

# LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



June 2019 Issue 118

During the three months to the end of June 2019, the price of the fund's O accumulation shares increased by 3.1% from 241.63 to 249.00 pence. The FTSE Japan Total Return Index on a sterling adjusted basis rose by 3.6% and in yen fell by 2.2%. As of the close on 30 June 2019, the fund was 95% invested in Japanese equities, its cash position was 5%, and its exposure to the yen was 48%. Sony, Daiichi Sankyo, Rakuten, Recruit and NTT Data were the biggest positive contributors to performance for the quarter, while Shimadzu, Yamato, Murata, Uzabase and Fujitsu were the most significant detractors. For the six months ending 30 June, the price of the fund's O accumulation shares increased 11.9%, while the FTSE Japan Total Return Index in sterling rose by 7.5% and in yen by 5.5%.

During the quarter, we continued to cut the fund's exposure to relatively illiquid stocks and reduced the total number of equities to achieve a more concentrated portfolio. As a result, the fund now consists of 45 stocks with the majority being highly liquid large capitalisation equities with a sector focus on financial, technology, IT and software, services, pharmaceutical and healthcare. The top ten holdings represent c 44% of the fund's NAV while the smallest ten holdings account for just c 9%.

The month of April saw a mild continuation of the risk-on mode, with the TOPIX in yen up by 1.7% as some key macroeconomic indicators turned upwards in the US and China. However markets quickly moved back into risk-off mode in May, with the TOPIX in yen declining 6.5% as US-China trade tensions returned with the yen appreciating. June saw a modest rebound with the TOPIX up by 2.6%, despite the yen's strength.

The fund's team spent two weeks in Japan in the first half of June visiting companies in Tokyo, as well as Shiga, Kyoto and Osaka prefectures. We focused on various themes including payment systems, 5G, mobile communications, IT and software, and drug delivery systems.

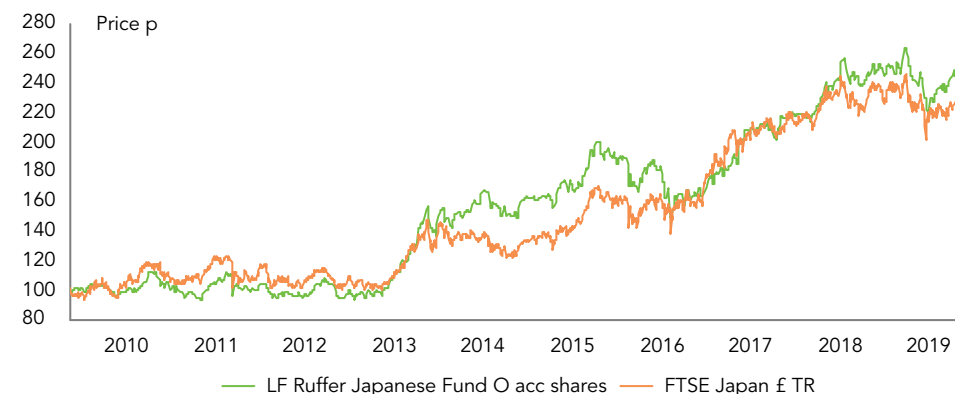
Since the launch of the fund in May 2009, we have held relatively large weightings in various healthcare related sub-sectors. Some trimming took place in 2016 following significant outperformance. We began investing the proceeds into the pharmaceutical sector in 2017, focusing on a small number of companies which had been developing unique drug delivery systems. These enhance drug efficacy whilst reducing side-effects. At the end of the quarter, the fund held four pharmaceuticals accounting for c 11% of the fund. These companies have been achieving promising clinical trial results that have surpassed our expectations. The fund's team has a rather cautious stance on the pharmaceutical sector in general, as we feel, overall, drug prices are too high and returns on R&D are likely to continue to decline. Thanks to the advancement of IT, doctors now have improved access to data with regard to the efficacy and side effects of a vast number of existing drugs. In turn, it is becoming more difficult for pharmaceuticals to generate enough revenue to recoup their R&D spend. Under such conditions, we think efficient and reliable drug delivery systems are likely to become important factors for differentiation.

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 %	Q2	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	3.1	11.9	-0.2	49.3	52.9	142.5

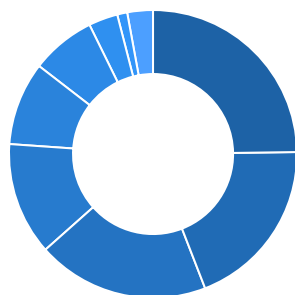
Percentage growth (O acc)	%	Share price as at 28 June 2019	p
30 Jun 2018 – 30 Jun 2019	-0.2	<b>O accumulation</b>	<b>249.00</b>
30 Jun 2017 – 30 Jun 2018	14.2	<b>C accumulation</b>	<b>254.52</b>
30 Jun 2016 – 30 Jun 2017	31.1	<b>C income</b>	<b>118.93</b>
30 Jun 2015 – 30 Jun 2016	-12.0		
30 Jun 2014 – 30 Jun 2015	16.4		

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.

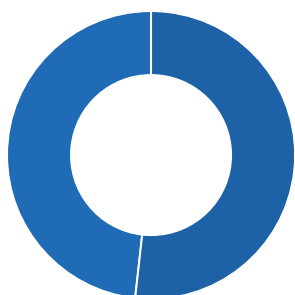
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# LF Ruffer Japanese Fund as at 28 Jun 2019

## Portfolio structure



Asset allocation	%		%
• Industrial	24.8	• Consumer	7.2
• Healthcare	19.4	• Auto	3.2
• Technology	19.2	• Retail	1.2
• Financial	12.7	• Cash	2.9
• Services	9.4		



Currency allocation	%
• Sterling	51.8
• Yen	48.2

## 10 largest of 45 equity holdings

Stock	% of fund	Stock	% of fund
Daiichi Sankyo	6.7	Mitsubishi Electric	4.1
Sony	5.3	Rakuten	4.0
ORIX	5.1	Keyence	3.6
Fujitsu	4.9	Toyota Motor	3.2
Tokio Marine	4.4	Recruit	2.6

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 **£505.3m**

## 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	0.13	0.52
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 May 2019, assets managed by the Ruffer Group exceeded £20.6bn.

## Dealing line

0345 601 9610

## Enquiries

Ruffer LLP +44 (0)20 7963 8254  
80 Victoria Street rif@ruffer.co.uk  
London  
SW1E 5JL [www.ruffer.co.uk](http://www.ruffer.co.uk)

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