

**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=FOGBR04GM7

Management	
Manager Name	Start Date
Chris Taylor	1st May 2005

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	23.05%
Large	41.59%
Medium	27.06%
Small	6.33%
Micro	1.98%

Top 10 Holdings		
Total number of holdings	43	
Assets in Top 10 Holdings	36.66%	
Name	Sector	% of Assets
Keyence Corp	Technology	5.39%
Nintendo Co Ltd	Technology	4.62%
BANDAI NAMCO Holdings Inc	Consumer Cyclical	4.29%
Taisei Corp	Industrials	3.41%
Mitsubishi Chemical Holdings Corp	Basic Materials	3.38%
Mitsubishi Gas Chemical Co Inc	Basic Materials	3.36%
JXTG Holdings Inc	Energy	3.13%
Nippon Paint Holdings Co Ltd	Industrials	3.11%
Sumitomo Osaka Cement Co Ltd	Industrials	3.02%
HASEKO Corp	Consumer Cyclical	2.94%

Volatility Measurements	
3-Yr Std Dev (volatility)	17.80%
3-Yr Mean Return (average)	4.91%

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FUND PERFORMANCE

Performance from 1st January 2014 to 31 May 2019:

	2014	2015	2016	2017	2018	2019
Neptune Japan Opportunities Fund	4.96%	-2.50%	2.18%	26.50%	-24.37%	2.15%
MSCI Japan	0.20%	14.00%	19.83%	11.22%	-9.23%	3.91%

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

	1 year	3 years	5 years	Since launch
Neptune Japan Opportunities Fund	-18.87%	11.80%	13.65%	310.04%
MSCI Japan	-6.86%	29.33%	53.34%	-

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....

It is worth repeating this from the previous update - Chris Taylor is a respected fund manager and has managed this fund for several years. The fund's USP is twofold, hedging the currency and a focus on exporters rather than domestic companies. For the last few years the fund has struggled to perform. However, Chris remains optimistic that this will reverse.

The story as to why Japan in Chris' eyes hasn't changed. He believes valuations remain attractive. He explained that the return on equities for many companies are strong and yet the valuations of those companies have not re-rated since 2012, leaving them cheap. In contrast to Europe and the US many companies have not only doubled their earnings since 2012 but they are over capitalised businesses with significant cash reserves on the balance sheets, low levels of debt and in some case trading below their book value.

There seems to be concerns about tariffs, but these don't impact Japan in the same way as Europe and China. As an example, 20 million vehicles are made and sold outside of Japan. Only 9 million are made in Japan. Toyota as an example has a factory in the US. The other element missed by the market is that many companies are focused on South East Asia. The majority of Global GDP Growth comes from these regions and the Japanese are focusing on areas where there is growth.

The fund invests in global companies (industrials, materials, IT discretionary) where he believes the greatest value is. He doesn't believe in domestic Japan which he sees as broken. Japan is heavily indebted with insufficient tax revenues coming in to reduce this down. The only way to increase revenues is through corporate revenue.

Although domestic Japan is not positive there is political stability. Big corporates are benefiting from lower oil prices and starting to return money to shareholders.

The concern remains with this fund. There are plenty of funds which have outperformed the index and this fund at a time when investors in Japan would have been rewarded has done the opposite.

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Although we respect Chris, we would want to see the performance turnaround, and this may mean a change in strategy. You feel that Chris is wedded to his approach of global corporates and currency hedge and unless the markets turn in his favour this fund could continue to underperform for some time to come. The fund has around £131 million invested and we believe there have been significant outflows over the last few years. In 2015 the fund held over £600 million in assets.

In summary, the story as to why investors might consider Japan remains unchanged but the underperformance remains a concern with the funding losing nearly 80% of its assets in 4 years.

The source of information in this note has been provided by Neptune and is correct as at June 2019. 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.