Precision sectors dragged on performance.

Investment Activity

There were no major shifts in the portfolio during November. Exposure by market capitalization was unchanged from October. Top sector weightings saw a slight increase in Information Technology from 36.99% in October to 39.01% in November and a slight decrease in Industrials from 28.59% to 26.63%. This was mainly due to an increase in share prices in Information Technology reflecting the strong rally in semiconductor related names. During the month, the Fund increased its position in nursing care and hospice provider Amvis Holdings (7071), reflecting our continued positive view on the company's growth drivers. The Fund held 61 stocks at the end of November, unchanged from the prior month. The Investment Adviser's policy is to remain fully invested in listed Japanese equities and JREITs with minor cash positions. The Fund does not employ currency hedges and has no exposure to bonds, convertible bonds or derivatives of any kind.

Outlook

It came as little surprise that July-September 2021 real GDP fell 0.8% QoQ (-3.0% annualized), the first decrease in two quarters and despite it being below Bloomberg consensus of -0.2% QoQ (-0.8% annualized). Private consumption, private-sector capex and exports fell, the latter from lower production of durable goods, most notably automobiles.

Company results for the first half of this fiscal year, however, were generally better than expected. Managements maintain a conservative outlook for the second half, forecasting net profits to be roughly flat at +1.4% YoY, after a 98.8% rise in the first half. One trend that we are noticing is increases in capital expenditure, especially in software and automation.

Notwithstanding the lack of initial enthusiasm, government handouts should boost consumer spending, providing the Omicron variant does not prove impossible to manage with current vaccines. Already in October, business sentiment among those with jobs sensitive to economic trends (e.g., taxi drivers and eatery staff) jumped to their highest level since 2014, and the largest monthly improvement since June 2020. The Go-To-Travel scheme, for example, is due to start in January, with an emphasis this time on weekday trips to smaller establishments

PORTFOLIO STATISTICS

MARKET EXPOSURE 102.0%

TOP 10 HOLDINGS	(% TNA)
Lasertec	5.0
Nidec	4.6
Tokyo Electron	4.5
CellSource	4.4
Renova	4.1
Shift	3.7
Nihon M&A Center Holdings	3.4
GMO Financial Gate	3.1
Amvis Holdings	2.7
Keyence	2.7

SECTOR BREAKDOWN	(% TNA)
Consumer Discretionary	5.7
Financials	2.3
Health Care	13.0
Industrials	26.7
Information Technology	39.1
Materials	1.7
Real Estate	5.4
Communication Services	3.9
Utilities	4.1

MARKET CAPITALISATION	(% TNA)
> 10bn	23.3
5-10bn	10.4
2-5bn	14.5
0.5-2bn	29.3
< 0.5bn	24.5

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

rather than weekends at large hotel chains.

If fears about the new variant dampen the stock market further, we will look to take advantage of any pricing anomalies. This may include a focus on companies that fall below the new First Section listing requirements and which are being sold for technical rather than fundamental reasons. The listing reforms for the Tokyo Stock Exchange are starting to weed out First Section companies which will not meet the minimum JPY10bn market capitalization requirement or have excessive debt. By April 2022, there will only be three market

classifications – prime, standard and growth – and the Topix index will be comprised mainly of prime companies. Our focus on medium to long-term growth stocks will remain.

Finally, the influence of international geopolitical factors such as Russia's aggression in Eastern Europe and China's designs on Taiwan, as well as US monetary policy are risk factors that cannot be excluded from providing near term upsets but should be offset by a continued focus on market valuations and the significant corporate transformation that is underway.

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

This newsletter is prepared on behalf of Atlantis Japan Growth Fund Limited (the "Fund") by Quaero Capital LLP ("Quaero"), which is authorised and regulated by the United Kingdom Financial Conduct Authority ("FCA") with registered number 434203. Quaero is registered in England & Wales under number OC314014 and has its registered office at 2-4 King Street, London SW1Y 6QL. This newsletter does not constitute an offer of or solicitation to buy shares in the Fund ("Shares"). The key information document ("KID") contains detailed information on risk factors and fees that may apply and should be read carefully before investing. No investment decisions should be made without first reviewing the KID (available in English) for the Fund which can be obtained from www.atlantisjapangrowthfund.com or requested directly from Quaero via email at InvestorServices.uk@quaerocapital.com or by calling us on +44 (0)20 7747 5770.

This newsletter is being communicated by Quaero only to persons who qualify as (a) eligible counterparties, (b) professional customers or (c) exempted recipients under any of the exemptions to section 21 of the United Kingdom Financial Services and Markets Act 2000 (FSMA). Investors in the Fund will be shareholders in the Fund and not customers of Quaero. As such they are advised that in respect of an investment in the Fund they will not generally benefit from the protection of FSMA and provisions made thereunder or the United Kingdom Financial Services Compensation Scheme and will not have access to the United Kingdom Financial Ombudsman Services in the event of a dispute. Past performance is not necessarily a guide to the future performance. The value of Shares in the Fund and the income derived from them may go down as well as up. Changes in rates of exchange may be one of the causes of the value of investment in the Fund to go up and down. This newsletter is written for the benefit of the category of persons described above. It is not addressed to any other person and may not be used by them for any purpose whatsoever. It expresses no views as to the suitability of the investments described herein to the individual circumstances of any recipient.

Copyright Quaero Capital LLP 2021. All rights reserved.