



LWM Consultants Ltd

Meeting the Fund Manager

Neptune Japan Opportunities Fund

We have reduced our exposure to Japan within the portfolios, driven by the soft closure of the GLG Core Alpha Fund and a general feeling of uncertainty and understanding around investing in Japan. The Neptune Japan Opportunities Fund is an enigma in the Japan Fund Sector, and is managed by the hugely talented and bright Chris Taylor.

Chris is very open with his opinions, with a career spanning 30 years he is very aware of the Japanese market having worked for Fuji Investment Management for 15 years (where he progressed to Managing Director).

Investment objective and profile

The fund is looking to generate capital growth from a concentrated portfolio of Japanese Securities.

Managing the fund

Chris explained that Japan is very much a hold play. In his view there are only around 300 quality companies in Japan that are worth investing in. The key to managing the fund is to focus on the companies and not the country.

Japan has not changed, politically it remains unstable, debt is bigger than Greece and makes them look like amateurs and internal savings could cancel out the debt mountain. At some stage this needs to be faced head on.

A lot of what Japan produce is consumed internally (around 85 to 90%) so finding investable companies is the crucial element to investing in Japan (sounds obvious but the number of companies is small). Chris also deploys a currency hedge which also benefits the fund performance.

So the key for Chris is finding multinationals which benefit from global trends, the feeling is that local firms are too constrained by Japanese negative demographics. Many companies are lowly rated because there is a general mistrust of companies and therefore they are under-priced. Looking at these companies what Chris is looking for is companies which can increase profits through exposure to emerging and developing markets (so the likes of Toyota) and those that have have long-term expansion plan.

To some extent this message is consistent with the UK sector, trying to uncover hidden talent / gems. It is therefore key to uncover managers that can exploit this.

In summary making a call on Japan is very difficult to do. Clearly Chris' experience and knowledge enables him to seek out opportunities but certainly any investment should be diversified and we remain firm believers that Japan should only be a small proportionate hold of any portfolio.

Conclusion

We continue to believe that this fund is a good fund to hold within our Japanese holding both because of Chris' experience but also for the yen hedging exposure.

The source of information in this note has been provided by Neptune and is correct to the end of April 2012. These are notes from meeting the fund manager and should not be seen as a recommendation to purchase this fund. 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. You should also note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise.