

CF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



May 2017 Issue 97

During the period from 1 to 31 May, the price of the fund's O accumulation shares increased by 3.5% from 209.36 pence to 216.64 pence. In the same period, the FTSE Japan Total Return Index on a sterling adjusted basis rose by 3.9%, while the FTSE Japan Total Return Index in yen gained 2.2%. As of the close on 31 May, the fund was 94.2% invested in Japanese equities, its cash position was 5.9% and its exposure to the yen was about 4%.

Regarding attribution for the above-mentioned period, Fujitsu [6702 JP], Sony [6758 JP], Rakuten [4755 JP], Keyence [6861 JP] and NTT Data [9613 JP] were the largest positive contributors, while Resona [8308 JP], T&D Holdings [8795 JP], Mazda Motors [7261 JP], Japan Post Insurance [7181 JP] and Mizuho Financial Group [8411 JP] provided the largest negative contributions.

The market strength that began in mid-April continued in the first half of May as the yen had weakened 2.5% by 10 May. The TOPIX surpassed its previous year-to-date high in March reaching 1,587 on 11 May. This has since been exceeded in early June. Despite yen strength in the second half of May the TOPIX recorded a 2.4% gain in local currency terms.

As we touched upon in the April report, Japanese companies have been reporting their fourth quarter and full year earnings. The first half of May is normally the busiest period of the year for corporate Japan and for the team at Ruffer. Companies release earnings previews, followed by their final official disclosures and hold briefings for analysts which this year focused on their new 'medium term plans' covering the period to March 2020. Corporates posted another quarter of strong performance with revenue across all industries 6% higher year on year and recurring profit rising 27% year on year. In the fiscal year ending 31 March 2017, the average recurring profit margin was 5.8%, the highest since 1980. We continue to be positive on corporate Japan and the typically conservative guidance for the new fiscal year leaves significant room for upward revisions.

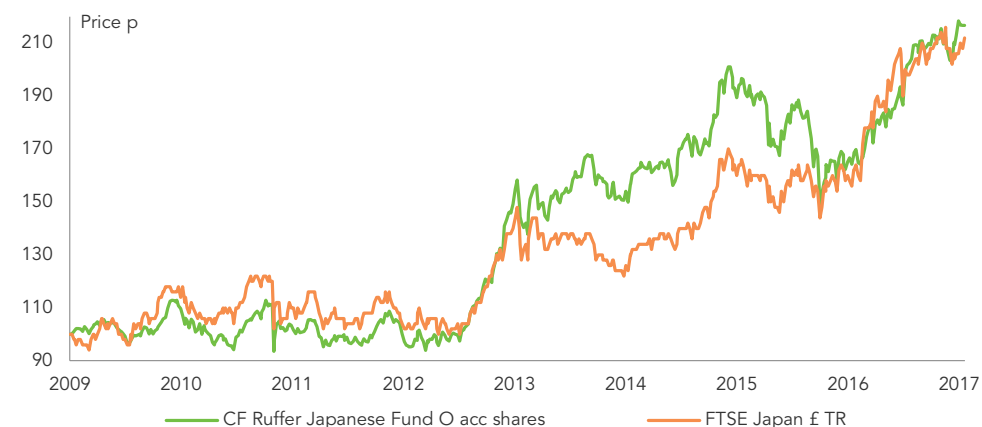
Our bullish stance on Japanese equities is based on our observation that the domestic corporate sector has gone through its long process of deleveraging. Corporates are also gradually changing their priorities with respect to the usage of operating cash flow and are pursuing more efficient capital allocation. A growing number of Japanese companies are increasing wages, carrying out targeted capital investment, improving profitability and enhancing shareholders' returns through higher dividends and buybacks.

Half of the Japan team is in Tokyo for the first two weeks of June, visiting existing fund holdings and potential new investments. They will be joined by the CF Ruffer Pacific Fund team for the second week to visit companies together. In addition, Ruffer's Chief Investment Officer, Henry Maxey, and Head of Research, Jon Dye, are in Tokyo conducting their macro research by meeting with economists, academics, policy makers, government officials and other investors.

