EDISON

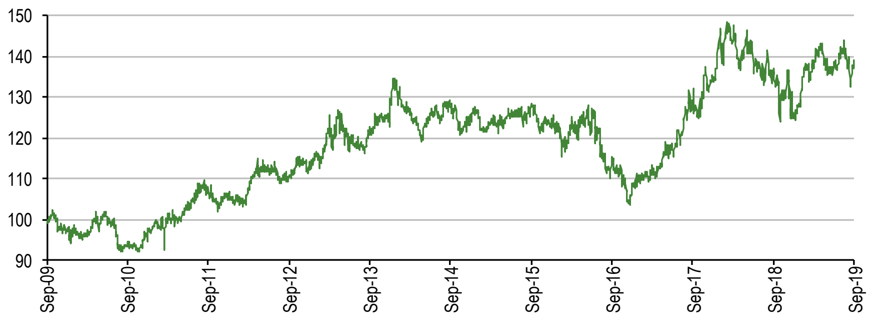
Atlantis Japan Growth Fund

New dividend policy will pay out 4% of NAV pa

Investment companies
Japanese equities

Atlantis Japan Growth Fund's (AJG) lead adviser since May 2016 is Taeko Setaishi of Atlantis Investment Research Corporation; during her tenure AJG has outperformed the benchmark Tokyo Price Index (TOPIX) in both NAV and share price terms. Over time, AJG's board has simplified the company's structure. Recently it announced it will no longer offer a six-monthly redemption facility; instead it will pay a quarterly dividend based on the fund's NAV, which will be paid out of revenue and capital. The board believes that this could broaden AJG's appeal for investors seeking Japanese equity exposure.

Long-term NAV outperformance versus the benchmark – current lead adviser's tenure is from 1 May 2016



Source: Refinitiv, Edison Investment Research

The market opportunity

While Japanese economic growth expectations have moderated from an already modest base, structural changes within the economy are providing interesting investment opportunities. In aggregate, Japanese equities are trading at a meaningful discount to the world market, which may be of interest to investors seeking exposure outside of considerably more expensive regions such as the US.

Why consider investing in AJG?

- Specialist exposure to Japanese equities; lead adviser seeks high-growth companies that are often underappreciated by the wider market.
- Simplified capital structure and introduction of quarterly dividends.
- AJG's investment performance has improved following the change in lead adviser in May 2016.
- Robust annual NAV and share price total returns of between 12.5% and 15.3% over the last three, five and 10 years.

Simpler structure may help to narrow the discount

AJG's current 13.2% discount to NAV is wider than the 9.6%, 9.0%, 8.9% and 9.1% average discounts over the last one, three, five and 10 years. The board's steps to simplify the company's structure, such as the cancellation of the subscription rights programme and six-monthly redemptions, and initiating a quarterly dividend, has the potential to increase AJG's appeal to a wider audience, and in doing so narrow the discount.

10 October 2019

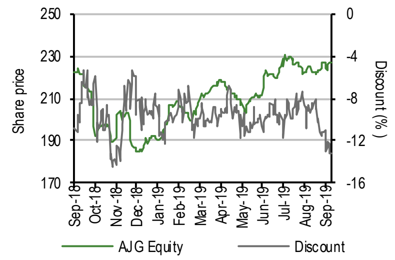
Price	**227.5p**
Market cap	**£95m**
AUM	**£110m**

NAV*	262.0p
Discount to NAV	13.2%

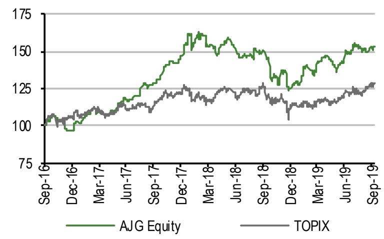
*Including income. As at 9 October 2019.

Current yield	0.0%
Ordinary shares in issue	41.8m
Code	AJG
Primary exchange	LSE
AIC sector	Japanese Smaller Companies
Benchmark	TOPIX (total return)

Share price/discount performance



Three-year performance vs index



52-week high/low	231.0p	184.5p
NAV* high/low	262.1p	197.9p

*Including income.

Gearing

Net*	1.5%

*As at 30 September 2019.

Analysts

Mel Jenner	+44 (0)20 3077 5720
Sarah Godfrey	+44 (0)20 3681 2519

investmenttrusts@edisongroup.com

Edison profile page

Atlantis Japan Growth Fund is a research client of Edison Investment Research Limited

Exhibit 1: Company at a glance

Investment objective and fund background

Atlantis Japan Growth Fund (AJG) aims to achieve long-term capital growth through investing wholly or mainly in listed Japanese equities. Currently all investments are in Japanese equities, with a bias to smaller and mid-sized companies.

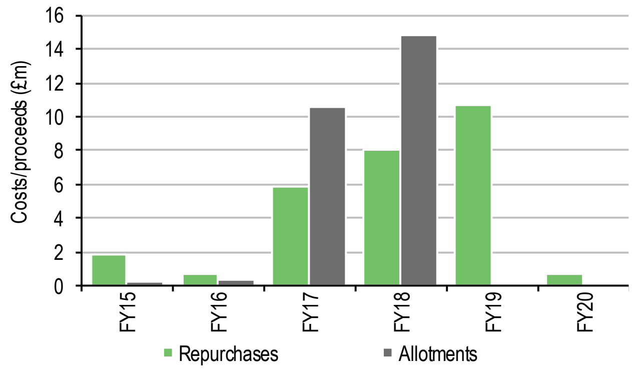
Recent developments

- 2 October 2019: The board approved payments for redeemed shares – 245.02p/share for basic entitlements and 231.31p/share for excess entitlements.
- 24 September 2019: The board announced that 2.9m (6.57% of the share base) had been lodged for redemption, which would be scaled back to 5%.
- 12 July 2019: Annual results ending 30 April 2019 in £ terms. NAV TR -0.1% versus benchmark TR -2.9%. Share price TR -0.2%.

Forthcoming		Capital structure		Fund details	
AGM	September 2020	Ongoing charges	1.63% (FY19)	Group	Atlantis Investment Research Corp
Interim results	December 2019	Net gearing	1.5%	Manager	Quaero Capital
Year end	30 April	Annual mgmt fee	1.0%	Address	2-4 King Street, London, SW1Y 6QL
Dividend paid	See page 8	Performance fee	None		
Launch date	10 May 1996	Company life	Indefinite (subject to vote)	Phone	+44 (0)207 747 5770
Continuation vote	Four-yearly – next 2023	Loan facilities	¥1.5bn	Website	atlantisjapangrowthfund.com

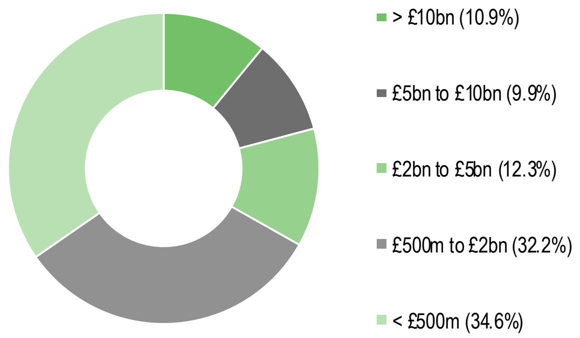
Share buyback policy and history (financial years)

Renewed annually, the board has authority to repurchase up to 14.99% of outstanding shares. Repurchases shown below include redeemed shares. Allotments include exercises of subscription rights.

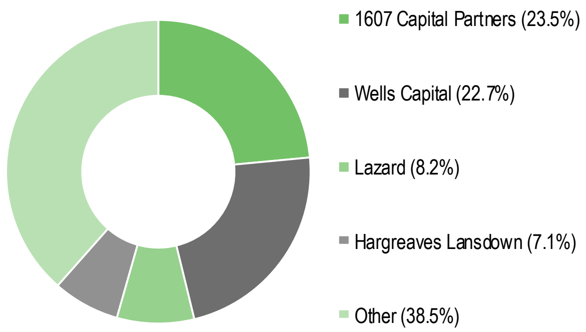


Portfolio exposure by market cap (as at 30 September 2019)

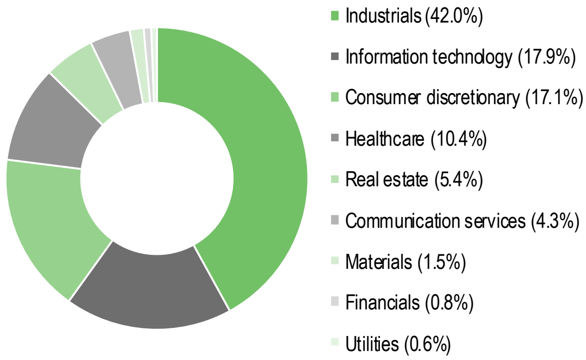
Figures rebased for gearing. Currently all investments are in Japanese equities with a bias to smaller and mid-sized companies.



