

CF Ruffer Pacific Fund

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



April 2016 Issue 150

During the month, the fund rose by 1.6% compared to a 0.1% fall in the MSCI Asia Pacific Index, adjusted for sterling.

One of the main reasons for our more positive view about China over the past couple of years was the government's admission that the massive stimulus post the global financial crisis of 2008/9 was a mistake, resulting in a dangerous build-up in surplus capacity and a serious misallocation of resources. Instead, government policy seems to have centered around reducing corruption, introducing reforms, particularly in the financial sector, and allowing the economy to start to rebalance, even at the price of slower GDP growth. We have been encouraged by the recent action around capacity reduction, particularly in sectors such as coal, and signs of more sensible behaviour by property developers, who appeared to have turned their energies to reducing inventory, rather than acquiring landbank. At a micro level, we have had no problems finding companies that are still experiencing growth, even rapid growth in profits, as they set about making their businesses more efficient in a lower growth economy. Meanwhile, balance sheets seem to be improving, and corporate capex in 2015 appears to be down about 10%.

Draconian home purchase restrictions were introduced in 2011, with the aim of preventing speculation and limiting purchases to genuine end-users. With the market much quieter, the government began to progressively lift these restrictions from mid-2015. While the restrictions remain in the Tier 1 cities (and have in fact been tightened further in the last month), the market response has been little short of phenomenal. In the first quarter, area sold was up by 36% year on year, and the value of property sold was up 60% year on year. At the level of the property companies, this translates into greatly improved working capital, but despite this, developers still seem to be exercising some self-control (land sales were down 12% year on year in the first quarter). Although mortgage lending was up 46% year on year, it still only accounted for 15% of property purchases. The largest source of funds still seems to be accumulated household savings and wealth, so there is no obvious sign of a leveraged bubble emerging here, although there is some anecdotal evidence that cash down-payments have actually been funded with money borrowed from peer-to-peer lenders, property developers and other non-banks.

Against this backdrop, it is more than a little disturbing that Q1 lending rose by RMB6.2tn, a record quarterly amount and up 50% year on year. This does not appear to be a repeat of the 2008/9 stimulus, which became almost immediately visible in commercial bank balance sheets, cement and steel output, commodity prices, construction activity, and the 'corruption sectors', such as luxury goods sales, Macau gaming revenue and so on, but this time round, we're so far not seeing much of an impact (if any) on the usual suspects. In fact, we're far from clear where this colossal injection of funding is ending up, which lends some weight to the argument that this is funding required just to keep the current funding going, and this has made us slightly more cautious. We have gradually been increasing our cash weighting into the recent market rebound, and any new investments have been plays on 'emerging' ASEAN.

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 %	April 2016	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	1.6	-0.7	-11.1	23.7	37.8	105.6	
Percentage growth (O acc)	%		Share price as at 29 April 2016				p
31 Mar 2015 – 31 Mar 2016	-5.6		O accumulation				300.10
31 Mar 2014 – 31 Mar 2015	25.2		C accumulation				303.75
31 Mar 2013 – 31 Mar 2014	2.6						
31 Mar 2012 – 31 Mar 2013	23.9						
31 Mar 2011 – 31 Mar 2012	-10.5						

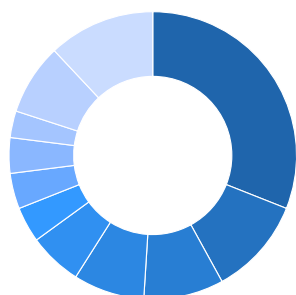
Source: Ruffer LLP

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.

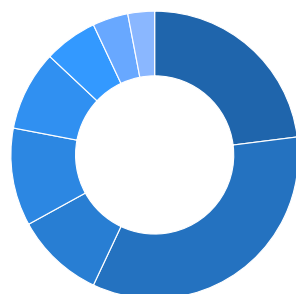
The fund's prospectus and key investor information documents are provided in English and available on request or from www.ruffer.co.uk. Please note that CF Ruffer Investment Funds is a UK UCITS. The CF Ruffer Pacific Fund is not registered for distribution in any country other than the UK.

CF Ruffer Pacific Fund as at 29 April 2016

Portfolio structure



Asset allocation	%		%
• China equities	31	• Asia Pacific ex Japan funds	4
• Sri Lanka equities	11	• North America equities	4
• Japan equities	9	• Australia equities	3
• Hong Kong equities	8	• Gold investments	8
• Philippines equities	6	• Cash	12
• Singapore equities	4		



Currency allocation	%		%
• Hong Kong dollar	23	• Australian dollar	9
• Sterling	34	• Philippines peso	6
• US dollar	10	• Singapore dollar	4
• Sri Lanka rupee	11	• Other	3

10 largest of 72 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	5.5	Bank of China	1.9
China Mobile	3.3	John Keells	1.9
PICC Property & Casualty	3.0	Shenzhen Investment	1.9
Swire Pacific	2.5	JAMCO	1.9
HNA Infrastructure	2.0	Beijing Capital Land	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 £292.8m

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	0.25	0.55
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	

Enquiries

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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 30 April 2016, assets managed by the Ruffer Group exceeded £18.0bn, of which over £9.5bn was managed in open-ended Ruffer funds.

Dealing line

0345 601 9610

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL.

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