

**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	41.39%
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)	17.43%
3-Yr Mean Return (average)	10.37%

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FUND PERFORMANCE

Performance from 1st January 2014 to 28th February 2019:

	2014	2015	2016	2017	2018	2019
Neptune Japan Opportunities Fund	4.96%	-2.50%	2.18%	26.50%	-24.37%	6.46%
X MSCI Japan ETF	0.07%	14.20%	23.48%	13.19%	-8.64%	2.55%

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

	1 year	3 years	5 years	Since launch
Neptune Japan Opportunities Fund	-16.48%	30.46%	17.19%	333.68%
X MSCI Japan ETF	-6.52%	36.44%	58.56%	-

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....

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.

He feels that the market has not re-rated since 2012 despite Japanese companies increasing their return on capital, and investors not being rewarded whilst the rest of the market has been moving forward. It now stands at a significant discount to the US and European markets. Japanese companies also tend to have significant cash reserves and are trading significantly below their book value.

At the same time Japanese companies have increased activity abroad, focusing on those economies with the fastest growth potential. Having factories overseas means they have zero tariffs on exports. It also means for many companies these overseas earnings are understated. For example, 20 million vehicles are produced outside of Japan, more than double those in Japan.

They are also far less exposed to global trade wars because they have their operations in the areas they are focusing on. There was a sharp decline in profits in 2018 but much of this can be attributed to five companies and about 50% of companies beat expectations. Japanese companies tend to be conservative and therefore beat their forecasts.

Chris believes small and mid-cap companies have done as well as they can and these will start to slow. The shift will be towards cyclicals and therefore his fund will benefit from this. The fund itself is mainly unchanged from 2009 with the focus on big global companies. The companies have very little analytical coverage; they are cheap and have earnings growth above expectations. Chris believes that once investors move back into the market the fund will benefit, and this will reverse the performance in a positive way.

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In summary, there is little doubt that Chris has a good reputation and he believes in Japan and his fund positioning. The difficulty for potential investors is the performance and whether this can change. If his thought process is right, then one or two good years will reverse the fortunes very quickly. If he is wrong, then the fund could remain as a poor performing option for investors looking at Japan.

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