Shareholder base (as at 30 September 2019)



Portfolio exposure by sector (rebased for gearing, as at 30 Sept 2019)



Top 10 holdings (as at 30 September 2019)

Company	Sector	Portfolio weight %	
		30 September 2019	30 September 2018*
Japan Elevator Service Holdings	Commercial & residential building equipment & services	4.2	N/A
Lasertec	Semiconductor equipment	3.4	N/A
Nidec	Electronic components	3.2	3.4
Hikari Tsushin	Consumer electronics & application stores	3.1	2.5
Asahi Intecc	Medical devices	3.1	N/A
TKP	Commercial services	3.0	N/A
S-Pool	Commercial services	2.9	N/A
Keyence	Factory automation equipment	2.7	N/A
Nihon M&A Center	Institutional brokerage	2.7	2.5
Tokyo Electron	Semiconductor equipment	2.6	N/A
Top 10 (% of holdings)		**30.9**	**26.3**

Source: Atlantis Japan Growth Fund, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-September 2018 top 10.

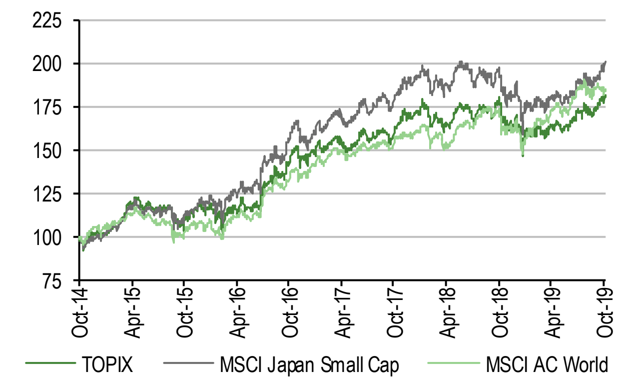
Market outlook: Relatively attractive valuations

Japanese economic growth forecasts have come down over the course of this year, likely due in part to the October 2019 increase in consumption tax from 8% to 10%, although government stimulus, which includes higher public spending and tax breaks, may offset the worst of the demand impacts. However, unlike in April 2014, when the tax increased from 5% to 8%, there has not been a spike in demand ahead of the hike; time will tell if this is due to confidence in the stimulus proposals, or an indicator of a generally cautious consumer. On a positive note, Japan is hosting the Olympics in 2020, which should stimulate demand within the broader economy. Inbound tourist flows have already been in an uptrend in recent years due to eased visa restrictions, growth of low-cost carriers and promotion by the Japanese government. Structural changes are also providing growth opportunities within the country, and with the 2% inflation target a long way off, the Bank of Japan is likely to continue its loose monetary policies. Within Japan, there is an increased focus on the Corporate Governance Code; there are moves towards more efficient allocation of cash at the corporate level and higher returns to shareholders via dividends and share buybacks, which over time should increase the appeal of Japanese equities to global institutional investors.

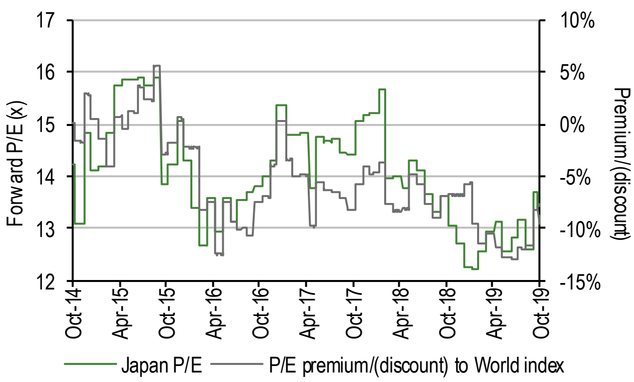
Over the last five years, small-cap Japanese equities have outperformed both the wider Japanese and world markets, all in sterling terms (Exhibit 2, LHS). In aggregate, on a forward P/E multiple basis, Japanese shares continue to trade at a meaningful discount to global equities (13.5x vs 14.8x). The current 8.9% discount is meaningfully wider than the 5.6% average discount over the last five years. This valuation differential may provide a margin of safety for investors seeking Japanese equity exposure.

Exhibit 2: Market performance and valuation

Performance of indices (last five years, in £ terms)



Japan forward P/E multiple and discount to world index



Source: Refinitiv, Edison Investment Research. Note: Data at 9 October 2019.

Exhibit 3: Forward P/E multiples (x) of Datastream equity indices (last 10 years)

	Last	High	Low	10-year average	Last as % of average
Japan	13.5	21.7	10.5	13.9	97
US	17.1	19.0	11.2	15.4	111
UK	12.0	15.7	8.5	12.6	95
Europe	13.5	15.5	7.6	12.3	109
World	14.8	16.3	9.8	13.6	109

Source: Refinitiv, Edison Investment Research. Note: Data at 9 October 2019.

