

LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



During the period from 1 October to 31 October, the price of the fund's O accumulation shares decreased by 7.9% from 263.95 pence to 243.22 pence. In the same period, the FTSE Japan Total Return Index on a sterling adjusted basis fell by 7.4%, and the FTSE Japan Total Return Index in yen went down by 9.3%. As of the close on 31 October, the fund was 97.8% invested in Japanese equities, its cash position was 2.2%, and its exposure to the yen was 47%.

During the month of October, the fund continued to decrease its remaining exposure to illiquid small-cap companies and put the proceeds into liquid large-cap names. We also trimmed the fund's exposure to the life insurance sector which had performed well and reinvested the proceeds in some of our existing growth holdings which had fallen sharply. We initiated positions in two technology companies which had sold off while the outlook for their business operations seems far better than their recent share price performance implies.

On 1 October, the Nikkei 225 Index continued its upward trajectory and rose to the highest intraday level in almost 27 years. However, this was followed by a rapid and steep correction as global financial markets moved into a risk-off mode. The Nikkei 225 Index and the TOPIX ended the month 9.1% and 9.4% lower, respectively. Investors became even more nervous with respect to the upward trend in US long-term interest rates as the 10 year Treasury yield hit the highest level in almost seven years. In addition to ongoing concerns about US-China trade frictions and Italy's fiscal situation, Saudi Arabian diplomacy added to fears. Both large and small cap stocks fell but large cap value stocks withstood the storm far better. The US dollar-yen exchange rate was remarkably stable partially due to lower inflationary expectations in the US while sterling weakened against the yen.

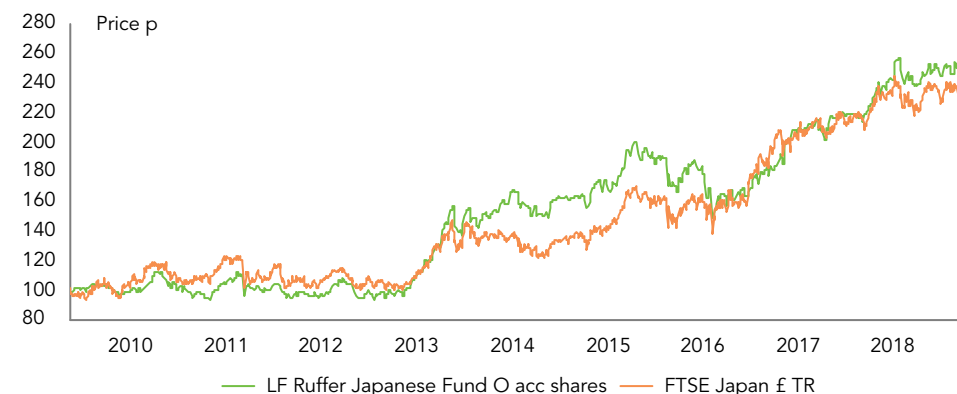
Japanese companies have started announcing their results for the September quarter and the general picture so far has been in line with market expectations although their achievements vary from sector to sector. Capital goods related companies in particular have underperformed given sharp year on year declines in new orders. We had realised profits in a number of holdings in late 2017 given their outperformance and the cloudier outlook. However, we note that we are now seeing a normal but still slowly growing level of capex. Pent-up capex peaked in the autumn of 2017 and we think that order declines are likely to end in the first half of 2019. In anticipation of this we have increased our exposure to one of the automation companies we had previously reduced in late 2017 in addition to the two new positions mentioned above.

SMBC Nikko's strategy team's earnings projections imply the TOPIX is trading on 12.7x and 12.1x for the years ending March 2019 and March 2020, respectively. Given lower valuations and stronger balance sheets we expect Japanese companies to increase their share buyback programmes and the fund owns a number of equities we hope will benefit from this trend.

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 %	October 2018	Year to date	1 year	3 years	5 years
O accumulation shares	-7.9	0.2	3.1	32.8	57.4

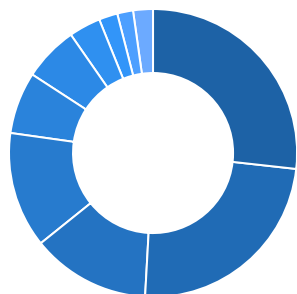
Percentage growth (O acc)	%	Share price as at 31 October 2018	p
30 Sep 2017 – 30 Sep 2018	18.4	O accumulation	243.22
30 Sep 2016 – 30 Sep 2017	22.7	C accumulation	248.13
30 Sep 2015 – 30 Sep 2016	8.4	C income	116.22
30 Sep 2014 – 30 Sep 2015	1.0		
30 Sep 2013 – 30 Sep 2014	8.1		

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.

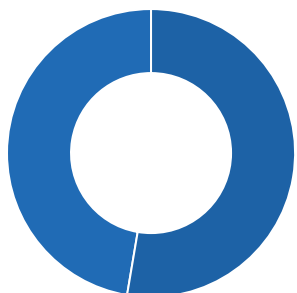
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Japanese Fund as at 31 Oct 2018

Portfolio structure



Asset allocation	%		%
• Financial	26.7	• Auto	3.4
• Industrial	24.1	• Real estate	2.1
• Healthcare	13.4	• Retail	1.8
• Technology	13.0	• Cash	2.3
• Consumer	7.0		
• Services	6.2		



Currency allocation	%
• Sterling	52.8
• Yen	47.3

10 largest of 67 equity holdings

Stock	% of fund	Stock	% of fund
Sony	4.8	Mitsubishi Electric	3.0
ORIX	4.7	T&D Holdings	3.0
Daiichi Sankyo	4.5	Tokio Marine	2.9
Fujitsu	3.5	Toyota Motor	2.4
Dai-ichi Life Insurance	3.1	Japan Post Holdings	2.3

Source: Ruffer LLP. Pie chart totals may not equal 100 due to rounding.

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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 **£520.2m**

Fund information

%	O class	C class
Ongoing Charges Figure*	1.54	1.24
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.04	0.34
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	

	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 Ernst & Young LLP

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

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 30 September 2018, assets managed by the Ruffer Group exceeded £21.8bn.

Dealing line

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*Refers to accumulation shares

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