



# CF RUFFER JAPANESE FUND

*Providing capital growth by investing in a portfolio of Japanese equities*

**MAY 2009**

ISSUE 1

**Share price as at 29 May 2009**

'O' accumulation shares

**101.48p**

**Launch price as at 14 May 2009**

**100.00p**

## Investment objective

The investment objective of CF Ruffer Japanese Fund is to provide capital growth by investing in a portfolio of predominantly Japanese equities, though Japanese fixed income securities and fixed income securities and equities from other geographical areas may be utilised if the Investment Manager believes they will assist in meeting the overall objective of the sub-fund.

The sub-fund may also invest in collective investment schemes, cash, money market instruments, other transferable securities and derivatives and forward transactions and other investments to the extent that each is permitted by the Regulations. There will be no particular emphasis on any industrial or economic sector.

## Monthly review

The Fund was launched after the close of the Japanese stock markets on Thursday 14 May 2009. During the period from 14 May to 29 May, the price of the Fund's 'O' Accumulation units increased by 1.5% from 100 pence per unit to 101.48 pence. During the same period, the TOPIX Index in GBP-adjusted basis fell by 2.2%, while the TOPIX Index in JPY rose by 4.1%. As of the close of 29 May, the Fund was 40.1% invested in equities.

Japan has not been able to escape from the global credit crunch and ensuing world-wide economic turmoil, and the Japanese economy has been hit very hard by the current global economic downturn in spite of the fact that the Japanese corporate sector had already been 'de-leveraging' themselves for many years after a series of economic crises since 1990 including the recent banking crisis in 2003. As a consequence, many investors have simply given up on Japan, and the Nikkei 225 Index recorded a twenty year low in March 2009, down 82% from its 1989 high. However, the current crisis has created a fertile hunting ground for diligent and patient value-orientated stock-pickers in Japan, as many stocks which used to be covered by more than 50 analysts, are now covered by only two or three analysts or have no coverage at all.

If you screen the entire universe of Japanese equities using various value criteria, you will find a multitude of companies with excruciatingly depressed valuations. For example, as of the close of 29 May even after a strong rebound since the beginning of March, there are still more than 100 listed companies whose enterprise values are negative, and there are hundreds of companies whose enterprise values are less than their market capitalisations. Whilst there are often valid reasons for depressed valuations, you can find companies which provide society with superior products and services, both domestically

and globally. While it is important to be aware of the 'value trap' and all kinds of possible dangers involved for value hunters, Japanese stock markets are currently presenting great opportunities for value-orientated stock-pickers.

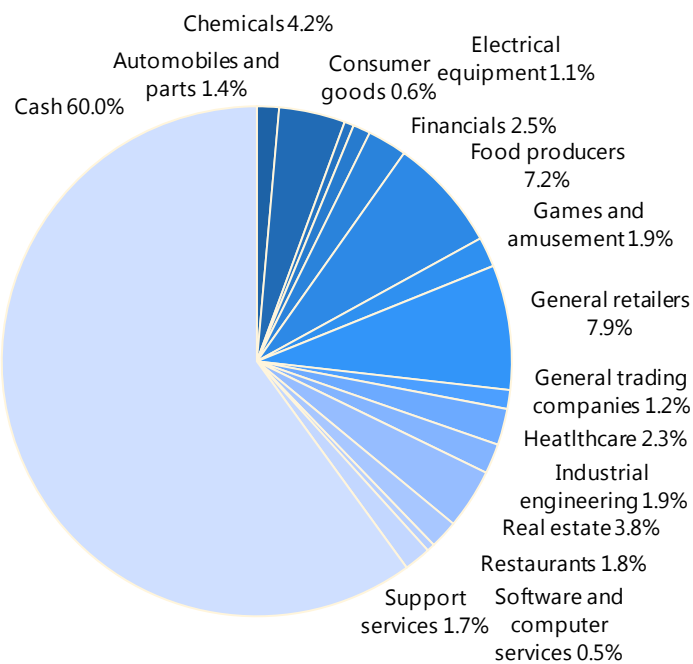
After screening and researching a variety of value opportunities, I have taken initial positions in a number of stocks since the launch of the Fund, including Hoshizaki Electric Company Limited and Stella Chemifa Corporation. At the time of the initial purchase of Hoshizaki, the stock's enterprise value was less than one tenth of its total market capitalisation with its EV/EBITDA being 0.5x and its dividend yield of 2.14%. The company is a leading manufacturer of ice makers in Japan and the USA and has the number one market positions in both markets. On the other hand, I sold Stella Chemifa after the end of May, as its share price had appreciated by more than 50% in JPY in two weeks.

I am looking forward to further investigation of this smorgasbord of opportunities during a two week trip to Japan this month.

## Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, their trusts and pension funds. It also manages portfolios for small and medium sized corporate and charitable institutions. As at 29 May 2009, funds managed by the group exceeded £4.0bn, of which over £1.4bn was managed in open-ended Ruffer funds.

## Portfolio structure as at 29 May 2009



Source: Ruffer LLP

## Ten largest holdings as at 29 May 2009

Stock	% of fund
Daiei Inc	3.8
Chiyoda Co Ltd	2.4
So-Net M3 Inc	2.3
Snow Brand Milk Products Co	1.9
Shimachu Co Ltd	1.8
Doutor Nichires Holdings Co	1.8
Kuraray Co Ltd	1.8
Sohgo Security Services Co	1.7
QP Corp	1.7
Toyo Tire & Rubber Co Ltd	1.4

Source: Ruffer LLP

## Fund information

**Investment adviser** Ruffer LLP

**ACD** Capita Financial Managers Limited

**Depository** The Bank of New York Trust & Depository Company Limited

**Auditors** Grant Thornton UK LLP

**Structure** Sub-fund of CF Ruffer Investment Funds (OEIC)  
UK domiciled UCITS III  
Eligible for ISAs

**Share classes** Accumulation only

**IMA classification** Active Managed



### KENTARO NISHIDA Investment Director – Japan

After obtaining a BEcon in Japan and studying Russian in Moscow he worked as an interpreter in both Russia and the UK. He moved into equity sales in 1988 for James Capel & Company Limited and then SG Warburg Securities in 1989. He joined Ruffer in 2008 to concentrate on Japanese Equities and manages the CF Ruffer Japanese Fund.

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**Fund size** £74.9m (29 May 2009)

**No. of holdings** 40 equities, 0 bonds (29 May 2009)

**Minimum investment** £1,000

**Benchmark** TOPIX (£)  
*(performance comparator)*

**Distribution yield** n/a

**Total Expense Ratio** 1.59%

**Dealing** Weekly forward to 10am Wednesday, based on NAV  
Plus forward from 10am on last Wednesday of the month to last business day of the month

**Dealing line** 0845 601 9610

**ISIN Number** GB00B3SGKR77 (O acc)

**Sedol Number** B3SGKR7 (O acc)

**Ex dividend dates** 15 March, 15 September

**Pay dates** 15 May, 15 November

**Charges** Initial charge 5%  
Annual management charge  
O class 1.5%