Fund profile: Bias to smaller Japanese companies

AJG was launched on 10 May 1996, and is a Guernsey-registered investment company listed on the Main Market of the London Stock Exchange. Its investment manager is specialist fund management firm Quaero Capital, with Tokyo-based Atlantis Investment Research Corporation

(AIRC) acting as investment adviser. AIRC was established in 1996 and is an independent firm with four investment professionals who have an average of more than 30 years' investment experience. Taeko Setaishi has been AJG's lead adviser since 1 May 2016 (having formerly been its deputy fund adviser for 20 years). The fund aims to generate long-term capital growth from a diversified portfolio of Japanese equities. It may invest up to 100% of gross assets in companies listed on any Japanese stock exchange and up to 20% of NAV in companies listed overseas that have significant operations in Japan. Up to 20% of NAV, at the time of investment, may be allocated to equity warrants or convertible debt; however, AJG's current portfolio is entirely invested in publicly listed Japanese companies, including REITs. A maximum 10% of the portfolio may be held in a single company. At the time of borrowing, gearing up to 20% of NAV is permitted; at end-September 2019, net gearing was 1.5%. Typically, the fund's currency exposure is unhedged. AJG's investment performance is benchmarked against the TOPIX. Data from Northern Trust and Bloomberg show that from the fund's inception to end-July 2019, AJG's NAV total return in sterling terms was +291.2%, which is significantly ahead of the benchmark's +61.9% total return.

The fund's lead portfolio adviser: Taeko Setaishi

The lead adviser's view: Benefits of focus on growth companies

Setaishi notes that global economies are decelerating, and Japan is no exception, with consensus GDP estimates for the year ending 31 March 2020 of around 0.3–0.5%. While, in aggregate, there have been negative earnings revisions in Japan, the adviser is continuing to focus on those companies with favourable growth attributes. She says this does not just benefit shareholders, but also motivates a firm's management team, employees (including better staff retention, which is a big problem in Japan) and customers. Setaishi comments that higher earnings provide capex for future growth, and encourage a better corporate governance culture, with the potential for improved shareholder returns.

The lead adviser highlights one of the important themes within AJG's portfolio, all of which have longevity in terms of investment. 'New opportunities' are companies benefiting from structural change within Japan. Some are new businesses, including financial and business consultancy services, while others are new models for established firms. Setaishi comments on AJG's holding in Nihon M&A Center, which has been in the portfolio for around a decade and is benefiting from the higher number of mergers and acquisitions in Japan – drivers of this include labour shortages and an ageing population, leading to a higher number of retiring business owners. She believes that Nihon M&A Center has growth potential for many years to come.

In Q119, the Japanese equity market rallied strongly, along with other global markets. Setaishi explains that subsequent weakness in Japan was driven by selling by overseas investors, while domestic buyers have been net purchasers. She says that certain Japanese companies' shares are favoured by overseas investors; she tends to avoid these as they can experience exaggerated fund flows. The adviser says that the selling by overseas investors has been technically rather than fundamentally driven; if investors wish to express a negative view on Asia, selling Japanese equities is an obvious choice given the much higher liquidity available compared with other markets in the region.

Asset allocation

Investment process: Disciplined, bottom-up stock selection

Portfolio construction is based on a disciplined, bottom-up approach to stock selection. Setaishi believes that company share prices are ultimately driven by profits growth; she seeks companies with secular growth potential, competitive advantages and strong cash flows, that are trading at a discount to their perceived intrinsic value. The resulting portfolio typically contains 60–70 primarily small- and mid-cap Japanese equities, which are often under-researched and can be mispriced.

AIRC has a four-stage investment process:

- **Periodic screening** – quarterly screening of the investible universe of c 2,000 companies, seeking businesses with above-average growth and improving fundamentals, that are trading on reasonable valuations.
- **Company visits** – the team undertakes c 800 meetings each year. These are deemed critical to understanding a company's business model, its competitive position and future strategy.
- **Evaluation** – in-depth fundamental research, including construction of an earnings model, a determination of a stock's appropriate valuation and a consideration of its technical factors.
- **Buy list** – typically c 125 companies are considered for inclusion in the portfolio, c 40 of which are included on a watch list (these are attractive companies where the adviser is seeking a better entry point).

Position size is a function of Setaishi's level of conviction in the holding, while taking a stock's liquidity into account (typically, starting positions are 0.5% of the fund, before being built to 2.0% and then allowed to run). AJG's portfolio has a high active share (95.6% at end-September 2019); this is a measure of how a portfolio differs from its benchmark, with 0% representing full index replication and 100% zero commonality. Holdings may be sold if there is a downturn in a company's operating environment, following an earnings disappointment, if there is an unjustified change in a firm's business model, or if a position becomes too large.

