

Neptune Income Fund

Quarterly review as at 30/06/18

The Neptune Income Fund returned 8.70% in the second quarter of 2018, slightly behind the FTSE All-Share Index but ahead of the IA UK Equity Income sector average, which rose by 9.20% and 8.27% respectively.

	Neptune Income Fund (return %)	FTSE All-Share Index (return %)	IA UK Equity Income (return %)
Q2 2018	8.70	9.20	8.27
1 Year	9.63	9.02	6.15
3 Years	33.92	31.62	24.57
5 Years	53.30	52.76	52.35
Since Launch	308.28	283.95	269.83



Robin Geffen
Founder and CEO

Robin founded Neptune Investment Management in May 2002 and is the architect of Neptune's real world investment approach. Robin previously worked at Charterhouse J Rothschild, Eagle Star, York Trust plc, Scottish Equitable and Orbitex Investments. He graduated from Oxford University in 1979.

Market overview

After a more volatile start to the year, the second quarter of 2018 saw a return to relatively calm equity markets, but not quite to the level we experienced last year where volatility, measured for example by the Volatility (VIX) Index, had virtually disappeared. However, fears around increased protectionism and potential trade wars persisted, and at times escalated as Donald Trump continues to push his agenda on NATO and tariffs. The FTSE All-share Index took this in its stride, but to a large extent the bounce back from a weak first quarter was driven by a stronger US dollar. Having fallen by almost 4% against sterling in the first 3 months of the year, the dollar rallied by a little over 6% in the second quarter.

Portfolio positioning

The Fund made no significant changes at either a stock or sector level in the second quarter. While this is the first quarter for a few years where there is little portfolio activity to report, this is in keeping with the Fund's targeted holding period of 3 to 5 years, which should result in limited turnover. Earlier in the year, we further reduced our consumer facing exposure removing Tobacco stocks from the portfolio, where we are concerned that the industry's great hope, so-called new generation products (NGPs), might not help them to arrest profit decline. Proceeds were invested in both the materials sector, where we believe we are at an attractive part of the mining cycle, and also into financials.

The Fund benefited from dollar strength due to its long-stated preference for overseas earnings and its direct US holdings. Apple and Microsoft continue to add positive attribution to the portfolio. We also benefited from strong stockpicking in the materials sector, with both Johnson Matthey and Victrex having strong quarters. Performance was held back by our underweight position in energy. During the quarter, Brent Crude Oil rose by a little over 13%, almost touching \$80 a barrel.

Outlook

As we look into the second half of 2018, we are optimistic about the global economy and we continue to believe in the relative strength of US economy particularly versus the UK. In our view there are plenty of worrying signs the UK economy is headed for tougher times. The Neptune Income Fund will thus remain positioned for a stronger US dollar.



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

- The level of income is not guaranteed.
- 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.
- Bonds are affected by changes in interest rates, inflation and any decline in creditworthiness of the borrower. Bonds that produce a higher level of income usually also carry greater risk as such bond issuers may have difficulty in paying their debts.
- 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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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.

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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