

# CF Ruffer Pacific Fund

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

During the month, the fund fell by 1.7% compared to a 0.7% decline in the MSCI Asia Pacific Index, adjusted for sterling.

The overwhelming impression from an investor conference we went to in China this month was that investors are feeling confused – about politics, about the reform process, and the state of the economy. This was not helped by a 11,000 character article on the front and second page of the People's Daily from an unnamed 'authoritative source' (widely thought to be someone close to the President, or even the President himself) that debt-fuelled stimulus was not the answer, that high leverage was a threat to the economy and the financial system, and that it was unrealistic to expect to see a sharp recovery in growth rates. All very sensible, but completely at odds with the sharp increase in credit in the first quarter. This all suggests there are some serious disagreements about policy among the senior leadership. The 19th Party Congress will take place in eighteen months, and four out of the five Standing Committee members who will retire at that time are members who we understand may owe their loyalty to former Presidents Hu Jintao or Jiang Zemin, not President Xi. There is some speculation that his main preoccupation now is to shore up his position ahead of the Congress, after which point, if he can populate the Standing Committee with his own men, only then will we see what he really intends to do about the economy. Still, if the People's Daily article is a guide, then reform and rebalancing can be expected to accelerate.

Where did all the credit go? We heard lending to Local Government Financing Vehicles (LGFVs), coal, cement and steel was very tight last year, but standards were relaxed in the first quarter, and they seized the moment to get loans, some to repay old debt, and others, the LGFVs in particular, to fund infrastructure projects. Some of these are for projects which had stalled last year, but some are new. Favoured sectors are water, environment and urban transport. Mortgage lending was also strong in the first quarter.

There is still plenty of evidence that reform is going on, albeit in a somewhat piecemeal way. There are plenty of examples in the financial sector, including interest rate liberalization, deposit insurance, changes to the way the People's Bank of China operates, the opening up of the bond market, wider access to financial leasing, local government debt, widening scope of insurance coverage, and an expected change in restrictions on leverage at brokers – currently 6x, compared to 11-12 at Western brokers.

One change of particular note is a change to the bankruptcy law and the establishment of local asset management companies (AMCs). One of the problems with the bad debt has historically been what to do about it. The choices were: restructure it, seize control of collateral, or sell the non-performing loan to one of the four AMCs. However, the latter have been somewhat choosy in what they will take, while it has been difficult in practice to seize collateral or initiate bankruptcy. We heard the rules around bankruptcy have been changed and it is now working with unprecedented efficiency, taking four to five months.

The property market has been very active since buying restrictions were relaxed, and this has continued in recent months, albeit at a less frenetic pace. 85-90% of buyers are still end-users, and there are acute shortages in some larger cities. In Nanjing, property sales were up 130% year on year in the first four months, and there is only two months of inventory (including property with a license to presell). Third and fourth tier cities are still lagging, but some of our property company investments have been reporting very strong growth in contracted sales.

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 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.



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## 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 %	May 2016	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	-1.7	-2.4	-15.3	20.0	36.2	112.8
Percentage growth (O acc)						
31 Mar 2015 – 31 Mar 2016	-5.6					
31 Mar 2014 – 31 Mar 2015	25.2					
31 Mar 2013 – 31 Mar 2014	2.6					
31 Mar 2012 – 31 Mar 2013	23.9					
31 Mar 2011 – 31 Mar 2012	-10.5					

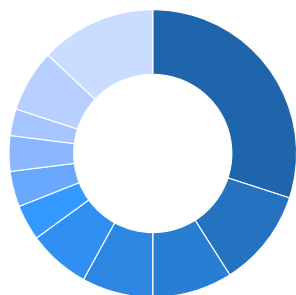
Source: Ruffer LLP

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.

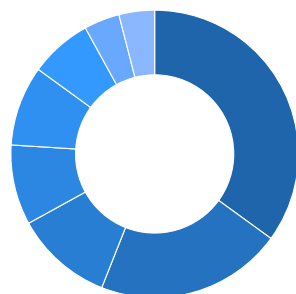
Share price as at 31 May 2016	p
O accumulation	294.89
C accumulation	298.56

# CF Ruffer Pacific Fund as at 31 May 2016

## Portfolio structure



Asset allocation	%		%
• China equities	30	• Asia Pacific ex Japan funds	4
• Sri Lanka equities	11	• Australia equities	4
• Japan equities	9	• North America equities	3
• Hong Kong equities	8	• Gold investments	7
• Philippines equities	7	• Cash	13
• Singapore equities	4		



Currency allocation	%		%
• Sterling	35	• Australian dollar	9
• Hong Kong dollar	21	• Philippines peso	7
• Sri Lanka rupee	11	• Singapore dollar	4
• US dollar	9	• Other	4

## 10 largest of 73 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	4.5	Bank of China	2.0
China Mobile	3.4	Shenzhen Investment	2.0
PICC Property & Casualty	3.1	John Keells	1.9
Swire Pacific	2.6	CITIC Securities	1.8
HNA Infrastructure	2.1	DB X-Trackers CSI300 index ETF	1.8

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 £284.6m

## 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	0.26	0.56
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 31 May 2016, assets managed by the Ruffer Group exceeded £18.2bn, of which over £9.5bn was managed in open-ended Ruffer funds.

## Dealing line

0345 601 9610

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