Current portfolio positioning

At end-September 2019, AJG's top 10 holdings made up 30.9% of the portfolio, which is a higher concentration compared with 26.3% 12 months earlier; only three positions were common to both periods. During this time, the largest exposure changes on a market cap basis are a lower weighting to companies between £500m and £2bn (-10.5pp), with higher weightings to larger firms (£5bn to £10bn, +5.7pp) and smaller companies (<£500m, +4.6pp).

Exhibit 4: Portfolio exposure by market cap (% unless stated)

	Portfolio end-September 2019	Portfolio end-September 2018	Change (pp)
>£10bn	10.9	12.6	(1.7)
£5bn to £10bn	9.9	4.3	5.7
£2bn to £5bn	12.3	10.3	2.0
£500m to £2bn	32.2	42.7	(10.5)
<£500m	34.6	30.1	4.6
	100.0	**100.0**	

Source: Atlantis Japan Growth Fund, Edison Investment Research. Note: Rebased for gearing.

Exhibit 5: Portfolio sector exposure vs benchmark (% unless stated)*

	Portfolio end-September 2019	Portfolio end-September 2018	Change (pp)	Index weight	Active weight vs index (pp)	Fund weight/ index weight (x)
Industrials	42.0	46.3	(4.3)	22.5	19.5	1.9
Information technology	17.9	16.6	1.3	11.4	6.5	1.6
Consumer discretionary	17.1	15.5	1.6	18.0	(0.9)	0.9
Healthcare	10.4	8.1	2.4	8.6	1.9	1.2
Real estate	5.4	4.7	0.7	3.1	2.3	1.8
Communication services	4.3	2.2	2.1	8.2	(3.9)	0.5
Materials	1.5	3.5	(2.0)	6.2	(4.7)	0.2
Financials	0.8	3.1	(2.3)	10.5	(9.7)	0.1
Utilities	0.6	0.0	0.6	1.7	(1.1)	0.4
Energy	0.0	0.0	0.0	0.9	(0.9)	N/A
Consumer staples	0.0	0.0	0.0	9.0	(9.0)	N/A
	100.0	**100.0**		**100.0**		

Source: Atlantis Japan Growth Fund, Edison Investment Research, Bloomberg. Note: Rebased for gearing. *Using Global Industry Classification Standard rather than TOPIX classifications.

In terms of sector exposure, over the last 12 months to end-September 2019, the greatest increase is in healthcare (+2.4pp), with a lower weighting in industrials (-4.3pp); although this sector remains the largest active bet versus the benchmark (+19.5pp). The fund continues to have no exposure to the consumer staples and energy sectors, which make up c 10% of the TOPIX.

Setaishi focuses on a couple of relatively new additions to AJG's portfolio, Japan Medical Dynamic and QB Net Holdings (QB). Japan Medical Dynamic is a beneficiary of Japan's ageing population. It was historically a seller of medtech products, but now as a result of mergers and acquisitions, it has its own manufacturing operations. Its product range includes bespoke implants, which are contributing to the firm's increasing market share. Around 40% of Japan Medical Dynamic's sales are generated in the US and 86% of revenues are from its own products, which is enhancing margins. QB stands for Quick Barber. Its model is based on a fast, cheap customer turnaround in high-footfall locations (10 minutes for c $11), and is also relatively attractive to employees in terms of better pay and working conditions compared with traditional barbers. The company is benefiting from consolidation in a very fragmented market, where the top 10 players have a combined market share of less than 5%. Setaishi is hopeful about a change in the shareholder base, which currently contains some investors with a shorter-term horizon. Recent complete disposals include Money Forward (a platform business whose products are taking longer than expected to monetise), and SharingTechnology (which provides services to deal with household problems; however, the founder left the company less than 12 months after it listed, which Setaishi says was a red flag).

Performance: Ahead over the medium and long term

Exhibit 6: Five-year discrete performance data

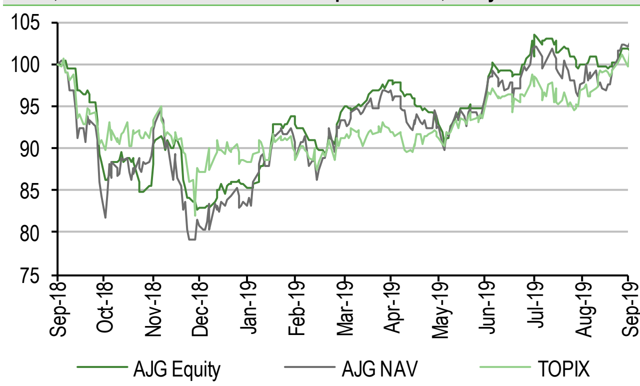
12 months ending	Share price (%)	NAV (%)	TOPIX (%)	MSCI Japan Small Cap (%)	MSCI AC World (%)	FTSE All-Share (%)
30/09/15	5.8	6.8	6.3	10.5	0.4	(2.3)
30/09/16	17.8	18.8	32.1	39.4	31.3	16.8
30/09/17	28.2	26.3	12.6	15.3	15.5	11.9
30/09/18	17.3	18.8	13.0	10.8	13.5	5.9
30/09/19	1.9	2.1	(0.3)	(0.3)	7.9	2.7

Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

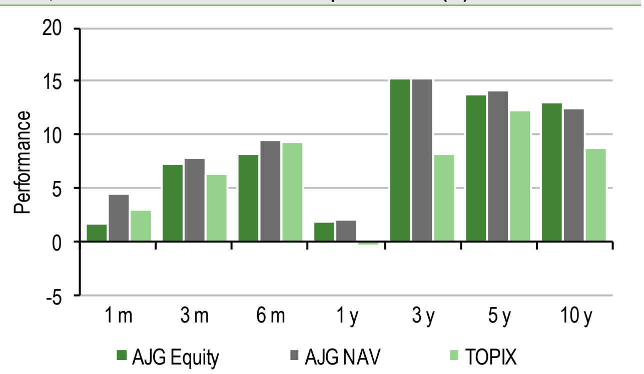
In FY19 (ending 30 April) AJG's NAV and share price total returns of -0.1% and -0.2% respectively were better than the -2.9% total return of the benchmark. Positive contributors included Lasertec (semiconductor production equipment), Benefits One (corporate benefits administration), Daifuku (material handling/logistics systems equipment) and Asahi Intecc (medical equipment).

Exhibit 7: Investment company performance to 30 September 2019

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

Setaishi highlights some of the fund's main contributors to performance so far in 2019. Successful holdings include Japan Elevator Service (investors are focusing on infrastructure spending ahead of the 2020 Olympics), Lasertec (delivering good earnings in a recovering semiconductor sector) and PeptiDream (a profitable biotech company). Less successful positions include Recruit Holdings (which has been unwinding its cross-holdings), SharingTechnology (founder departed the company), and Link & Motivation (faltering business momentum).

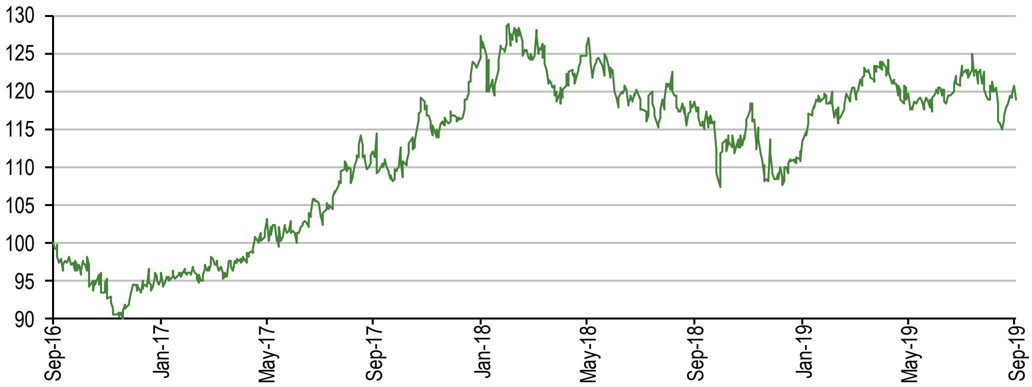
Exhibit 8: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to TOPIX	(1.1)	0.8	(1.1)	2.2	20.8	7.1	47.2
NAV relative to TOPIX	1.5	1.3	0.1	2.4	20.7	9.0	39.3
Price relative to MSCI Japan Small Cap	(0.7)	(0.2)	(0.9)	2.2	20.3	(2.7)	23.8
NAV relative to MSCI Japan Small Cap	2.0	0.3	0.3	2.4	20.2	(1.0)	17.2
Price relative to MSCI AC World	0.8	3.8	(1.6)	(5.6)	8.3	2.3	12.0
NAV relative to MSCI AC World	3.5	4.3	(0.4)	(5.4)	8.2	4.1	6.0
Price relative to FTSE All-Share	(1.1)	6.0	3.4	(0.8)	25.9	37.4	54.6
NAV relative to FTSE All-Share	1.5	6.5	4.7	(0.6)	25.8	39.8	46.3

Source: Refinitiv, Edison Investment Research. Note: Data to end-September 2019. Geometric calculation.

