

# LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



November 2018 Issue 115

From 2019 we will be producing this report on a quarterly rather than monthly basis. During the month, the price of the fund's O accumulation shares increased by 2.0% from 243.22 pence to 247.97 pence. In the same period, the FTSE Japan Total Return Index on a sterling adjusted basis increased by 0.9% and the FTSE Japan Total Return Index in yen rose by 1.2%. As of the close on 30 November, the fund was 99.1% invested in Japanese equities, its cash position was 0.9%, and its exposure to the yen was 50%. The top five contributors to performance were Rakuten, Lifenet Insurance, Nabtesco, Keyence, PeptiDream and the bottom five contributors were T&D, Dai-ichi Life, Sysmex, Daiichi Sankyo and Sony.

The fund continued to decrease its exposure to less liquid smaller cap companies, putting the proceeds into larger-cap names. The latter focused on existing machinery and automation holdings which have significantly underperformed since the end of January. Following a strong run, globally exposed industrial machinery and electronics companies have suffered from a range of headwinds in 2018. The most high profile of these is US-China tariff concerns with the current G20 summit unlikely to end this period of uncertainty. Negative sentiment presents opportunities to increase weightings in out of favour long-term investments. Following the sharp fall in the middle of October, the Nikkei continued to rally in the early part of November. However the risk-off environment returned in the second week with Japanese technology equities selling off following weaker than expected figures from leading US competitors and customers. This was accompanied by a relatively sharp strengthening of the yen. On 19 November, The Asahi newspaper reported that the then Chairman of Nissan (not held in the fund) Carlos Ghosn, would be arrested for understating his income. On 22 November, the company's board voted to remove him from his position. Although the market awaits further details, the event is another reminder of the importance of strong governance practices in order to protect minority shareholders. In fact a majority of Nissan's minority shareholders voted against Ghosn's re-election in 2017. Renault has held over 40% in Nissan since 2002.

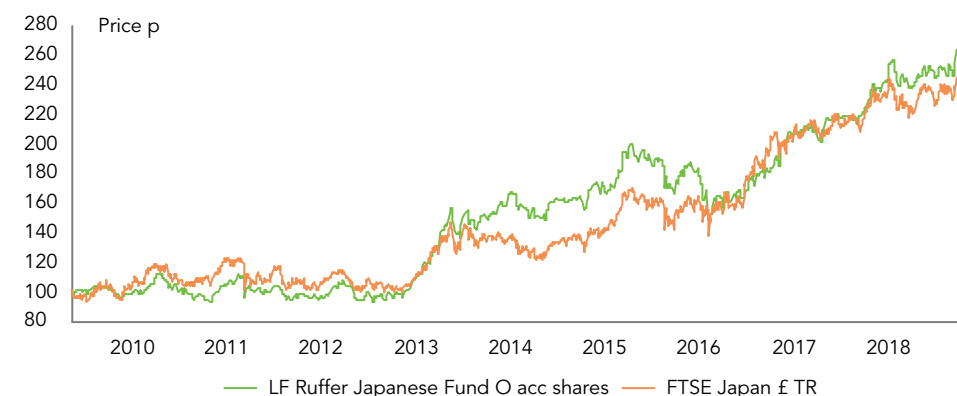
Japanese companies finished reporting their September quarter results by the middle of November. Excluding major banks and insurers, corporate Japan reported a 9% year-on-year increase in net profit. The strongest sectors were telecommunications, auto manufacturers and pharma and the weakest were utilities, auto components and IT services. Machinery companies did indeed miss consensus estimates, but interestingly the sector still managed 8% year-on-year earnings growth. However, we note that we are now seeing a normal but still slowly growing level of capital investment (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. Comments by central bank governors have dictated market direction for many years now. November ended in a similar fashion with US Federal Reserve Chair Jerome Powell suggesting the benchmark rate is near a neutral level leading to a return to the risk on environment. The fund's team is in Japan during the first two weeks of December meeting a wide range of companies.

The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](http://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 %	November 2018	Year to date	1 year	3 years	5 years
O accumulation shares	2.0	2.2	3.7	33.4	53.6

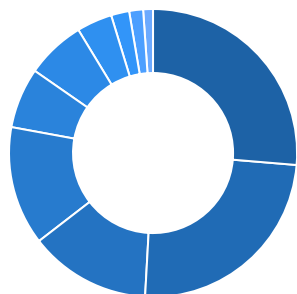
Percentage growth (O acc)	%	Share price as at 30 November 2018	p
30 Sep 2017 – 30 Sep 2018	18.4	O accumulation	247.97
30 Sep 2016 – 30 Sep 2017	22.7	C accumulation	253.04
30 Sep 2015 – 30 Sep 2016	8.4	C income	118.52
30 Sep 2014 – 30 Sep 2015	1.0		
30 Sep 2013 – 30 Sep 2014	8.1		

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.

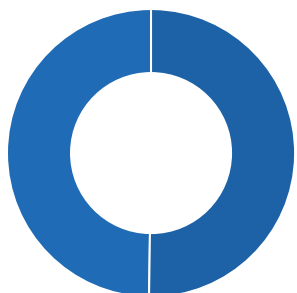
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Japanese Fund as at 30 Nov 2018

## Portfolio structure



Asset allocation	%		%
• Industrial	26.2	• Auto	3.9
• Financial	24.6	• Real estate	2.2
• Healthcare	13.7	• Retail	1.6
• Technology	13.3	• Cash	1.0
• Consumer	6.8		
• Services	6.6		



Currency allocation	%
• Yen	50.2
• Sterling	49.8

## 10 largest of 64 equity holdings

Stock	% of fund	Stock	% of fund
ORIX	4.6	Tokio Marine	3.0
Sony	4.5	Toyota Motor	2.8
Daiichi Sankyo	4.3	Dai-ichi Life Insurance	2.8
Fujitsu	3.4	T&D Holdings	2.6
Mitsubishi Electric	3.3	Keyence	2.3

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

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 **£532.7m**

## 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	0.33
Minimum investment	£1,000	
Ex dividend dates	15 Mar, 15 Sep	
Pay dates	15 May, 15 Nov	
Dealing	Weekly forward, every Wednesday where this is a business day Plus the last business day of the month	
Cut off	10am on Wednesday (where it is a business day) and the last business day of the month	
ISIN	O class GB00B3SGKR77 (acc)	C class 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	

\*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 October 2018, assets managed by the Ruffer Group exceeded £21.5bn.

## Dealing line

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