

CF Ruffer Pacific Fund

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



August 2016 Issue 154

During the month, the fund rose by 2.9% compared to a 2.8% increase in the MSCI Asia Pacific Index, adjusted for sterling.

At the time of writing, most companies in our Hong Kong/China universe had reported their interim results. Most of the banks reported further deterioration in their non-performing loans, as expected, but our view is that for the major banks at least – and we stress that *not all banks are equal* – the situation is not as bad as it looks. For the listed sector as a whole, both revenue and profits were generally down, but the very encouraging news is that companies are clearly responding to more difficult economic conditions and excess capacity by cutting their capex, reducing their debt and improving their cash flow. This is good for the corporate sector but it is also particularly good for the banks, since it will ultimately lead to an improvement in non-performing loans. We believe that doubts about asset quality are the main reason why investors do not like the Chinese banks, which typically trade well below book value, and with very high dividend yields as a result. Given that financials are such a large part of the market (over 60% of the Hang Seng China Enterprise Index), it is all too easy for investors to dismiss the market overall, or confine their interest to a handful of positions in high growth, and now very expensive, sectors.

We have also been pleased with the results from the property companies. The earnings they report now relate to properties that were sold off-plan 18 to 24 months ago, when the market was much more difficult. However, they also report contracted sales, and these have risen very sharply in the first half, on both higher transaction volumes and higher selling prices. This will translate into higher revenue and better margins in the next one to three years. Several companies have also made significant progress in clearing their unsold completed inventory, as property sales pick up in third and fourth tier cities. The property sector has been notoriously over-leveraged, but balance sheets are starting to improve. Banks are benefiting from this in two ways: more mortgage lending, which is still very far from the subprime lending seen in the US in the lead up to the financial crisis – loan to value for new borrowers is still only 60-70%; and less risk to their loans to this sector. Our property stock investments are up on average 21% over the past three months in local currency terms, but are still on an average PE of just 5.7x 2018 earnings, and one of them has a dividend yield of over 9%. There is always the danger that they revert to the bad habits of the past, and embark on another land-buying binge, but so far there is no sign of it. As with the rest of the Chinese listed sector, for the moment, companies seem to be focusing on cleaning up their balance sheets and improving their cash flow.

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 %	August 2016	Year to date	1 year	3 years	5 years	10 years
O accumulation shares	2.9	12.0	18.0	44.0	64.5	150.7
Percentage growth (O acc)						
30 Jun 2015 – 30 Jun 2016	-5.0					
30 Jun 2014 – 30 Jun 2015	27.1					
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.

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.

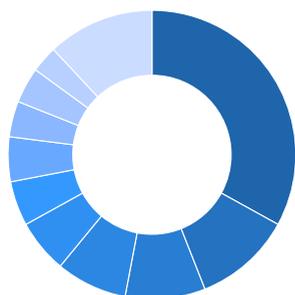
Share price as at 31 August 2016 p

O accumulation 338.39

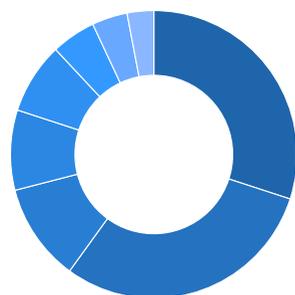
C accumulation 342.85

CF Ruffer Pacific Fund as at 31 August 2016

Portfolio structure



Asset allocation	%		%
• China equities	33	• Singapore equities	5
• Sri Lanka equities	11	• Philippines equities	4
• Japan equities	9	• Australia equities	4
• Hong Kong equities	8	• North America equities	3
• Asia Pacific ex Japan funds	6	• Cash	12
• Gold investments	5		



Currency allocation	%		%
• Hong Kong dollar	30	• Australian dollar	8
• Sterling	30	• Singapore dollar	5
• Sri Lanka rupee	11	• Philippines peso	4
• US dollar	9	• Other	3

10 largest of 71 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	3.8	Shenzhen Investment	2.2
China Mobile	3.5	John Keells	2.2
China Overseas Land & Investments	3.1	Bank of China	2.1
PICC Property & Casualty	2.7	HNA Infrastructure	2.1
Swire Pacific	2.6	Bellamys Australia	2.0

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 £328.3m

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	0.22	0.49
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	

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 31 August 2016, assets managed by the Ruffer Group exceeded £20.0bn, of which over £10.9bn was managed in open-ended Ruffer funds.

Dealing line

0345 601 9610

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