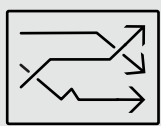


Fund performance



The net asset value of the Fund rose by 5.12% over the quarter against 4.85% for the Topix benchmark index (net basis). Stock selection was strong in both financials and information technology, although it was weak in industrials.¹

At the stock level, Chugai Pharmaceutical surged on favourable trial results for efficacy and safety in an obesity drug that it has developed. Kandenko rallied on positive earnings momentum stemming from customers' energy grid investment in renewable energy capacity in Japan. NEC also performed well on better-than-expected results driven by margin expansion in the domestic IT services business.

On the other hand, Sumitomo Electric fell on investor concerns over a slowdown in data centre-related demand and the impact of tariffs on its automotive business. Shares in telecom submarine cable optical device maker Kohoku Kogyo declined, as investors focused on US tariffs and the potential slowdown of AI and data centre-related investments. The position in Hoya detracted from returns on concerns about the impact of US tariffs on its eyeglass lenses, endoscopes, and semiconductor-related business.

Market review

Japanese equities fell in the three months to the end of April in yen terms, with the MSCI Japan Index down by 4.08%. However, they were higher in US dollars, gaining 4.13% as the yen strengthened.

Cumulative and annualized total return as of April 30, 2025 (%)

	NAV	Market Price	TOPIX Index (Net TR)
10 Years (p.a.)	4.42	4.77	5.51
5 Years (p.a.)	5.82	8.09	8.60
3 Years (p.a.)	8.78	11.29	10.77
1 Year	11.57	23.87	9.56
Year to Date	7.12	18.78	6.56
3 Months	5.12	17.76	4.85
1 month	5.24	3.38	5.19

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

Investment returns and principal value will fluctuate and shares, when sold, may be worth more or less than original cost. Current performance may be lower or higher than the performance quoted. NAV return data includes investment management fees, custodial charges and administrative fees (such as Director and legal fees) and assumes the reinvestment of all distributions.

Effective February 28, 2020, the TOPIX (Net Dividends) replaced the TOPIX (Gross Dividends) as the Fund's primary benchmark.

The Fund is subject to investment risk, including the possible loss of principal. Returns for periods less than one year are not annualized.

Investor sentiment and the direction of the market were increasingly driven through the quarter by US President Donald Trump's decisions on tariffs. Japan's market suffered a sharp sell-off along with other global markets following US President Donald Trump's implementation of punitive tariffs on 2 April – so-called "Liberation Day". After the initial tumble, however, the market recovered to end April higher in US dollar terms for both the month and the quarter.

¹ The Tokyo Stock Price Net Index is a market capitalization-weighted index of large- and mid-sized companies listed on the Tokyo Stock Exchange. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses are reflected. You cannot invest directly in an index.



The rebound resulted from Trump's decision to suspend the worst of his tariffs, and instead, impose a general 10% levy on all imports (bar those from China and the automotive sector) for a 90-day period.

In economic news, headline inflation eased slightly to 3.6% in March, having hit a two-year high of 4.0% in January. However, core inflation (excluding fresh food prices) stayed at 3.2% in March, the same level as January, which was the highest in 18 months. GDP for the fourth quarter expanded by 0.6% quarter on quarter, marking the third successive quarter of growth. The acceleration was largely driven by stronger business investment and net trade (exports rose, while imports fell). On a negative note, Japan's consumer confidence index fell to its lowest level in two years, dropping to 34.1 in March from 34.8 in February.

Activity

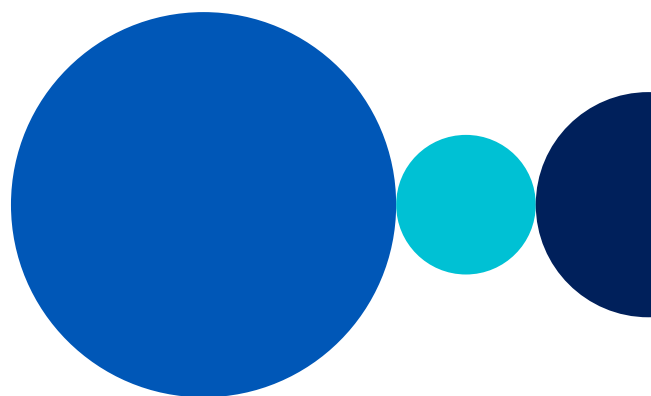
During the quarter, we bought shares in the following stocks: Base, which is a system integrator that has access to talent pools in both Japan and China, and a high return profile due partly to the productivity of its engineers; electrical engineering firms Chudenko and Toenec, as we expect them to benefit from the reshoring of supply chains and increased investments by power companies to improve the electrical grid to accommodate new factories and data centres; civil engineering firm Hazama Ando, where we see substantial room for gross margin improvement and believe current valuations are attractive; we participated in the initial public offering of JX Advanced Metals in view of the company's growth outlook; Mizuho Financial Group, as we believe that its large corporate exposure will lead to lower credit costs and opportunities to monetise its relationships through non-lending activities in the form of fees and commissions; Panasonic, as we expect its returns and growth outlook to improve as it shifts to a solution-centric company; mail-order cosmetic and supplement company Shinnihonseiyaku, which as a result of its differentiated products and customer base and distribution methods, has a strong return profile; dental solution provider Shofu, as we look for its innovative but low-cost solutions to drive share gains and help lower healthcare costs; Terumo, which has the top global market share for cardiac and vascular access devices used to guide catheters in medical tests and treatment; West Holdings, which specialises in engineering, procurement, and construction of solar power plants and is likely to be a beneficiary of decarbonisation trends in Japan; badminton racket supplier Yonex, as we think the company is well-positioned to grow its market share in tennis rackets.

On the other hand, we exited our positions in Iwatani, Japan Exchange Group, Milbon, Sho-Bond Holdings, Shoei and Takasago Thermal Engineering and in view of better opportunities elsewhere.

Outlook & strategy

With signs of real wage growth turning positive, we believe that the outlook for domestic Japan is relatively firm and less susceptible to tariffs. In addition, we see on-going reforms, improvements in corporate governance and digitalisation efforts as underpinning the still substantial potential for growth and investment opportunities in Japan. More broadly, we will be monitoring the latest tariffs to see if they lead to a global economic slowdown and what the potential ripple effects on the Japanese economy might be. The added uncertainty may also result in the appreciation of the yen, as investors look to safe-haven currencies.

We believe the outlook for quality remains positive in Japan. While the last three years have been challenging for quality-focused investors due to a sharp rotation to value stocks, the market is now focusing more on sustainable earnings and the ability of corporates to adapt to the changes in the operating environment. We continue to focus on high-quality companies with strong growth potential and robust ESG credentials, leveraging our deep fundamental research and rigorous stock selection process. We believe the portfolio is well positioned, and ultimately, we have confidence that our companies will deliver attractive risk-adjusted returns over time.



Important Information

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed-end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the Fund. The net asset value (NAV) is the value of an entity's assets less the value of its liabilities. The market price is the current price at which an asset can be bought or sold. There is no assurance that the Fund will achieve its investment objective. Past performance does not guarantee future results.

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International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods; these risks are generally heightened for emerging market investments.

Equity stocks of small and mid-cap companies carry greater risk, and more volatility than equity stocks of larger, more established companies.

Concentrating investments in the Japan region subjects the Fund to more volatility and greater risk of loss than geographically diverse funds.

Please see the Fund's most recent annual report for more information on risks applicable to the Fund.

For more information visit aberdeeninvestments.com

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