CF Ruffer Pacific Fund

Consistent positive returns by investing in a diversified portfolio of Asia Pacific securities

December 2015 **Issue 146**

During the month, the fund rose by 1.2% compared to a 2.4% rise in the MSCI Asia Pacific Index, adjusted for sterling.

Although 2015 had its bright moments, at year end, it is hard to avoid (yet again) a feeling of slight gloom as we head into the new year. Illiquidity in the debt market, rising interest rates, tensions in the Middle East and the South China Sea, overvalued stockmarkets, slowing growth in China, anaemic growth in most of the rest of the world – there is not a lot to be cheerful about. As a result, we are expecting another difficult year for investors and accordingly, our investment strategy will continue to be to pay great attention to valuation, and confine our investments to businesses that have the capacity to grow in even the most difficult economic circumstances. In Asia, we would favour sectors such as travel, healthcare, education, food and, in China, financial services, but we're also interested in technological change and the impact that might have on traditional industries (either good or bad).

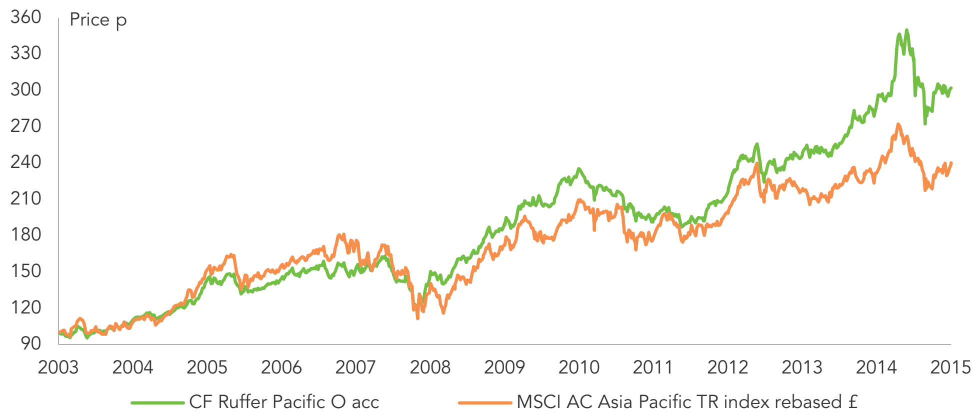
Car ownership in Hong Kong is expensive. There is no import duty, but there is a first registration tax on private cars of up to 115%. There is also a high annual vehicle license fee. These charges are waived for electric cars, while running costs for electric cars are also substantially lower. The city is setting up an extensive charging infrastructure for electric vehicles, and for the time being, it is mainly free to use. Electric vehicles now account for about 3% of new car registrations in Hong Kong. While high by global standards, this is obviously low in absolute terms, but as more electric cars become available, the charging infrastructure improves, the cars become cheaper, and the technology improves, it is hard to see that this market will do anything but grow – and not just in Hong Kong. We recently met a leading Chinese bus manufacturer, whose fastest growing area is electric buses. Economically, these make perfect sense for bus operators, typically attracting government subsidies and having much lower operating costs. About a year ago, we met a company in China that had started making simple electric cars. Without the need for expensive and complicated engine technology, the company believed it would have substantially lower overheads, development and manufacturing costs than conventional car manufacturers. It knew of at least 50 similar companies in China.

Long term, this is bad news for oil, and it is also bad news for makers of parts for internal combustion engines. If they fail to adapt, it may also be bad news for some of the global auto-makers and may be bad news even if they do since the barriers to entry for making vehicles will be reduced. And there is another challenge for them. We visited some parts companies in Japan this month, and it was apparent that both conventional and electric car makers are focusing on automated driving. Whether it happens in five years or twenty (as a Japanese maker of parts for diesel engines – not one of our investments – forlornly hoped), the automotive market of the future is likely to be one of fewer, cleaner, safer vehicles, and we think there are some investment opportunities here in Asia, as well as some sectors to avoid.

Investment objective

The investment objective of CF Ruffer Pacific Fund is to deliver consistent positive returns by investing in a diversified portfolio of predominantly Asia Pacific equities. The fund may also invest in fixed income securities, 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 in the stated investment and borrowing powers of the Company, with the proportion of the sub-fund invested in each asset class varying over time in line with changes in the Investment Manager's view about their relative attraction and subject to the limitations on investments contained in the prospectus.

Performance since launch on 31 December 2003



Performance %	December 2015	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	1.2	4.9	4.9	39.3	28.5	110.8

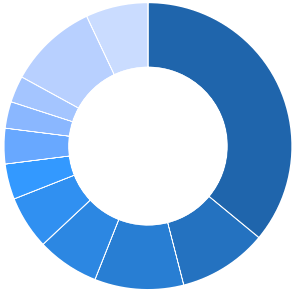
Percentage growth (O acc)	%
31 Dec 2014 – 31 Dec 2015	4.9
31 Dec 2013 – 31 Dec 2014	16.7
31 Dec 2012 – 31 Dec 2013	13.8
31 Dec 2011 – 31 Dec 2012	11.7
31 Dec 2010 – 31 Dec 2011	-17.4

Share price as at 31 December 2015	**p**
O accumulation	**302.14**
C accumulation	**305.53**

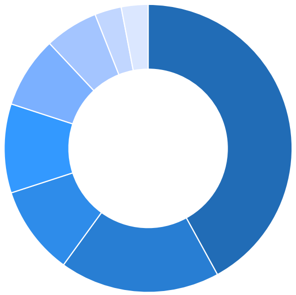
Source: Ruffer LLP

CF Ruffer Pacific Fund as at 31 December 2015

Portfolio structure



Asset allocation	%		%
China equities	36	Singapore equities	4
Sri Lanka equities	10	Australia equities	3
Japan equities	10	Asia Pacific ex Japan funds	3
Hong Kong equities	7	Cash	10
Philippines equities	6	Gold investments	7
North America equities	4		



Currency allocation	%		%
Hong Kong dollar	42	Australian dollar	8
Sterling	18	Philippines peso	6
US dollar	10	Singapore dollar	3
Sri Lanka rupee	10	Other	3

10 largest of 74 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	3.9	HNA Infrastructure	2.3
PICC Property & Casualty	3.2	China Life Insurance	2.2
China Mobile	3.1	John Keells	2.1
Swire Pacific	2.5	Shenzhen Investment	2.1
Jamco	2.3	DB X-Trackers CSI300 Index ETF	2.1

Source: Ruffer LLP

Fund size £299.1m

Fund information

%	O class	C class
Ongoing Charges Figure	1.60	1.27
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.25	0.54
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	GB0034035328	GB00B8BZHC05
SEDOL	3403532	B8BZHC0
Investment adviser		Ruffer LLP
Sub advisor		Ruffer (Asia) Limited
ACD		Capita Financial Managers Limited
Depositary		BNY Mellon Trust & Depositary (UK) Limited
Auditors		Grant Thornton UK LLP
Structure		Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs

Fund Manager

Mary McBain

INVESTMENT DIRECTOR

After graduating from Oxford University in 1985, started work at Invesco MIM as a fund manager on the Asian team. After leaving Invesco in 1990, she spent many years living and working in Asia, for GK Goh Securities, Apollo Investment Management and Ballingal Investment Advisors. She joined Ruffer in 2006 and manages the CF Ruffer Pacific Fund.

Ruffer LLP

Ruffer LLP manages investments on a discretionary basis for private clients, trusts, charities and pension funds. As at 31 December 2015, assets managed by the Ruffer Group exceeded £18.3bn, of which over £9.3bn was managed in open-ended Ruffer funds.

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