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 % | May 2017 | Year to date | 1 year | 3 years | 5 years | 10 years | |
|---------------------------|----------|--------------|-------------------------------|---------|---------|----------|--------|
| O accumulation shares | 3.5 | 5.0 | 29.3 | 38.2 | 127.5 | na | |
| Percentage growth (O acc) | % | | Share price as at 31 May 2017 | | | | p |
| 31 Mar 2016 – 31 Mar 2017 | 27.0 | | O accumulation | | | | 216.64 |
| 31 Mar 2015 – 31 Mar 2016 | -14.8 | | C accumulation | | | | 220.08 |
| 31 Mar 2014 – 31 Mar 2015 | 23.4 | | C income | | | | 103.66 |
| 31 Mar 2013 – 31 Mar 2014 | 18.6 | | | | | | |
| 31 Mar 2012 – 31 Mar 2013 | 22.1 | | | | | | |

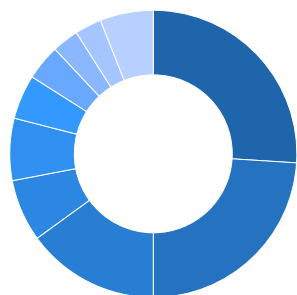
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the TOPIX to the FTSE Japan Index as Ruffer adopts FTSE as a data provider for all funds.

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.

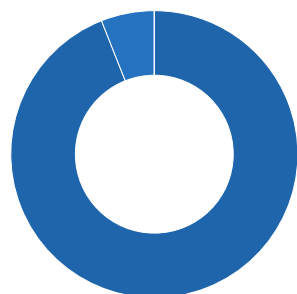
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer Japanese Fund as at 31 May 2017

Portfolio structure



| Asset allocation | % | | % |
|------------------|----|---------------|---|
| • Industrial | 26 | • Healthcare | 5 |
| • Financial | 24 | • Real estate | 4 |
| • Technology | 15 | • Auto | 3 |
| • Consumer | 7 | • Retail | 3 |
| • Services | 7 | • Cash | 6 |



| Currency allocation | % |
|---------------------|----|
| • Sterling | 96 |
| • Yen | 4 |

10 largest of 64 equity holdings

| Stock | % of fund | Stock | % of fund |
|---------------------|-----------|-------------------------|-----------|
| Sony Corp | 4.7 | Dai-ichi Life Insurance | 2.5 |
| ORIX | 4.3 | Keyence | 2.5 |
| Fujitsu | 3.9 | Tokio Marine | 2.5 |
| Mitsubishi Electric | 3.1 | Seven & I Holdings | 2.4 |
| T&D Holdings | 3.0 | Rakuten | 2.2 |

Source: Ruffer LLP

The views expressed in this report are not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The views reflect the views of Ruffer LLP at the date of this document and, whilst the opinions stated are honestly held, they are not guarantees and should not be relied upon and may be subject to change without notice.

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 £544.5m

Fund information

| % | O class | C class |
|--------------------------|---|---------|
| Ongoing Charges Figure* | 1.55 | 1.25 |
| Annual management charge | 1.5 | 1.2 |
| Maximum initial charge | 5.0 | 5.0 |
| Yield | 0.03 | 0.24 |
| 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 (acc) | GB00B846SB60 (acc) GB00B88MBW20 (inc) |
| SEDOL | B3SGKR7 (acc) | B846SB6 (acc) B88MBW2 (inc) |

| | |
|--------------------|--|
| Investment adviser | Ruffer LLP |
| ACD | Capita Financial Managers Limited |
| Depository | BNY Mellon Trust & Depository (UK) Limited |
| Auditors | Grant Thornton UK LLP |
| Structure | Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs |

* Refers to accumulation shares

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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 May 2017, assets managed by the Ruffer Group exceeded £21.3bn, of which over £12.2bn was managed in open-ended Ruffer funds.

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