

LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



December 2017 Issue 104

During the period from 1 December to 31 December the price of the fund's O accumulation shares increased by 1.5%, from 239.13 to 242.63. In the same period the FTSE Japan Total Return Index on a sterling adjusted basis rose by 0.9%, while the FTSE Japan Total Return Index in yen increased by 1.5%. As of the close on 31 December, the fund was 94% invested in Japanese equities, its cash position was 6%, and its exposure to the yen was 26%.

Regarding attribution for the abovementioned period, Optex [6914 JP], Resona [8308 JP], Daiichi Sankyo [4568 JP], Japan Post Insurance [7181 JP], and T&D Holdings [8795 JP] were the biggest positive contributors, while Rakuten [4755 JP], Fujitsu [6702 JP], Sony [6758 JP], ORIX [8591 JP], and Harmonic Drive Systems [6324 JP] were the largest negative contributors.

The index experienced a slight decline during the first week of the month, down 1.5%, before recovering to the end of the month. Progress on US tax reform was a positive for markets, as success came closer into view for Trump's plan which will bring reductions for both corporate and individual tax payers. Technology stocks had a volatile stint, with Japanese names following the correction seen in US peers at the start of the month, and then recovering towards the end of the month. The latter is a trend which has continued with renewed vigor in the first few days of 2018, with the TOPIX off to a roaring start on the first day of trading, led by factory automation names in particular. It was also an interesting month of Bitcoin-related commentary, following the large percentage increase in Bitcoin prices during November and December, and news outlets reporting that Japanese households comprise around 40% of all Bitcoin value being traded. There are various theories circulating around whether this is a helpful influence on markets (wealth effects etc), or not (potential destabilisation).

Various members of the Japan team spent time in Tokyo visiting companies at the start of the month. The team met companies from diverse sectors and came away with the impression that corporate Japan continues broadly in good health. One notable point is that inflationary pressures continue to mount in certain sectors and for certain inputs. Depending on a company's ability and willingness to raise prices to cover its rising input costs, such trends can have positive or negative effects on earnings and share prices. The parcel delivery sector, which we are exposed to in the fund, is an interesting study case when it comes to this conundrum. October brought the first increase in parcel prices at Japan's leading business-to-consumer delivery company, following many years of stagnant rates. Price rises are also occurring at other delivery companies across the sector, all thanks to a combination of continued growth in demand from e-commerce customers met with bottlenecks in the capacity of the delivery industry. For the time being it is a challenge to have conviction on whether parcel price rises will occur with a pace and consistency which more than offsets the increase in input costs, particularly wages.

We will continue to look for beneficiaries of inflation, although some of the most reliable expressions of this thesis will no doubt be our financials, which benefit indirectly via the steepening of the yield curve which usually accompanies rising inflation expectations. These stocks have performed well during December, for various reasons including central bank rhetoric, and they will be further aided if the inflation trend we observe at company level gradually manifests in the macro data.

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 LF Ruffer Investment Funds is a UK UCITS. The LF Ruffer Japanese Fund is not registered for distribution in any country other than the UK.

Investment objective

The investment objective of LF 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



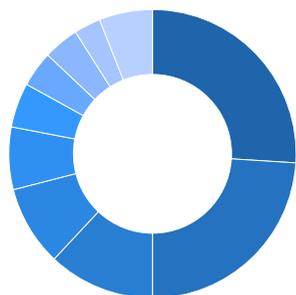
Performance %	December 2017	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	1.5	17.6	17.6	40.2	119.0	na	
Percentage growth (O acc)	%		Share price as at 29 December 2017				p
31 Dec 2016 – 31 Dec 2017	17.6		O accumulation		242.63		
31 Dec 2015 – 31 Dec 2016	12.0		C accumulation		246.90		
31 Dec 2014 – 31 Dec 2015	6.5		C income		116.03		
31 Dec 2013 – 31 Dec 2014	3.7						
31 Dec 2012 – 31 Dec 2013	50.7						

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.

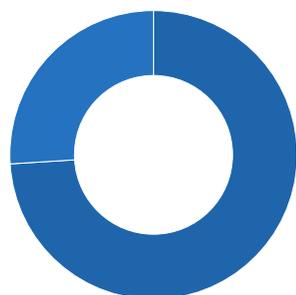
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Japanese Fund as at 29 December 2017

Portfolio structure



Asset allocation	%		%
• Financial	26	• Services	5
• Industrial	24	• Auto	4
• Technology	12	• Real estate	4
• Healthcare	9	• Retail	3
• Consumer	7	• Cash	6



Currency allocation	%
• Sterling	74
• Yen	26

10 largest of 69 equity holdings

Stock	% of fund	Stock	% of fund
Sony Corp	4.7	Dai-ichi Life Insurance	2.7
ORIX	4.0	Tokio Marine	2.3
Fujitsu	3.3	Mitsubishi UFJ Financial	2.1
Mitsubishi Electric	3.2	Daiichi Sankyo	2.1
T&D Holdings	3.2	Seven & I Holdings	2.0

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 £598.6m

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	0.00	0.23
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	Link Fund Solutions Limited
Depository	The Bank of New York Mellon (International) Limited
Auditors	Grant Thornton UK LLP
Structure	Sub-fund of LF 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 LF Ruffer Japanese Fund.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2017, assets managed by the Ruffer Group exceeded £22.8bn, of which over £14.0bn was managed in open-ended Ruffer funds.

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