

# CF Ruffer Pacific Fund

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



June 2016 Issue 152

During the month, the fund rose by 4.7% compared to a 9.1% increase in the MSCI Asia Pacific Index, adjusted for sterling. The main driver of performance this month has been the sudden steep fall in sterling post the referendum, with 65% of the fund exposed to other currencies. The fund's sterling exposure is 35%, through cash or currency hedges. Although the Brexit vote was a shock to markets, and Asian markets duly joined in the immediate sell-off of equities (apart from the Shanghai market, which did not react at all), the underlying investments in the fund are generally not directly exposed to a weak pound/euro or a period of slower growth in Europe. The main Brexit concerns in the region would be: weaker trade, although exports to Europe have been weak for several years, so there is nothing new here; lower tourist arrivals, although visitors from within the region now dominate; and any kind of financial contagion from European/UK banks.

Sri Lanka is probably one of the more exposed to Europe, in both exports and tourism, and we visited the country earlier in the month. Having grown by around 7% a year in real terms since 2009, growth in Sri Lanka has slowed in the past couple of years. 2015 was affected by the two elections, and the new government's initial preoccupation was to sort out the constitution, while simultaneously calling a halt to investment projects associated with the former president, notably casinos and Chinese infrastructure. It also introduced some populist measures (the retrospective 'super gains tax' on large companies, wage increases for civil servants, tariff reductions on imported cars).

Sri Lanka does not have a strong manufacturing base, exports account for just 12.7% of GDP, 33% of the workforce is still employed in agriculture, and Sri Lanka, which imports oil, fuel and manufactured goods, has been running a substantial trade deficit for years, equivalent to 10% of GDP in 2014 and 2015. Worker remittances and tourist spending provide some offset, but in 2015 the balance of payments swung back into negative territory, putting pressure on the currency (again). None of this has been particularly helpful for the economy, FDI or the stock market, but the mood now seems to be that scaring off foreign investors is not a good idea, and the government appears keen to revive foreign investment. The US\$1.5bn Port City project, which was suspended after the elections, has been given the green light, there are plans for new roads, expressways and a monorail, and it is approving new free trade zones around the country. Sri Lanka already has a free trade agreement with India and Pakistan and is in the process of signing one with China, so while Sri Lanka's small domestic market has its limitations for foreign investors, these free trade agreements could make it much more appealing.

The government has also been running a budget deficit. It already had relatively high government debt due to the war (although household and corporate debt is very low), but it has been unable to shrink its budget deficit significantly since then. This is partly because the tax base is very narrow. Government revenue is only 13% of GDP, one of the lowest in the world. The state is also the largest employer and investor in the country, and the SOE sector is notoriously inefficient and unprofitable. The government is actively looking at improving efficiency or even privatising some of its poorly performing industries, which is also a positive step.

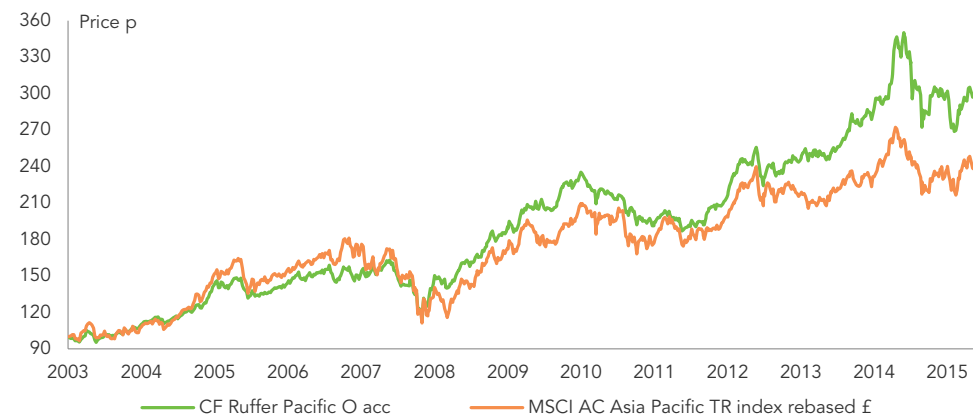
The companies we invest in were all fairly upbeat, and we continue to view this as an attractive market.

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.

## 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



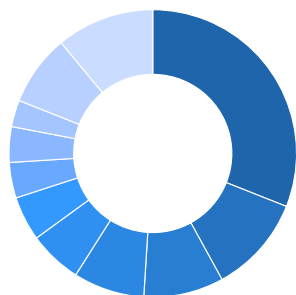
Performance %	June 2016	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	4.7	2.2	-5.0	34.0	44.0	124.3	
Percentage growth (O acc)	%		Share price as at 30 June 2016				p
30 Jun 2015 – 30 Jun 2016	-5.0		O accumulation				308.68
30 Jun 2014 – 30 Jun 2015	27.1		C accumulation				312.59
30 Jun 2013 – 30 Jun 2014	11.0						
30 Jun 2012 – 30 Jun 2013	18.9						
30 Jun 2011 – 30 Jun 2012	-9.6						

Source: Ruffer LLP

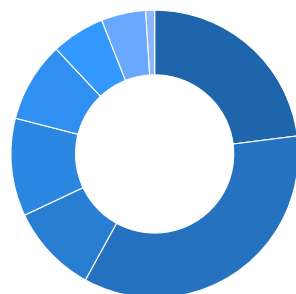
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# CF Ruffer Pacific Fund as at 30 June 2016

## Portfolio structure



Asset allocation	%		%
• China equities	31	• 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	8
• Philippines equities	6	• Cash	11
• Singapore equities	5		



Currency allocation	%		%
• Hong Kong dollar	23	• Australian dollar	9
• Sterling	35	• Philippines peso	6
• US dollar	10	• Singapore dollar	5
• Sri Lanka rupee	11	• Other	1

## 10 largest of 71 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	4.7	Zhaojin Mining Industry	2.1
China Mobile	3.5	John Keells	2.1
Swire Pacific	2.8	Bank of China	2.0
PICC Property & Casualty	2.8	Shenzhen Investment	2.0
HNA Infrastructure	2.1	CITIC Securities	1.9

Source: Ruffer LLP

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 £269.9m

## 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	0.24	0.53
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 30 June 2016, assets managed by the Ruffer Group exceeded £18.5bn, of which over £10.1bn was managed in open-ended Ruffer funds.

## Dealing line

0345 601 9610

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