In absolute terms, over the last three, five and 10 years, AJG has generated annual total returns of 12.5–15.3% (NAV) and 13.1–15.3% (share price). The fund's relative returns are shown in Exhibit 8; they include dilution of more than 10% from the issuance of subscription shares in October 2016 and October 2017. AJG has outperformed the TOPIX over one, three, five and 10 years, with particular relative strength over three and 10 years. It has also significantly beaten the performance of the bellwether UK index over three, five and 10 years.

Exhibit 9: NAV total return performance relative to benchmark over three years



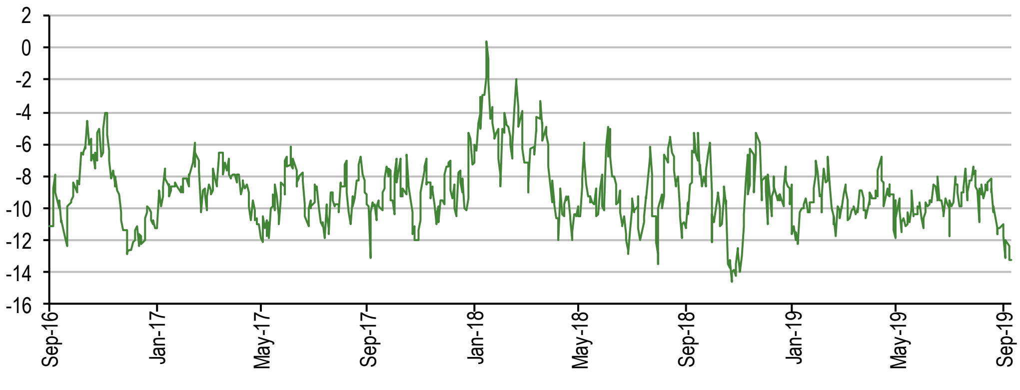
Source: Refinitiv, Edison Investment Research

Discount: Change in the discount control mechanism

The board adopted a hard discount control mechanism in 2013, whereby a continuation vote was held if AJG's shares traded, on average, at a greater than 10% discount to NAV during any rolling 90-day period (in normal market conditions). It now employs a less formulaic approach to managing the discount, using share repurchases. The company has the authority, granted annually, to buy back 14.99% of its outstanding shares; so far, in FY20, 0.3m shares (0.7% of the share base) have been repurchased at a cost of £0.7m.

Over the last three years, AJG has traded in a wide range of a 0.4% premium (February 2018) to a 14.6% discount to NAV (November 2018). Its current 13.2% discount is wider than the 8.9% to 9.6% range of average discounts over the last one, three, five and 10 years.

Exhibit 10: Share price premium/discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

AJG is a closed-end investment company with one class of share; there are currently 41.8m ordinary shares in issue, with a further 4.7m held in treasury. The company has a ¥1.5bn (c £10m) credit facility with Royal Bank of Scotland International, of which ¥1.0bn (c £7m) is currently drawn. At end-September 2019, net gearing was 1.5%.

Over time, AJG's capital structure has been simplified, which the board believes should make it more appealing to shareholders. The company's subscription share mechanism was discontinued in November 2017 (having successfully raised c £11m in FY16 and c £15m in FY17). AJG had a facility (at the board's discretion) that enabled shareholders to sell all or part of their holdings via a six-monthly redemption of up to 5% of the company's outstanding shares. However, the board believes that paying a regular dividend, out of capital reserves when required, is an effective and low-cost way to provide additional liquidity and a fairer way to distribute capital to all shareholders (see following Dividend policy and record section). The last redemption opportunity was in September 2019. On 24 September, the board announced that 2.9m shares (6.57% of the share base) had been lodged for redemption, which would be scaled back to 5% (2.2m shares).

The board has announced a change to AJG's fee structure; starting in FY20, Quaero Capital will be paid an annual management fee of 1.00% up to £125m of NAV, 0.85% between £125m and £175m, and 0.70% on NAV above £175m (the previous fee was a flat 1.00% of NAV). No performance fee is payable. In FY19, AJG's ongoing charges of 1.63% were 6bp higher year-on-year, but considerably lower than 1.91% in FY16, illustrating the benefits of spreading fixed costs over a larger asset base.

AJG has a four-yearly continuation vote, with the next due at the 2023 AGM. Shareholders voted overwhelmingly (99.9%) in favour of continuation at the 2019 AGM in September.

Dividend policy and record

At the September 2019 AGM, AJG's shareholders approved a new dividend policy. There will be regular quarterly payments of 1% of the company's NAV (based on the average daily NAV in the final month of the financial year). These will be paid in March, June, September and December. The first payment under AJG's revised policy will be in December 2019; based on an average NAV of 237p in April 2019, the December 2019, March 2020 and June 2020 distributions will be 2.37p per share. If there were four rather than three dividend payments in respect of FY20, this would equate to a prospective dividend yield of 4.2%.

