

CF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



January 2016 Issue 81

During the period from 1 January to 31 January the price of the fund's O accumulation shares decreased by 7.8% from 184.32 pence to 169.97 pence. In the same period the TOPIX on a sterling adjusted basis fell by 4.5%, while the TOPIX in yen went down by 7.4%. As of the close on 31 January the fund was 100% invested in equities.

During the above-mentioned period, in terms of attribution, M3 [2413 JP], Recruit Holdings [6098 JP], Hoshizaki Electric [6465 JP], Kao [4452 JP] and SECOM [9735 JP] were the biggest positive contributors, while SONY [6758 JP], Mazda Motor [7261 JP], Dai-ichi Life Insurance [8750 JP], T&D Holdings [8795 JP] and MUFG [8306 JP] provided the largest negative contributions.

The month of January saw a global move to risk-off. Government bond prices soared with long-term interest rates declining while equity prices fell sharply. A resumption of sharp declines in Chinese stocks, a further fall in the crude oil price and heightened geopolitical risk stemming from Saudi Arabia severing diplomatic relations with Iran triggered a renewed sell-off in equities globally. Investors sought safe haven assets including the yen which depressed Japanese equities. However, comments by European Central Bank President Mario Draghi on 21 January implying that there could be further monetary easing at its March meeting temporarily halted the share price declines. This was followed by the Bank of Japan's unexpected decision on 29 January to introduce negative interest rates, which led to a sharp depreciation of the yen against major currencies and higher equity prices not only in Japan but globally, recouping some of the month's losses.

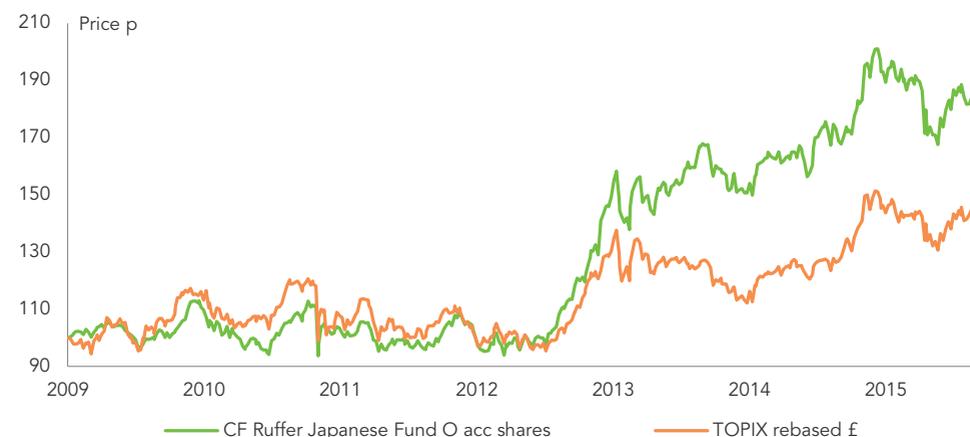
Global multi asset funds appear to be continuing to rebalance portfolios by trimming exposure to government bonds and putting the proceeds into bond-like stocks with high dividend yields backed by stable cash flows. Equity funds also seem to be continuing to shift to bond-like stocks from the rest of the equity universe. This has been a major trend globally as investors have been discounting the future cash flows of seemingly defensive companies utilising declining long-term interest rates. As a result, many of these stocks are now commanding very high valuations, while many stocks belonging to the rest of the market have been sold off heavily and are trading at very low valuations.

Paying a high premium for a stable cash flow may be rational if the assumption that a depressed long-term interest rate will continue for many years is proved to be correct. However, it seems to us that betting on this single assumption is increasingly risky with many of these equities now trading on P/Es of more than 50x or even 100x despite precarious fundamentals. Elsewhere an increasing number of Japanese companies are trading on very attractive valuations. This reminds us of the famous TMT (technology, media and telecommunications) bubble during which stock prices of many companies more than doubled while those of old economy companies more than halved. After the bubble burst in March 2000, TMT stock prices plunged, while old economy stock prices soared. We shall bear this recent history lesson in mind.

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 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.

Performance since launch on 14 May 2009



Performance %	January 2016	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-7.8	-7.8	-1.2	43.7	60.6	na

Percentage growth (O acc)	%	Share price as at 29 January 2016	p
31 Dec 2014 – 31 Dec 2015	6.5	O accumulation	169.97
31 Dec 2013 – 31 Dec 2014	3.7	C accumulation	171.99
31 Dec 2012 – 31 Dec 2013	50.7		
31 Dec 2011 – 31 Dec 2012	14.3		
31 Dec 2010 – 31 Dec 2011	-8.0		

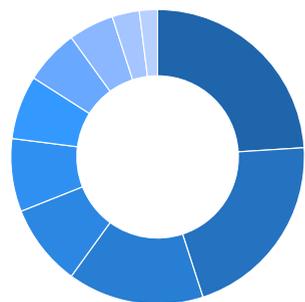
Source: Ruffer LLP

Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally invested. The value of overseas investments will be influenced by the rate of exchange.

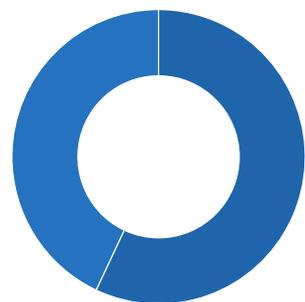
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer Japanese Fund is not registered for distribution in any country other than the UK.

CF Ruffer Japanese Fund as at 29 January 2016

Portfolio structure



Asset allocation	%		%
• Financial	24	• Real estate	6
• Industrial	21	• Consumer	5
• Technology	15	• Retail	3
• Auto	9	• Energy and commodities	2
• Services	8		
• Healthcare	7		



Currency allocation	%
• Sterling	57
• Yen	43

10 largest of 59 equity holdings

Stock	% of fund	Stock	% of fund
ORIX	4.5	T&D Holdings	2.9
Mazda Motor	3.6	Rakuten	2.7
Sony Corp	3.4	Nidec Corporation	2.6
Seven & I Holdings	3.3	Secom	2.6
M3	2.9	Resona	2.6

Source: Ruffer LLP

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The information contained in this document does not constitute investment advice and should not be used as the basis of any investment decision. References to specific securities are included for the purposes of illustration only and should not be construed as a recommendation to buy or sell these securities. Ruffer LLP has not considered the suitability of this fund against any specific investor's needs and/or risk tolerance. If you are in any doubt, please speak to your financial adviser.

The fund data displayed is designed only to provide summary information and the report does not explain the risks involved in investing in the fund. Any decision to invest must be based solely on the information contained in the Prospectus, Key Investor Information Document and the latest report and accounts.

Fund size £413.8m

Fund information

%	O class	C class
Ongoing Charges Figure	1.57	1.24
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.00	0.00
Minimum investment	£1,000	
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
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	
Share classes	Accumulation only	
	O class	C class
ISIN	GB00B3SGKR77	GB00B846SB60
SEDOL	B3SGKR7	B846SB6
Investment adviser	Ruffer LLP	
ACD	Capita Financial Managers Limited	
Depositary	BNY Mellon Trust & Depositary (UK) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

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Fund Manager

Kentaro Nishida
INVESTMENT DIRECTOR



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.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 January 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which over £9.2bn was managed in open-ended Ruffer funds.

Dealing line

0345 601 9610

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