

CF Ruffer Pacific Fund

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



February 2016 Issue 148

During the month, the fund rose by 3.0% compared to a 0.1% rise in the MCSI Asia-Pacific Index, adjusted for sterling.

We have been gradually raising our weighting to the Chinese residential property sector. Prior to 1990, most people in China lived in accommodation provided by their employer, but from the early 1990s, the market was effectively privatized. The ensuing property boom was slow to start. However, as wages started rising, demand for new, modern property began to escalate.

China's 94,000 property development companies responded to this with great enthusiasm. Properties can be presold, often two or three years ahead of completion, with the developer receiving 100% of the value upfront, and although the proceeds cannot be used to buy new land, this did not stop them going on a land buying binge. We have mentioned the term 'Ponzi scheme' in connection with this sector in a previous report. The inevitable result was oversupply, and vacant, unsold space reached a record 452m² at the end of 2015, equivalent to about six month's supply. This is much worse in certain third or fourth tier cities – two to three years is common. As a result, the sector as a whole trades on very low valuations: an average discount of 60-70% of NAV, PEs of 3-5x, and dividend yields of as high as 16%.

One of the main reasons for the weakness in the Chinese property market since 2011 has not been lack of demand, but rather home purchase restrictions, which were put in place in China's major cities to prevent the market from becoming completely overheated. The restrictions limited the number of properties people could buy and raised down payments on mortgages to 30% for first time buyers and 60% for any other buyers. From early 2014, with speculation almost entirely absent from the market, restrictions have been progressively lifted. The current rules are: first time buyers in certain cities need to make a 20% down payment and second home buyers, 30%. Stricter limits remain in Beijing, Shanghai, Shenzhen and Guangzhou.

Developers, meanwhile, seem to have calmed down on the land buying, and are instead more focused on reducing inventory. Meanwhile, prices have started rising again, and property transactions rose strongly last year. We acknowledge that some of the companies in the sector have very ugly balance sheets, but we expect to see a sector wide improvement in balance sheet and working capital in the next couple of years, while the better managed companies still trade at far below market valuations, and now look attractive.

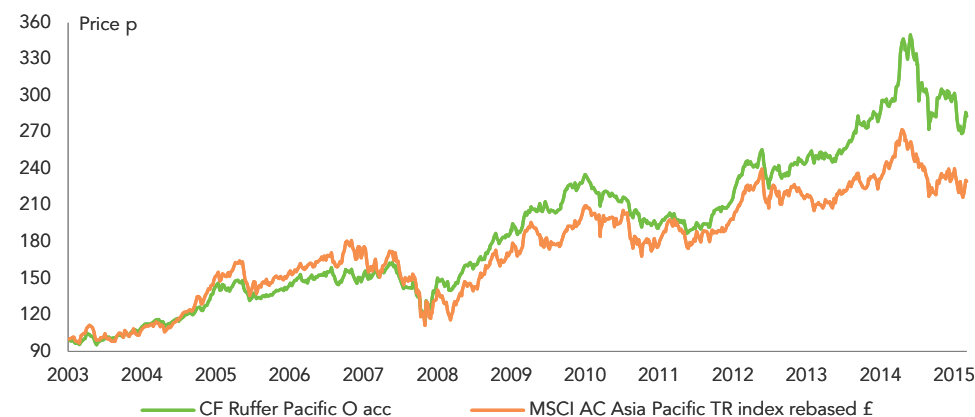
We reduced our position in Zhaojin Mining, at the end of the month, after the stock had risen by just under 50% in under three trading weeks. Zhaojin is a listed Chinese gold miner, with annual production of around 500,000 ounces. Our holding still represents about 2% of the fund's assets.

We have also taken the decision to hedge half of our Hong Kong dollar exposure back to sterling, given the extremity of the move in sterling against the dollar since the start of the year.

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 %	February 2016	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	3.0	-6.3	-4.9	16.0	28.4	97.0
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					

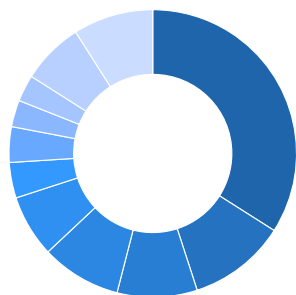
Source: Ruffer LLP

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.

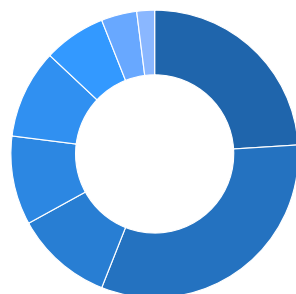
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

CF Ruffer Pacific Fund as at 29 February 2016

Portfolio structure



Asset allocation	%		%
• China equities	34	• North America equities	4
• Sri Lanka equities	11	• Asia Pacific ex Japan funds	3
• Japan equities	9	• Australia equities	3
• Hong Kong equities	9	• Cash	7
• Philippines equities	7	• Gold investments	9
• Singapore equities	4		



Currency allocation	%		%
• Hong Kong dollar	24	• Australian dollar	10
• Sterling	32	• Philippines peso	7
• US dollar	11	• Singapore dollar	4
• Sri Lanka rupee	10	• Other	2

10 largest of 75 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	5.4	John Keells	2.2
China Mobile	3.3	Zhaojin Mining Industry	2.0
PICC Property & Casualty	2.8	Tiburon Taurus Fund	2.0
Swire Pacific	2.5	Bank of China	1.9
HNA Infrastructure	2.3	Shenzhen Investment	1.9

Source: Ruffer LLP

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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 £278.5m

Fund information

%	O class	C class
Ongoing Charges Figure	1.60	1.28
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.27	0.58
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	
ISIN	O class GB0034035328	C class 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	

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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 29 February 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which over £9.2bn was managed in open-ended Ruffer funds.

Dealing line

0345 601 9610

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