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 September 2002
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR04GM7

Management	
Manager Name	**Start Date**
Chris Taylor	1 May 2005

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	32.30%
Large	40.70%
Medium	25.22%
Small	0.00%
Micro	1.78%

Top 10 Holdings		
Total number of holdings	43	
Assets in Top 10 Holdings	33.57%	
Name	**Sector**	**% of Assets**
Mitsubishi Gas Chemical Co Inc	Basic Materials	4.46%
Nintendo Co Ltd	Technology	4.06%
Keyence Corp	Technology	3.96%
Mitsubishi Chemical Holdings Corp	Basic Materials	3.18%
Okuma Corp	Industrials	3.13%
HASEKO Corp	Consumer Cyclical	3.11%
Sumitomo Osaka Cement Co Ltd	Basic Materials	3.00%
Shin-Etsu Chemical Co Ltd	Basic Materials	2.99%
Toyota Motor Corp	Consumer Cyclical	2.92%
Shimizu Corp	Industrials	2.77%

Volatility Measurements	
3-Yr Std Dev (volatility)	19.95%
3-Yr Mean Return (average)	5.24%

FUND PERFORMANCE

Performance from 1 January 2012 to 28 February 2017:

	2012	2013	2014	2015	2016	2017
Neptune Japan Opportunities Fund	17.15%	50.74%	4.39%	-3.01%	1.67%	2.80%
Db x-trackers MSCI Japan	3.73%	24.61%	0.07%	14.20%	23.48%	3.77%

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

	1 year	3 years	5 years	Since Launch
Neptune Japan Opportunities Fund	31.14%	16.55%	61.28%	307.80%
Db x-trackers MSCI Japan	33.51%	55.15%	75.94%	-

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….

For me this has always been a simple fund to follow; there are three reasons why any investor might select this fund. Firstly, they want to invest in Japan, secondly, they want to invest in global companies less reliant on the Japanese economy, and thirdly they believe the yen will weaken which will turbo boost returns.

Chris Taylor has managed the fund since 2005 and we can see that over five years it is behind the benchmark. The fund performs best when the yen is weakening, and this can have a dramatic impact on performance. When the yen is strong the fund will lag, when it weakens the fund does well which dramatically shifts the performance as we can see in 2012 and 2013.

Investors need to be comfortable with this approach before investing, as returns come from a mix of stock picking and weakening yen. The vast majority of holdings are in big international companies rather than consumer staple stocks. Chris believes there is a structural decline in Japan and therefore there is little chance of a consumer boom. For this reason, he is looking for companies which are global; for example fewer than a quarter of car sales are in Japan and many have factories across the world.

These global companies have been expanding since 2003 with consistent earnings growth despite upheavals and the yen. Their currency needs to weaken to boost profits, as these feed back into the Japanese economy by pushing up corporate profits. This in turn pushes up share prices, ensures more tax is paid, helps subcontractors get better prices and wages go up.

Increasing tax revenue is the only way the government can reduce the tax burden as spending is rising, but GDP is flat with both corporate and personal tax down. In fact, only VAT revenue is up. By 2020 the 15 – 65 age group will be at the same numbers as they were in 1975. As it stands the country is running out of money, it has a shrinking working force and falling tax. The only way to dig themselves out of the hole is to weaken the yen.

Chris argues that if this happens then there are significant benefits for investors as the market is cheap and earnings understated. Since 1982 the MSCI World index has gone up 30 times but Japan has gone up just 3 times.

In conclusion, this fund is purely about hedging the yen which will benefit when it weakens. Investors need to understand this and be prepared to wait. It may be that this is blended with another Japanese fund rather than used a standalone option. Obviously, performance is a big consideration and this may deter some investors.

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