

CF Ruffer Pacific Fund

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



January 2017 Issue 159

During the month, the fund rose by 1.9% compared to a 2.5% increase in the FTSE Asia Pacific Index, adjusted for sterling.

The 19th Communist Party National Congress will be held this autumn, which will mark the halfway point in President Xi's term. An unprecedented five out of the current seven standing committee members will retire, providing an opportunity for the President to fill the slots with his own men. We believe that only after this will we get a clearer picture of what his policy aims really are, particularly with respect to the economy.

In December, the Annual Economic Working Committee, which sets future policy, laid out its agenda, with an emphasis on the three 'D's, deleverage, de-stock, and de-capacity (sic). The message was quite clear: 'Annual interest payments on current outstanding corporate loans... are not sustainable'. Inventories, particularly of property, were still too high and needed to be cleared. Capacity needs to be reduced further, and capacity that has been shut must be prevented from starting up again, should conditions improve. This is not the first time we have heard this message, but we would add a fourth 'D' to this rhetoric, which is the disconnect between the message and the underlying reality. For all the talk about deleveraging, credit last year grew by 16%, if local government bond issuance is included, compared to GDP growth of 6.7%.

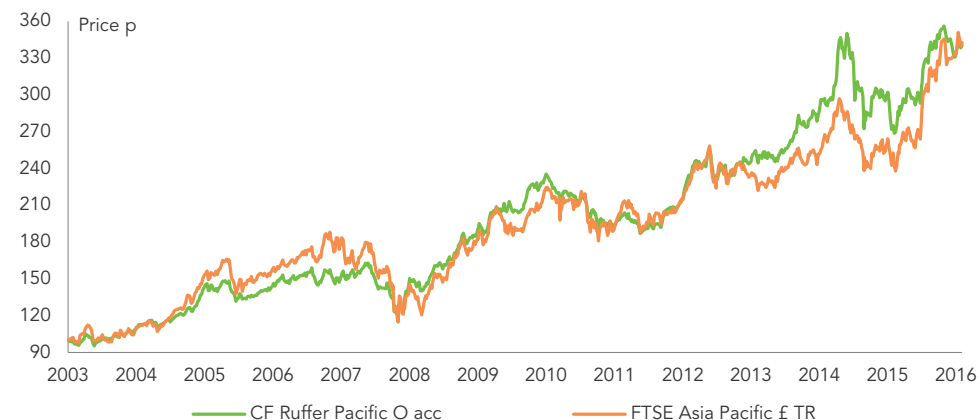
Having said that, about three-quarters of China's GDP growth last year came from consumption, fixed asset investment rose by its slowest level for some years, and although steel prices rose by nearly 80%, steel output was only up 1.2%. We took a look at ten of the most over-gear'd Chinese companies we could find, typically in 'old China' industries, such as steel, coal, heavy industry and power, and there has been a dramatic improvement in their cash flow – meaning higher profits and improved ability to service and pay down their debts. As far as we can see, this has mainly come through scaling back of capital expenditure, and capacity cuts which have resulted in higher prices. If this is being replicated across the corporate sector, this is positive for the banks and the economy as a whole.

One policy which seems quite clear is One Belt, One Road, or OBOR, the regeneration of the former Silk Road and a complementary maritime route. OBOR covers 64 countries, accounting for a third of global GDP. The rationale is that China has capital, surplus capacity and technology, which most of these countries lack, and shortages of land and resources, which most of these countries have in abundance. There is also the issue of energy security (most of China's oil comes by sea, which is one reason why China is insecure about the US naval presence in the South China Sea), while the US has very little presence or influence in most of these OBOR countries. This is not just a blue-print – OBOR projects have been under way for some years, but in future there is likely to be an acceleration, which could have a material impact on some of the countries affected.

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 %	January 2017	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	1.9	1.9	23.8	37.0	70.4	129.6	
Percentage growth (O acc)	%		Share price as at 31 January 2017				p
31 Dec 2015 – 31 Dec 2016	10.6		O accumulation				340.35
31 Dec 2014 – 31 Dec 2015	4.9		C accumulation				345.27
31 Dec 2013 – 31 Dec 2014	16.7						
31 Dec 2012 – 31 Dec 2013	13.8						
31 Dec 2011 – 31 Dec 2012	11.7						

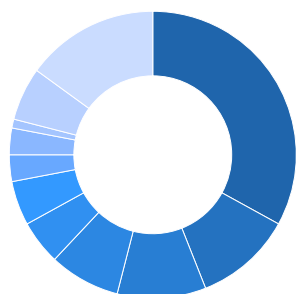
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the MSCI AC Asia Pacific to the FTSE Asia Pacific Index as Ruffer adopts FTSE as a data provider for all funds.

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.

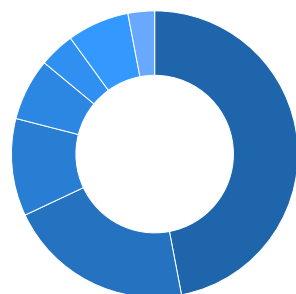
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer Pacific Fund as at 31 January 2017

Portfolio structure



Asset allocation	%		%
• China equities	33	• Philippines equities	3
• Sri Lanka equities	11	• Australia equities	3
• Japan equities	10	• Indonesian equities	1
• Hong Kong equities	8	• Gold investments	6
• Asia Pacific ex Japan funds	5	• Cash	15
• Singapore equities	5		



Currency allocation	%		%
• Sterling	47	• US dollar	4
• Hong Kong dollar	21	• Singapore dollar	7
• Sri Lanka rupee	11	• Other	3
• Australian dollar	7		

10 largest of 70 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	3.9	Guotai Junan	2.3
China Mobile	3.4	Bank of China	2.2
China Overseas Land & Investments	3.2	John Keells	2.1
PICC Property & Casualty	2.6	China Life Insurance	2.0
Swire Pacific	2.5	SATS	2.0

Source: Ruffer LLP

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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 £331.3m

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	0.74	1.01
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	GB00B8BZHCO5
SEDOL	3403532	B8BZHCO
Investment adviser	Ruffer LLP	
Sub advisor	Ruffer (Asia) Limited	
ACD	Capita Financial Managers Limited	
Depository	BNY Mellon Trust & Depository (UK) Limited	
Auditors	Grant Thornton UK LLP	
Structure	Sub-fund of CF Ruffer Investment Funds (OEIC) UK domiciled UCITS Eligible for ISAs	

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 January 2017, assets managed by the Ruffer Group exceeded £20.8bn, of which over £11.6bn was managed in open-ended Ruffer funds.

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