

CF Ruffer Pacific Fund

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



March 2017 Issue 161

During the month, the fund fell by 1.2% compared to a 1.2% increase in the FTSE Asia Pacific Index TR, adjusted for sterling.

We are quietly growing in confidence about the underlying condition of Chinese corporate balance sheets. The most highly leveraged sectors are steel, cement, power, coal, aluminium, ship-building and property, among others, and these are sectors where there has been over-capacity and many companies have been losing money. In other words, there were some question marks over the ability of those companies to service their debts. But the situation has seen a big improvement in the past twelve months.

First of all, last year was a boom year for Chinese residential property sales. Chinese property companies pre-sell their properties, usually a year or two before completion, and can receive up to 100% upfront, so rising presales can have a dramatic impact on cash flow and balance sheets. Secondly, state-owned enterprise (SOE) reform has so far focused on closing excess capacity. This was so successful in the coal sector that coal prices doubled between January and November last year. There have also been capacity closures in other industries, albeit not to such a great extent. We have now seen almost all Chinese company results for 2016, but one broker is estimating an RMB1.1 trillion cumulative improvement in free cash flow across five industries between 2015 and 2017, and another is projecting that the net-debt to equity of the Chinese companies under its coverage will fall from a peak of 32% in 2013 to just 9% in 2018. Many commentators view Chinese economic statistics as unreliable, but we consider the published, audited numbers of listed companies to be of very reliable quality in aggregate, so we view this turnaround as being entirely genuine.

Better cash flow means better ability for companies to service or pay down their debt, and that also means that the banks are looking more attractive. We are sure there are scores of very unhealthy smaller provincial banks, who have made some very poor quality loans, but the large, listed banks have generally had the ability to pick and choose their borrowers, and some banks are actually reporting falling non-performing loans. Another factor that is helping both companies and banks, is that China has moved from an extended period of producer price deflation to producer price inflation. This is likely to lead to an improvement in nominal GDP, which is good for businesses. Interest rates have ticked up modestly, which helps banking spreads.

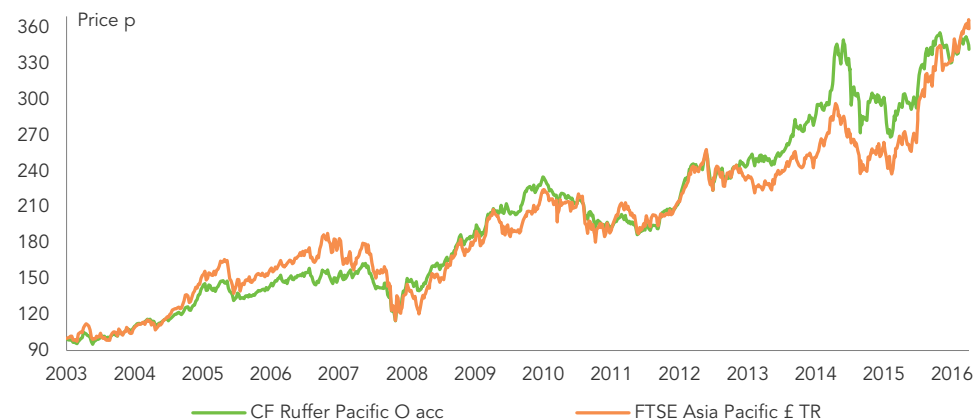
Staying on China, we think that 'one belt, one road', or OBOR, is another factor that has the potential to provide not only good investment opportunities, but could also be transformative for other countries in the Asia Pacific region. As an example, China has so far made commitments to invest USD55 billion into Pakistan, a country with GDP of USD271 billion. Much of China's investment is in power plants, and construction of these is already under way, but it is also investing in ports, roads, rail, oil pipelines and fibre optic cables – similar to the Chinese model of economic development. Pakistan's domestic security is still a concern, but if security remains under control, we think Pakistan could reap enormous benefits from OBOR.

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.

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



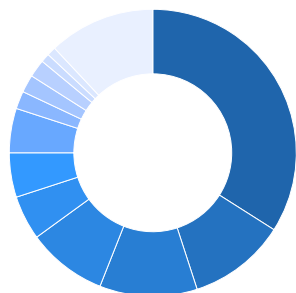
| Performance % | March 2017 | Year to date | 1 year | 3 years | 5 years | 10 years | |
|---------------------------|------------|--------------|---------------------------------|---------|---------|----------|--------|
| O accumulation shares | -1.2 | 2.5 | 15.9 | 36.9 | 73.9 | 134.2 | |
| Percentage growth (O acc) | % | | Share price as at 31 March 2017 | | | | p |
| 31 Mar 2016 – 31 Mar 2017 | 15.9 | | O accumulation | | | | 342.34 |
| 31 Mar 2015 – 31 Mar 2016 | -5.6 | | C accumulation | | | | 347.45 |
| 31 Mar 2014 – 31 Mar 2015 | 25.2 | | C income | | | | 98.80 |
| 31 Mar 2013 – 31 Mar 2014 | 2.6 | | | | | | |
| 31 Mar 2012 – 31 Mar 2013 | 23.9 | | | | | | |

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.

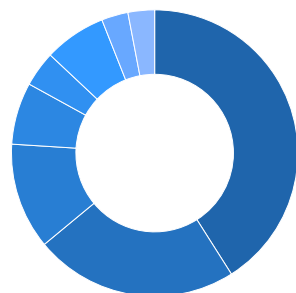
Ruffer performance is shown after deduction of all fees and management charges, and on the basis of income being reinvested. Past performance is not a guide to future performance. The value of the shares and the income from them can go down as well as up and you may not get back the full amount originally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

CF Ruffer Pacific Fund as at 31 March 2017

Portfolio structure



| Asset allocation | % | | % |
|-------------------------------|----|--------------------------|----|
| • China equities | 34 | • Australia equities | 2 |
| • Sri Lanka equities | 11 | • Philippines equities | 2 |
| • Japan equities | 11 | • Indonesian equities | 2 |
| • Hong Kong equities | 9 | • North America equities | 1 |
| • Gold investments | 5 | • Thailand equities | 1 |
| • Asia Pacific ex Japan funds | 5 | • Cash | 12 |
| • Singapore equities | 5 | | |



| Currency allocation | % | | % |
|---------------------|----|--------------------|---|
| • Sterling | 41 | • US dollar | 4 |
| • Hong Kong dollar | 23 | • Singapore dollar | 7 |
| • Sri Lanka rupee | 12 | • Philippines peso | 3 |
| • Australian dollar | 7 | • Other | 3 |

10 largest of 69 equity holdings

| Stock | % of fund | Stock | % of fund |
|-----------------------------------|-----------|----------------------|-----------|
| Evolution Mining | 3.9 | Bank of China | 2.4 |
| China Mobile | 3.2 | Nipro | 2.4 |
| China Overseas Land & Investments | 3.0 | Longfor Properties | 2.3 |
| PICC Property & Casualty | 2.6 | China Life Insurance | 2.2 |
| Swire Pacific | 2.4 | Guotai Junan | 2.2 |

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 £333.3m

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 | 0.72 | 0.97 |
| 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

† © FTSE 2017. 'FTSE®' is a trade mark of London Stock Exchange Group companies and is used by FTSE under licence. All rights in the FTSE Data vest in FTSE and/or its licensors.

Neither FTSE nor its licensors accept any liability in relation to the FTSE Data data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

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 March 2017, assets managed by the Ruffer Group exceeded £21.4bn, of which over £11.8bn was managed in open-ended Ruffer funds.

Enquiries

Ruffer LLP +44 (0)20 7963 8254
80 Victoria Street rif@ruffer.co.uk
London
SW1E 5JL www.ruffer.co.uk

Dealing line

0345 601 9610

Issued by Ruffer LLP, 80 Victoria Street, London SW1E 5JL.
Ruffer LLP is authorised and regulated by the Financial Conduct Authority. © Ruffer LLP 2017