

# CF Ruffer Pacific Fund

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



February 2017 Issue 160

During the month, the fund rose by 1.8% compared to a 3.8% increase in the FTSE Asia Pacific Index TR, adjusted for sterling. Our currency hedges and certain Australian holdings, gold investments and corporates accounted for most of the underperformance, but we also lost out as a result of not being in certain markets, such as India

It has been a good start to the year for the Chinese financials and property companies in the fund (together accounting for about 40% of our Chinese exposure). For financials, the strength has come from several areas: a small pick-up in interest rates, which helps bank margins and insurance company returns; the first improvement in non-performing loans (NPLs) for four years; and perhaps more broadly the improvement in corporate cash flow and profits in 2016, with results generally coming in better than expected. The turnover in the Hong Kong market through the Stock Connect has also helped, and the discount on H shares has narrowed from around 25% to 18%, at the time of writing.

Many listed property companies have also seen a very good start to 2017, with buoyant presales, despite the restrictions on home purchases which have been introduced over the past year. They are seeing a big improvement in their working capital position (as they should, given the favourable system of presales), earnings look good for the next two years (based on prior year presales) and the sector is trading at a 50% discount to net asset value, with high dividend yields. Nationwide, there are still some cities with multiple years of oversupply, but inventory levels have been coming down.

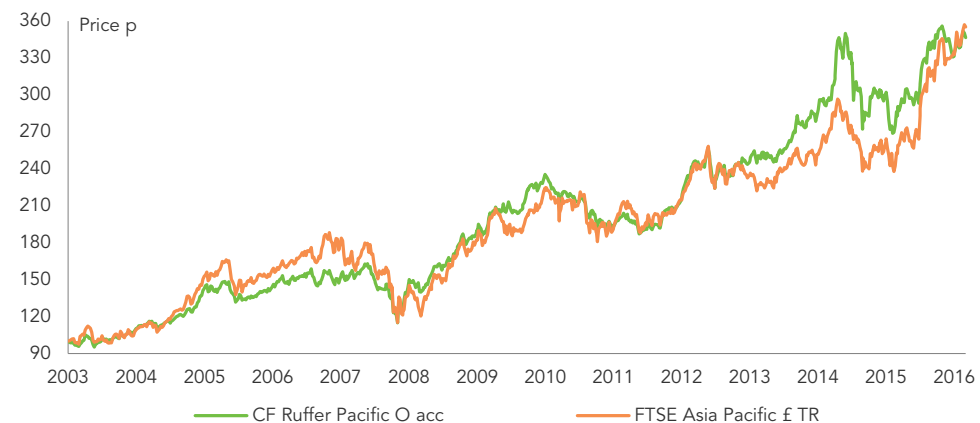
The same cannot be said of commercial properties. Fortunately this is a much smaller sector (accounting for about 20% of floor area), but not only are there high vacancy rates in both office and retail across multiple cities, but the floor area under construction suggests that vacancy will go a lot higher. Tangentially, this is good for businesses, who will benefit from lower rents, but it is clearly a risk for banks which have made loans to this sector. Our expectation is that we will not, however, see a sudden steep rise in bad debts associated with this, at least not in the larger listed banks. The funding structure for an investment property is longer term than that of a residential development, so bad debt recognition is likely to be more gradual. Indeed, there may even be investment opportunities in this reviled sector. One of our property investments has a shopping mall in a very over-supplied city, but has been able to fully let its space, due to the quality and location of the building. We are also somewhat skeptical of the official data on 'under construction'. The data is not particularly good for this sector, and we believe the numbers may be over-stated.

Overall, we remain positive about the outlook for the Pacific region, but somewhat nervous about the elevated levels of US stocks.

## 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 %	February 2017	Year to date	1 year	3 years	5 years	10 years	
O accumulation shares	1.8	3.7	22.4	37.9	71.5	132.7	
Percentage growth (O acc)	%		Share price as at 28 February 2017				p
31 Dec 2015 – 31 Dec 2016	10.6		O accumulation				346.58
31 Dec 2014 – 31 Dec 2015	4.9		C accumulation				351.67
31 Dec 2013 – 31 Dec 2014	16.7		C income				100.06
31 Dec 2012 – 31 Dec 2013	13.8						
31 Dec 2011 – 31 Dec 2012	11.7						

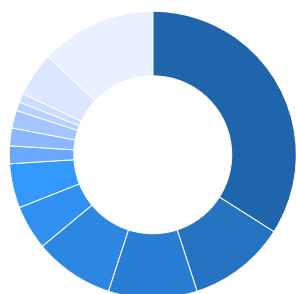
Source: Ruffer LLP, FTSE International (FTSE)†. The performance comparator has changed from the MSCI AC Asia Pacific to the FTSE Asia Pacific Index as Ruffer adopts FTSE as a data provider for all funds.

The fund's prospectus and key investor information documents are provided in English and available on request or from [www.ruffer.co.uk](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.

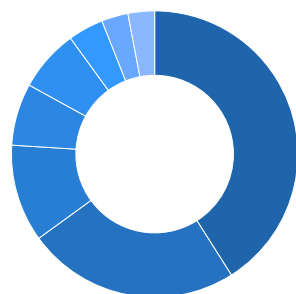
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

# CF Ruffer Pacific Fund as at 28 February 2017

## Portfolio structure



Asset allocation	%		%
China equities	34	Australia equities	2
Sri Lanka equities	11	Indonesian equities	2
Japan equities	10	North America equities	1
Hong Kong equities	9	Thailand equities	1
Asia Pacific ex Japan funds	5	Gold investments	5
Singapore equities	5	Cash	13
Philippines equities	2		



Currency allocation	%		%
Sterling	41	Singapore dollar	7
Hong Kong dollar	24	US dollar	4
Sri Lanka rupee	11	Philippines peso	3
Australian dollar	7	Other	3

## 10 largest of 69 equity holdings

Stock	% of fund	Stock	% of fund
Evolution Mining	4.0	Bank of China	2.4
China Overseas Land & Investments	3.2	Guotai Junan	2.3
China Mobile	3.2	Longfor Properties	2.2
PICC Property & Casualty	2.6	China Life Insurance	2.2
Swire Pacific	2.5	Nipro	2.2

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 £335.3m

## Fund information

	O class	C class
Ongoing Charges Figure*	1.59	1.25
Annual management charge	1.5	1.2
Maximum initial charge	5.0	5.0
Yield	0.73	0.99
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 (acc)	GB00B8BZHC05 (acc) GB00B7GW0G44 (inc)
SEDOL	3403532 (acc)	B8BZHC0 (acc) B7GW0G4 (inc)
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	

\* Refers to accumulation shares

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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 28 February 2017, assets managed by the Ruffer Group exceeded £21.0bn, of which over £11.7bn was managed in open-ended Ruffer funds.

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