



# Neptune European Opportunities Fund

## Quarterly review as at 30/09/16

The Neptune European Opportunities Fund returned 18.00% in the third quarter of 2016, significantly outperforming the MSCI Europe ex UK Index return of 9.17% and the IA Europe ex UK sector average gain of 9.05%.

### Market overview

The period began with the market consolidating post the UK's decision to leave the European Union (EU), with the initial decision having caused equity markets across the continent to endure sharp losses in local currency (euro) terms. As sterling investors, we were beneficiaries of sterling's weakness during the early part of the quarter, as euro losses translated to sterling gains. However, European markets rebounded from early July onwards, albeit with periodic bouts of volatility. Some investors were concerned that 'Brexit' could cause a domino effect on other countries also seeking to negotiate their exits from the EU. At Neptune, we believe that this is unlikely to be the case, for two reasons. Firstly, there are no anti-EU parties currently in power in Europe and, secondly, the vast majority do not have the political mechanisms in place which would allow for them to leave. Therefore, although we are watching election results closely, we do not anticipate any further 'Leave' votes.

The global economic landscape was also further supportive of European equities, as the probability of further interest rates hikes in the US receded and the emerging markets continued to perform strongly. This was broadly positive for asset prices in general as a more positive outlook from investors saw more economically sensitive stocks and sectors outperform. The Neptune European Opportunities Fund has long had a value bias, investing in areas that we believe to be undervalued by the market. In particular, the Fund is overweight in sectors such as financials and materials. In recent years, these stocks have been punished, as investors have instead crowded into quality companies (those which have predictable earnings streams stretching out many years) given the economic uncertainty we have witnessed. In addition, the falling interest rate environment has pushed up the valuations of these quality companies ever higher.

### Performance drivers

However, as the Bank of Japan recently demonstrated, interest rates cannot fall any further. Although value stocks struggle to outperform in a falling interest environment, history shows that value historically outperforms growth against a stable or rising interest rate backdrop. During the third quarter, we believe this inflection point was reached, as value sectors such as financials and materials were amongst the Index's best performers. Our overweights here enabled the Fund to outperform, with companies such as Siltronic, Lanxess and Erste Bank amongst the portfolio's best performers. We did see some weakness in our small energy positions, but remain confident that these high quality operators can prosper, even against the background of a lower for longer oil price.

The Neptune European Opportunities Fund continues to be positioned in a diverse array of value opportunities and we are excited by a number of fast growing, high dividend paying companies that we are able to buy at attractive valuations. We expect value's outperformance over growth to endure and believe we are well-positioned to outperform our peers, given that most of our peers are not focused on the value parts of the market.



**Rob Burnett**  
Fund Manager

Rob is an Investment Director and Head of European Equities. He joined Neptune in June 2002 and in May 2005 became a Fund Manager. In addition, he undertakes global research on the financials sector. Rob graduated from Oxford University with a degree in Politics, Philosophy and Economics.



Best Specialist Fund Group  
Money Marketing Financial Services Awards  
2014



Best Boutique Fund Group  
Money Marketing Financial Services Awards  
2008 - 2012



Gold Standard for Fund Management  
Gold Standard Award  
2009 - 2012, 2014, 2015

#### Past performance is not a guide to future performance.

Performance data supplied by Morningstar based on C Accumulation share class performance, in sterling with net income reinvested and no initial charges. The performance of other share classes may differ. IA sector averages and rankings may change at any time as a result of closure, movement between sectors or price amendments by competitor funds. Neptune's funds are not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason, the comparison index should be used for reference only. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the original amount invested.

## Fund Risks

- Investing overseas can bring additional returns and spread risk to different markets. There are risks, however, that changes in currency rates will reduce the value of your investment.
- This Fund holds a limited number of investments. If one of these investments falls in value this can have a greater impact on the Fund's value than if it held a larger number of investments.
- For a full list of the Fund's risks, please see the Prospectus.

## Important Information

This Fund may be higher risk than other funds. Past performance is not a guide to future performance and should not be the sole consideration when selecting a product. There are risks involved with this type of investment. Please refer to the Prospectus, Key Investor Information and Supplementary Information documents for further details. Any views expressed within this factsheet are those of Neptune as at the date of issue which may be subject to change, and should not be taken as advice to invest. We do not undertake to advise you as to any changes in our views. Where references to specific securities are made, they are for illustrative purposes only and should not be regarded as recommendations to buy or sell these securities. Neptune does not give investment advice and only provides information on Neptune products.

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The shares and units in Neptune funds have not and will not be offered for sale in the United States of America and all areas subject to its jurisdiction or to United States Persons. Neptune funds are available to any persons that may be marketed to under the Financial Services and Markets Act (Promotion of Collective Investment Schemes) (Exemptions) Order 2001.

This document is issued by Neptune Investment Management Limited ("Neptune") which is authorised and regulated by the Financial Conduct Authority. FCA registration number: 416015.

All applications are made on the basis of the current Prospectus, Key Investor Information Document, Supplementary Information Document and the most recent annual and semi-annual reports where available, which can be obtained by calling 0800 587 5051 or downloaded from [www.neptunefunds.com](http://www.neptunefunds.com).

Your investment is not guaranteed and the value and any income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested. Forecasts are not a reliable indicator of future performance. You should plan to keep this investment for at least five years. If you are unsure about the suitability of any Neptune Fund, please consult an Authorised Financial Adviser.

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