

**SHINING A LIGHT ON THE.....
Neptune UK Mid Cap Fund**

AT A GLANCE

Investment Objective	
The investment objective of Neptune UK Mid Cap Fund is to generate capital growth by investing predominantly in the companies of the FTSE 250 Mid and in the 50 largest companies by market capitalisation listed on the FTSE Small Cap (excluding investment trusts and other funds) with a view to attaining top quartile performance within the appropriate peer group. The Fund may also invest in other transferable securities (with no geographical restriction), collective investment schemes, cash or near cash, deposits and money-market instruments. Derivatives and forward transactions may be used by the ACD for efficient portfolio management.	

Inception Date	15 December 2008
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F000002Y9L

Management	
Manager Name	Start Date
Mark Martin	15 December 2008

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	0.00%
Large	0.00%
Medium	25.76%
Small	72.16%
Micro	2.08%

Top 10 Holdings		
Total number of holdings	28	
Assets in Top 10 Holdings	61.98%	
Name	Sector	% of Assets
PayPoint PLC	Industrials	9.05%
Devro PLC	Consumer Defensive	7.85%
ITE Group PLC	Industrials	7.04%
Spirent Communications PLC	Communication Services	6.85%
Chemring Group PLC	Industrials	6.61%
Ultra Electronics Holdings PLC	Industrials	5.12%
PZ Cussons PLC	Consumer Defensive	4.95%
Jardine Lloyd Thompson Group PLC	Financial Services	4.86%
Saga PLC	Financial Services	4.82%
De La Rue PLC	Industrials	4.82%

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Volatility Measurements	
3-Yr Std Dev (volatility)	11.74%
3-Yr Mean Return (average)	12.39%

FUND PERFORMANCE

Performance 1 January 2012 – 30 April 2017

	2012	2013	2014	2015	2016	2017
Neptune UK Mid Cap Fund	41.00%	26.63%	11.92%	13.26%	3.09%	10.70%
Lyxor FTSE All Share ETF	11.67%	20.16%	0.93%	1.08%	15.44%	4.01%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since launch
Neptune UK Mid Cap Fund	17.90%	39.36%	120.08%	378.43%
Lyxor FTSE All Share ETF	19.68%	20.72%	55.69%	140.53%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE....

Mark has run this fund since its launch in 2008 and since then he has significantly outperformed the FTSE All Share Index. He believes valuations are high, and therefore funds which track the index are not the place to be. His fund is targeting the bottom end of the FTSE 250 and very large small cap.

His aim is to find companies which have been mispriced by the market; he believes his hunting ground is in a sweet spot giving him a trough of low valuations. In terms of style he is agnostic and will have anything from value, growth and corporate turnarounds. At the moment there is a tilt towards the value end of the market. He explained some of the stocks he holds and why they offer opportunities.

For example, Ultra Electronics vs BAE; Ultra has significantly underperformed the market and yet it has a lot going for it compared to BAE. The macro picture has improved significantly for them, they have a much smaller pension scheme deficit, they are more exposed to the US, there is no government interference and there is the potential for M&A.

Mark feels that there are plenty of opportunities like this but you have to think a little different. For example, although consumer confidence remains relatively high he doesn't feel that the poison has hit, this means he looks to avoid domestic cyclicals like housebuilders. His view is that we are at peak house price valuations and the price to book of many stocks are high when you mix in the affordability index; this leads to a toxic mix where valuations don't match the risks and there are simply better opportunities elsewhere.

Equally there is a rush to global companies on the FTSE, and again he looks to avoid companies with domestic exposure. He does have some but care is taken (examples would be holdings like Devro and De La Rue vs the likes of Britvic, which he feels has too much exposure to the UK consumer whereas

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the others are more export driven). Another good example of his approach is ITE, which is a big holding, this is a Russian media business with no real exposure to the UK other than being listed on the FTSE.

In summary, Mark explained that it is an exciting time to be an active manager with plenty of opportunity to outperform index funds. Although there is risk in that it is a concentrated portfolio with 60% in the top 10, Mark argues that his focus on companies with pricing power and strong balance sheets reduces that risk and he feels that this is reflective of the volatility which is relatively low. It is worth adding that although this is a mid-cap fund it is at the low end whereas many tend to be at the upper end and even hold FTSE 100 stocks. So this might act as a good blend with a large cap fund.

The source of information in this note has been provided by Neptune and is correct as at April 2017. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.