

**SHINING A LIGHT ON THE.....
Neptune Japan Opportunities Fund**

AT A GLANCE

Investment Objective	
The investment objective of Neptune Japan Opportunities Fund is to generate consistent capital growth by investing, predominantly in a concentrated portfolio of Japanese securities, with a view to attaining top quartile performance within the appropriate peer group. Other eligible asset classes may include collective investment schemes, other transferable securities, cash or near cash, deposits and money market instruments. It is anticipated that derivatives instruments and forward transactions may be used by the ACD for efficient portfolio management.	

Inception Date	30 th September 2002
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F0GBR04GM7

Management	
Manager Name	Start Date
Chris Taylor	1 st May 2005

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	25.13%
Large	36.96%
Medium	30.78
Small	5.22%
Micro	1.91%

Top 10 Holdings		
Total number of holdings	43	
Assets in Top 10 Holdings	36.72	
Name	Sector	% of Assets
Keyence Corp	Technology	5.18%
Nintendo Co Ltd	Technology	4.51%
Mitsubishi Gas Chemical Co Inc	Basic Materials	4.20%
Taisei Corp	Industrials	3.70%
JXTG Holdings Inc	Energy	3.43%
Nippon Paint Holdings Co Ltd	Basic Materials	3.22%
HASEKO Corp	Consumer Cyclical	3.17%
BANDAI NAMCO Holdings Inc	Consumer Cyclical	3.14%
SUMCO Corp	Technology	3.13%
Mitsubishi Chemical Holdings Corp	Basic Materials	3.03%

Volatility Measurements	
3-Yr Std Dev (volatility)	19.24%
3-Yr Mean Return (average)	6.00%

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FUND PERFORMANCE

Performance from 1st January 2013 to 31st August 2018:

	2013	2014	2015	2016	2017	2018
Neptune Japan Opportunities Fund	50.92%	5.48%	-2.06%	2.75%	27.05%	-9.15%
X MSCI Japan ETF	24.61%	0.07%	14.20%	23.48%	11.64%	1.62%

Performance over 12 months, 3 years, 5 years and 10 years:

	1 year	3 years	5 years	10 years
Neptune Japan Opportunities Fund	5.56%	12.78%	51.13%	173.39%
X MSCI Japan ETF	7.30%	46.88%	70.17%	107.00%

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....

This is a well-established fund with the fund manager at the helm for over ten years. The performance fluctuates from being at the top of the tree to bottom in a very short space of time. This is because the fund uses a currency hedge so when the currency weakens the performance is strongest. The second point of difference with the fund is that it tends to focus on international companies rather than domestic or export focused firms.

The discussions with Chris tend to centre more around the macro picture as this is what will drive the performance over the longer term.

Chris started by explaining that despite earnings growth the market has not re-rated since 2012 and is trading at a 30% discount to Europe, and the US. 1,000 companies are trading below their tangible book value, i.e. the value of the assets of the company are greater than the value placed by the market. This means there are low valuations with steady growth and all the estimates are too low.

He feels that the market is under researched and this lack of analytical support combined with very conservative managements means investors are missing out on the potential opportunities from investing in Japan. Corporate balance sheets are much sounder than US and EU balance sheets; over a 22-year period companies couldn't go to banks or the market for funding and therefore they have had to adapt, over 1,000 are net cash and therefore they are a lot less vulnerable than many think.

The fund itself focuses on global companies; the tariff wars have little impact on Japan. Many of the companies have established plants in the countries they are operating in. Japan has also adapted to move away from developed economies to developing countries in Asia.

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In conclusion, Chris explained that over a 30-year period the global index is up 38 times whereas Japan is up just 4.2 times. The market is cheap and actual earnings growth is higher than that published as estimates by the companies and analysts. Additionally, Chris expects corporates to return some of the cash to shareholders over time. From our side we have followed this fund for some time and our concern is the fluctuating performance through the currency hedge. Over the long term, the fund has in the past rewarded investors but there are funds without the hedge which have provided a less volatile ride.

The source of information in this note has been provided by Neptune and is correct as at September 2018. 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.