

LF Ruffer Japanese Fund

Providing capital growth by investing in a portfolio of Japanese equities



March 2020 Issue 121

During the three months from 1 January to 31 March the price of the fund's O accumulation units decreased by 6.1% from 273.03 pence to 256.25 pence. In the same period, the FTSE Japan Total Return Index on a sterling adjusted basis fell by 10.7%, while the FTSE Japan Total Return Index in yen went down by 17.2%. As of the close on 31 March, the fund was 97% invested in Japanese equities, its cash position was 3%, and its exposure to the yen was 98%.

Regarding attribution for the above-mentioned period, Nihon Kohden [6849], Daiichi Sankyo [4568], Chugai Pharmaceutical [4519], JCR Pharmaceutical [4552] and Otsuka [4768] were the biggest positive contributors, while ORIX [8591], Tokio Marine [8766], Recruit [6098], Sony [6758] and Fuji Electric [6504] provided the largest negative contributions.

According to SMBC Nikko Securities' macro team, the TOPIX had discounted more than the scenario of a 24% reduction in its 12 months forward earnings as well as a 1.4% hit to Japan's GDP as of 16 March. This scenario is based on the assumption that the COVID-19 disruption will continue for two quarters until the end of July and the Olympic Games will be postponed to 2021.

The LF Ruffer Japanese Fund team view is that financial markets have been responding not only to COVID-19 itself but also to the unprecedented global 'institutional response'. The duration of disruption caused by lockdown will likely matter far more than the initial negative impact of government policy to reduce transmission. If the spread of COVID-19 is reduced soon then equities are indeed likely to rebound strongly. However if the pandemic persists beyond the summer both the global economy and financial markets are likely to face very severe conditions.

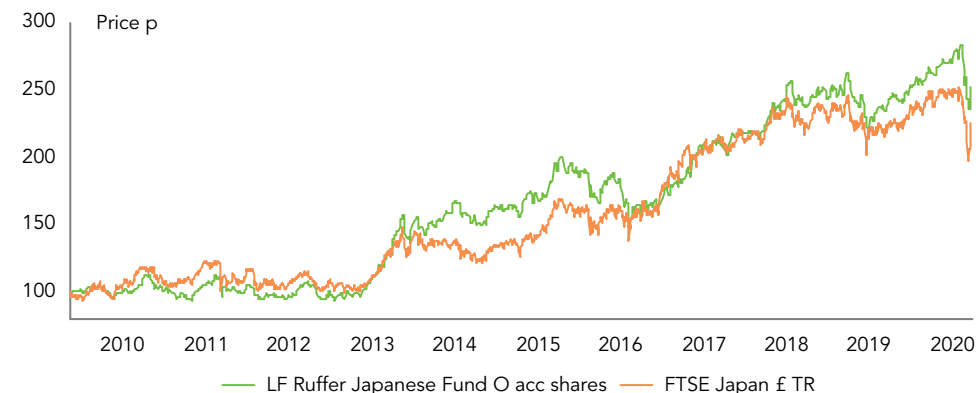
While the performance of risk assets is likely to be dependent on the duration of disruption and we do not have a crystal ball, it should be noted that we entered into this period of huge anxiety without excessive capital investment and elevated inventories. From mid-2018 to the beginning of 2020, inventory adjustments continued in the global technology supply chain and capital investment was curtailed. So pent-up demand had been accumulating and this appears to be accelerating especially in the fields of 5G, smartphones, data centres and power semiconductors.

One member of the fund's team spent the first half of March in Japan visiting companies and their production facilities. Those companies are implementing various measures to deal with the immediate challenge from the virus but are also making preparations for the post COVID-19 world. Many technology and IT companies have not experienced cancellations of existing orders in spite of the disruptions to the global technology supply chain. Instead, many are receiving higher levels of inquiries from existing and potential customers, which they expect will eventually result in new orders. Existing orders may be put on hold and bookings of sales are likely to be delayed in the short run but underlying demand for their products and services looks intact in the long run.

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 %	Q1	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-6.1	-6.1	6.1	22.5	32.5	133.0

Percentage growth (O acc)	%	Share price as at 31 March 2020	p
31 Mar 2019 – 31 Mar 2020	6.1	O accumulation	256.25
31 Mar 2018 – 31 Mar 2019	0.9	C accumulation	262.54
31 Mar 2017 – 31 Mar 2018	14.5	C income	122.26
31 Mar 2016 – 31 Mar 2017	27.0		
31 Mar 2015 – 31 Mar 2016	-14.8		

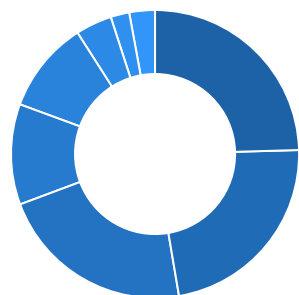
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the TOPIX to the FTSE Japan Index as Ruffer adopts FTSE as a data provider for all funds.

The fund's prospectus and key investor information documents are provided in English and available on request or from 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.

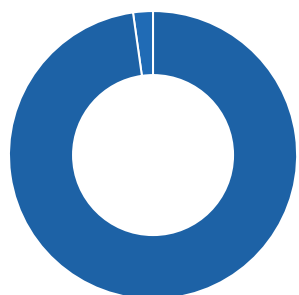
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

LF Ruffer Japanese Fund as at 31 Mar 2020

Portfolio structure



Asset allocation	%		%
• Industrial	24.6	• Services	4.0
• Healthcare	22.6	• Auto	2.1
• Technology	22.0	• Cash	2.9
• Financial	11.3		
• Consumer	10.4		



Currency allocation	%
• Yen	97.8
• Sterling	2.3

10 largest of 40 equity holdings

Stock	% of fund	Stock	% of fund
Daiichi Sankyo	7.8	Mitsubishi Electric	4.2
Fujitsu	7.0	Keyence	4.2
Sony	6.6	Hoya	3.2
ORIX	4.5	Kao Corp	3.1
Tokio Marine	4.4	Shimadzu	2.9

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 **£469.1m**

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	0.17	0.34
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 29 February 2020, assets managed by the Ruffer Group exceeded £19.1bn.

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