The board notes that investors are increasingly seeking income and are becoming more comfortable with dividends that are paid out of capital as well as revenue reserves. It believes that compared with six-monthly redemptions, a smaller and more frequent dividend will be less disruptive with regard to AJG's portfolio construction.

Peer group comparison

In Exhibit 11, we show the three closed-end funds in the AIC Japanese Smaller Companies sector that have been trading for more than a year (AJG actually has an all-cap strategy). AJG's NAV total returns rank first over the last 12 months, second over three years, third over five years and second over 10 years. (The company's returns include more than 10pp dilution as a result of subscription share issuance between October 2016 and October 2017.) AJG has a wider than average discount and the highest ongoing charge, arguably due to spreading fixed costs over a smaller base. It has a below-average level of gearing and currently does not pay a dividend, although as shown in the previous section, shareholders have recently approved a change in the company's dividend policy.

To enable a broader comparison, we also show the six closed-end funds in the AIC Japan sector and the seven open-ended funds in the IA Japanese Smaller Companies sector. AJG's total returns are above the closed-ended averages over the last one, three and 10 years, and below over five. They are above the averages of the open-ended funds over one and three years, broadly in line over five years, and below over 10 years.

Exhibit 11: Japanese peer groups as at 9 October 2019*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (ex-par)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
Atlantis Japan Growth	95.1	8.2	54.4	103.2	236.2	(13.2)	1.6	No	102	0.0
Baillie Gifford Shin Nippon	515.0	(1.8)	57.7	203.5	554.5	0.8	0.8	No	110	0.0
JPMorgan Japan Smaller Cos	225.7	5.2	37.4	118.5	199.8	(11.0)	1.1	No	100	4.2
Average – AIC Japanese Smaller Cos	**278.6**	**3.9**	**49.8**	**141.7**	**330.2**	**(7.8)**	**1.2**		**104**	**1.4**
AJG rank in sector (3 funds)	**3**	**1**	**2**	**3**	**2**	**3**	**1**		**2**	**2=**
Aberdeen Japan	85.9	3.2	20.3	69.1	177.3	(12.9)	1.1	No	112	0.9
Baillie Gifford Japan	765.3	2.8	41.8	137.8	359.3	(0.6)	0.7	No	111	0.4
CC Japan Income & Growth	211.5	4.2	44.1			(2.0)	1.1	No	121	2.5
Fidelity Japan Trust	214.4	2.5	47.2	130.0	213.5	(10.8)	1.1	No	112	0.0
JPMorgan Japanese	714.3	3.0	33.4	121.7	221.9	(11.7)	0.7	No	113	1.1
Schroder Japan Growth	246.3	(3.1)	18.5	72.0	169.0	(13.1)	1.0	No	113	2.4
Average – AIC Japan	**373.0**	**2.1**	**34.2**	**106.2**	**228.2**	**(8.5)**	**0.9**		**114**	**1.2**
Open-ended funds										
Aberdeen Standard Japan Smlr Cos	388.1	9.4	27.5	99.3	245.4		1.7			0.0
Baillie Gifford Japanese Smaller Cos	901.4	0.8	46.5	163.7	424.2		0.6			0.2
BGF Japan Small & Mid Cap Opps	498.0	(1.3)	23.4	79.8	155.4		1.9			0.0
BNY Mellon Japan Small Cap Eq Focus	100.8	0.7					0.9			0.2
Invesco Japanese Smaller Cos	56.0	(4.8)	26.2	102.2	168.1		1.7			0.0
Janus Henderson Horizon Jap Smlr Cos	215.4	8.6					1.0			0.0
M&G Japan Smaller Companies	80.8	(10.0)	9.1	71.5	210.5		1.4			2.6
Average – open-ended funds	**320.1**	**0.5**	**26.5**	**103.3**	**240.7**		**1.3**			**0.4**

Source: Morningstar, Edison Investment Research. Note: *Performance as at 8 October 2019 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

There are four directors on AJG's board, all of whom are non-executive and independent of the manager. Chairman Noel Lamb was appointed to the board on 1 February 2011 and assumed his current role on 1 May 2014. The other three directors are: Philip Ehrmann (appointed on 25 October 2013), Richard Pavry (appointed on 1 August 2016) and Michael Moule (appointed on 5 February 2018). The directors have backgrounds in investment trusts, investment management, corporate finance and law.

General disclaimer and copyright

This report has been commissioned by Atlantis Japan Growth Fund and prepared and issued by Edison, in consideration of a fee payable by Atlantis Japan Growth Fund. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia