

Neptune Japan Opportunities Fund

Quarterly review as at 30/06/18

The Neptune Japan Opportunities Fund returned -0.57% in the second quarter of the year, while the TOPIX Index returned 3.09%

	Neptune Japan Opportunities Fund (return %)	Topix Index (return %)	IA Japan (return %)
Q2 2018	-0.57	3.09	3.57
1 Year	6.64	9.45	10.74
3 Years	5.64	48.90	49.28
5 Years	51.35	74.16	71.92
Since Launch	379.04	224.29	190.76



Chris Taylor
Fund Manager

Chris is Head of Research and Japanese Equities. Before joining Neptune in 2004, he worked as Managing Director at Fuji Investment Management. Chris graduated from Oxford University with a degree in Physiological Sciences and the City University Business School with an MBA in Finance. He has over 35 years of investment experience.

Market overview

The Fund's underperformance came principally from the currency hedge, which lost around -3.0%, while the Fund's equity holdings rose by approximately 2.4%, but failed to match the overall Index return. This came from being overweight in the industrials, materials and IT sectors, which underperformed.

The quarter began well enough with the TOPIX rallying from its month low of 1,702 on 3 April, hitting its monthly high of 1,815 in the last week of May, largely on the back of strong earnings releases for the full year and first quarter. The Index then retreated back down to near the 1,720 mark on renewed global trade war fears. As in the first quarter, negative sentiment weighed on the market, which affected the share prices of the larger, more global cyclical companies the hardest, areas where the portfolio remains overweight. This was reflected by the relative outperformance of the smaller more domestic stocks, which dominate the TSE 2nd section, mid 400 and small-stock Indices. Although the more speculative areas of the market did especially badly, such as the Mothers and JASDAQ markets. The Fund has no exposure to such stocks.

We fully expect the market to recover given that the slowdown in global growth seems to have abated, second and third quarter earnings results are likely to remain strong, the oil price has begun to weaken and market ratings have dropped sharply since their mid-January peak, all of which should attract investors back to the equity market. In addition, over the coming months and years, we still expect the yen to gradually weaken as interest rates elsewhere begin to be consistently raised, whilst those in Japan remain at current levels. Likewise, economic growth rates will show similar patterns as Japan drifts, based on the lack of sustained wage growth and the country's negative demographics. Furthermore, the 2% rise in the VAT rate to 10% in October will reinforce these negative trends.

Outlook

Given such developments are likely to trigger renewed yen weakness, the Neptune Japan Opportunities Fund's long held strategy of hedging the yen back into sterling will remain in place as we expect this feature will help underwrite a multi-year recovery in Japanese corporate profits. As such, the Fund will remain overweight in large, well-financed, industry-dominant Japanese multinationals that are set to benefit most from the currency's likely weakening.



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Best Boutique Fund Group
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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.
- The Manager aims to remove the impact of changes in exchange rates between the yen and pounds sterling by hedging, a currency transaction which can protect against such movements. However, if exchange rates move contrary to the Manager's expectations this can have a significant negative impact on 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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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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